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# **Income support for older persons in the Republic of Korea : a perspective of older persons**

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**Soo-Wan Kim**

(Kangnam University)

# I. Introduction

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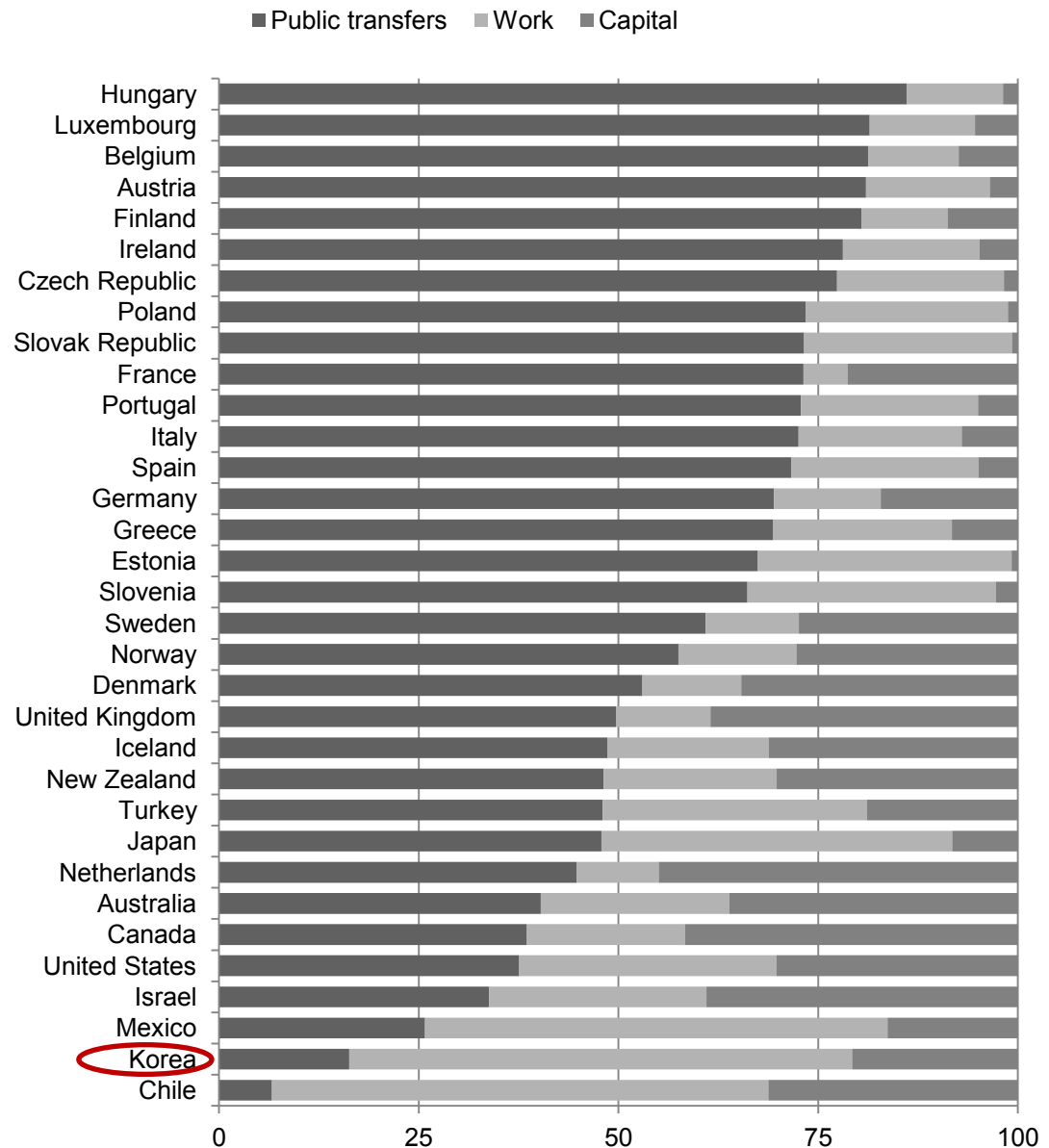
- This presentation aims to reveal the characteristics of income support for older persons in Korea from the perspective of older persons.
- The National Pension Scheme (a contributory pension) has played a leading role in the whole old-age income support system in that it legally covers all the working populations as the insured.
- Two issues of pension reform debates in Korea;
  - **Socio-political sustainability:** slow maturity, limited coverage (incompliance, labor market), low take-up rates of the current elderly
  - **Financial sustainability:** rapid population ageing (higher life expectancy, low fertility rate\*), inherence in partial funded system
- In this presentation, non-contributory public income support system (zero pillar) will be mainly focused in order to understand the current income support for older persons in Korea.

# II. Old-age income security system in Korea and its effects

- Currently Korea has established a multi-pillar system as Table 1 shows.

