

What Hinders the Transition from Benefits Reciprocity to Labor Market in the Korean Social Assistance Program? : In the case of working-age recipients*

Chang, Jiyeun

(Korea Labour Institute)

Lee, Hyonjoo

(Korea Institute of Health and Social Affairs)

Cheon, Byungyou

(Hanshin University)

[Abstract]

This study is to identify the factors deterring or precipitating the exit from welfare reciprocity to labor market in the Korean social assistance program. The results from the empirical analyses of the Korea Welfare Panel Study(KOWEPS) show that the duration dependency is not due to increasing welfare dependency with duration, but to the fact that longer stayers have many vulnerable conditions to escape from poverty. Particularly, the main factors determining the transition from reciprocity to labor market are not individual or household characteristics such as human or social capital. Those having adolescents of secondary education in their households or participating in some effective labor market program such as job placement service tend to have significant effects on the exit rates from reciprocity. That means that the institution-related factors such as the education and health supports combined with benefits and the

*The research of this paper is supported by the Research Grant of the National Research Foundation of Korea(Social Science Korea NRF-2011-330-B00052). The authors wish to thank members of the Social Science Korea research team(Reproduction Structure and Socio-Political Agenda-Setting of Multiple Disparities) and three anonymous referees for their invaluable comments and recommendations. This paper also benefited from its circulation at the 2013 3rd Conference of the Regulating for Decent Work Network Organized by International Labour Office (ILO).

effective labor market programs are important in the translation from reciprocity to labor market of working-age recipients in the Korean social assistance scheme.

Key words: poverty, exit from reciprocity, labor market integration, panel data

1. Introduction

Social discourse and criticism of welfare dependency have both been widespread for the last few decades in Europe. Policy makers pursuing a sustainable welfare state have tried to discover how to return benefit recipients towards decent jobs. Although the social assistance for the poor only goes back to 2000 in Korea, one can easily observe concerns about welfare dependency particularly since the conservative government in 2008.

After the 1997 Asian economic crisis, which made the Korean people alert to the issue of poverty, in particular that of working poor, the existing social assistance program was fundamentally reformed to include the working poor and to guarantee minimum security of livelihood in 2000. The National Basic Livelihood Security System(NBLSS) put emphasis on workfare and required strong job-search efforts for the beneficiary as well.

The main function of social assistance program is to protect people from poverty. Then, the social assistance program that aims toward workfare as well as income protection helps the working poor to become economically independent by having them get jobs. Ideally, when some people become poor, they should receive social assistance and financial support. Meanwhile, recipients with working abilities should be able to exit from poverty and be independent through labor market participation.

In this study, we will examine whether recipients can exit poverty and relinquish social assistance via employment, and what deters their transition from reciprocity towards labor market. The question is asked: Does the Korean social assistance scheme function well in terms of labor market reintegration of the recipients as well as income support for them? Breaking down the question into sub-questions, first we can ask: Do Korean welfare recipients tend to persistently depend on welfare assistance? Is there duration dependency of working-age recipients in the NBLSS? Second, what are the factors that make beneficiaries hesitate to change their dependent status? We hypothesize that some institutional factors embedded in the program itself affect behavioral patterns of the recipients more than do cultural or psychological factors. Using the panel data, factors influencing transition from poverty and social assistance towards employment are analyzed.

This paper is composed of the following five chapters. In the next chapter, we briefly overview Korean social assistance programs and present a review of previous researches on the welfare dependency issue, in which some implications have been obtained on hypotheses of the behavioral patterns of welfare recipients. In the third chapter, the data set and analytical methods used in this paper will be introduced. The fourth and fifth chapters present analytical findings to identify factors that affect the working poor's exit from welfare recipient status and test several hypothetical explanations using individual level as well as household level analyses. The summary of the paper and the concluding remarks will be presented in the final chapter.

2. Literature Review and Research Questions

1) Findings from Previous Researches

Ideally, the poor who receive social assistance should have a chance to work and a further chance to exit from poverty and dependency. Many researchers have tried to find factors that positively influence work and independency. Nonetheless, some researchers have found inconstant relationships among employment, poverty status, and welfare dependency.

Cheng(2002) explained employment as a key step to independency. But Cheng found that a small number of recipients in the United States could be independent through employment. Cheng saw many factors that may be related to employment and other factors that may be related to dependency. Occupational skills, personal earnings, and educational level are usually associated with an individual's employment. Moreover, personal experience, including work experience, welfare history, and welfare policies could influence on welfare dependence. It was also found in the study that many welfare recipients leave welfare without financial independence, but some welfare recipients did go to work and eventually leave welfare and poverty. Occupational skills, work experience, child support, marriage, and welfare history were among the factors promoting such change.

Cancian and Meyer(2004) also examined the relationship between welfare dependence and poverty status. They even included material hardship as part of their analysis topics. They examined the success of Temporary Assistance to Needed Families(TANF) reform, focusing on indicators of success. Reviewed are three different indicators of economic well-being: independence from public assistance (measured as reduced use of public benefits), having income above the poverty threshold, and freedom from material hardship. Cancian and Meyer claimed that their

conclusions might be sensitive depending on which indicator is selected as a representative indicator of success. Their study implied that poverty status and social assistance dependency might not match. Of the three base measures, each suggest different levels of success for families that move from welfare: 26% avoid “dependence,” 56% avoid poverty, and 59% avoid hardship. The researchers also explicitly considered the joint distribution of alternative measures of success. That is, they not only compared the level of success as measured by alternative definitions, but they also examined the extent to which success in one realm is associated with other forms of success. Regarding joint distribution, Cancian and Meyer found only 16% of women were successful by all three measures. An additional 30% were successful by two of the three: 33% were successful by only one measure; and 2% failed by all three measures. Patterns of success are complex: the most common pattern is avoiding poverty and hardship but not dependency.

Van Berkel(2007) explored the unemployment and social assistance periods of a large group of people who managed to become independent from social assistance by finding jobs. Van Berkel investigated the sustainability of social assistance independence and labor market inclusion, and identified groups that are more or less likely to be confronted with spells of renewed social assistance dependency or unemployment. Persons included in the analysis belong to four groups who were dependent on employment and social assistance periods 18 months after having to leave their jobs. The four groups consisted of “no social assistance recidivism - no unemployment spells,” “social assistance recidivism - no unemployment spells,” “no social assistance recidivism - unemployment spells,” and “social assistance recidivism - unemployment spells.” The empirical distribution of the job finders over these four groups was: 58% experienced neither unemployment nor social assistance dependency, 11% experienced both unemployment and social assistance dependency, and 29% experienced unemployment without becoming dependent on social assistance again. A very small group(2%) became dependent on social assistance again without renewed unemployment. Finally, van Berkel found social assistance independence is much more sustainable than labor market participation.

Van Berkel’s(2007) conclusions were summarized as three points. First of all, sustainability of social assistance independence is something different from sustainability of employment, which Van Berkel explained as caused from an institutional context in the Netherlands. Second, a large proportion of job finders found employment through a temporary agency. Van Berkel commented that temporary agency work is not a stepping stone towards more stable labor market inclusion. Third, determinants of successful labor market entry may differ from determinants of sustainable labor market inclusion. For example, single parents could very well be affected by policies to support sustainable labor market inclusion. The researcher examined the impact of subsidized jobs, to which participants in this reintegration program used to be mediated frequently. Van Berkel

used a bigger picture, implying