Pillar	Coverage			Main Criteria		
	Life-time poor	Informal sector	Formal sector	Characteristics	Participation (coverage rate)	Funding
0	X	X	x	Basic old-age pension(2008)* National Basic Living Security Scheme (2000)	Quasi-universal Residuary	Government's general funding
1			X	National Pension Scheme(1988) and Special Public Pension Schemes (DB)	Mandatory	Contributions
2			X	Legal Retirement Scheme and Pension (DB or DC)	Payment Retirement Mandatory	Employer contributions
3		X	X	Individual Pension Scheme	Voluntary	Individual contributions
4	X	X	X	Private transfer, savings or asset	Voluntary	-

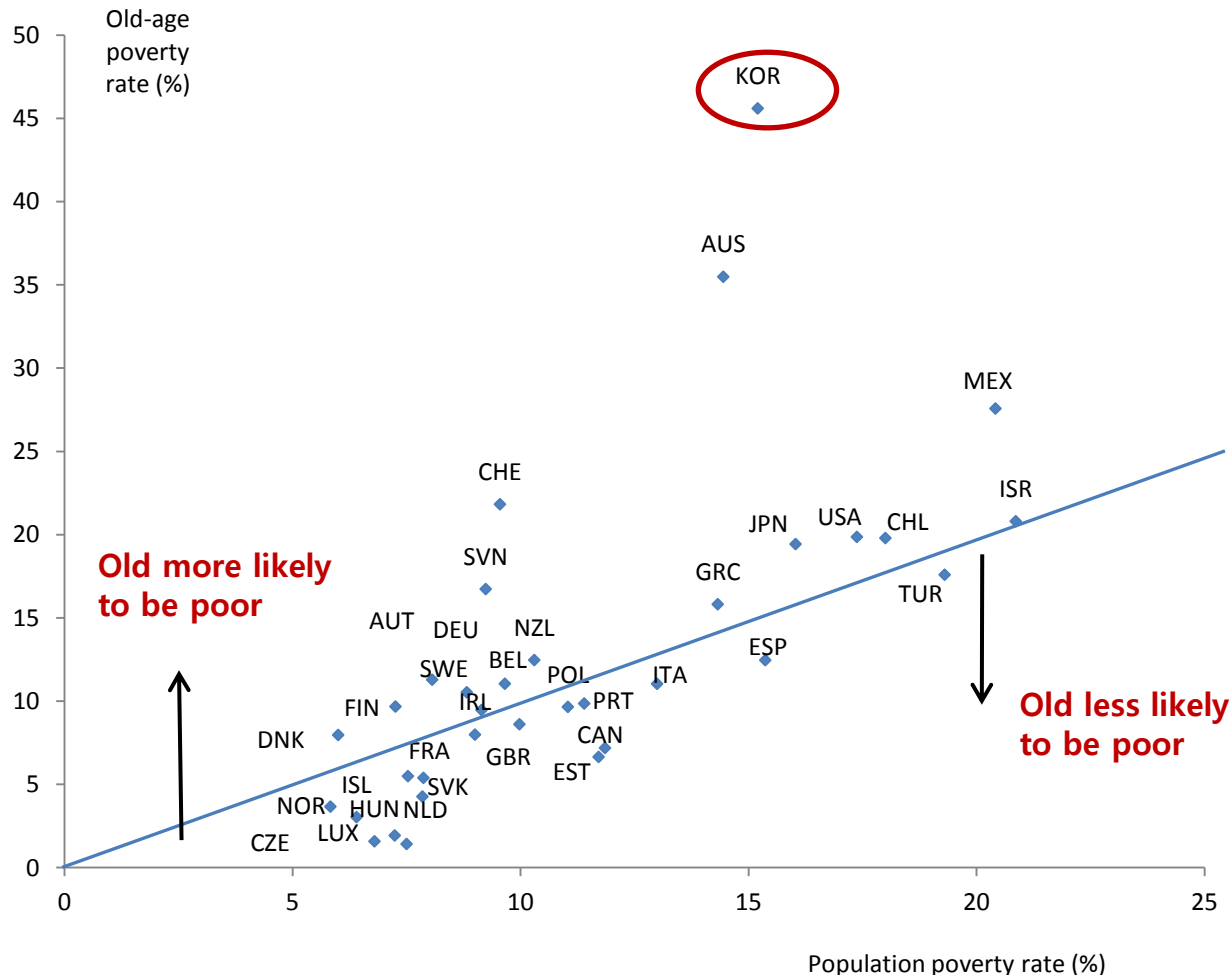
However, elderly households' income composition reveals that the multi-pillar system is still at an immature stage.



Percentage of total household disposable income, late 2000s

Source : OECD (2013) Pensions at a Glance

As a result, old-age poverty rate in Korea is quite high compared to other OECD countries. Furthermore, the elderly in Korea is one of the most disadvantaged groups in the society.



Source: OECD Income Distribution Database. See OECD (2008), Tables 5.1 and 5.3.

# ]III. Development of non-contributory pension in Korea

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- National Basic Livelihood Security System (1999)  
: public assistance program to provide minimum support
- Senior Pension  
: means-tested flat-rate benefit(maximum 3% of the average income)
- Basic Old-age Pension (2007)  
: benefit (5% of average income of the NPS insured), coverage (70% of the population over the age of 65)

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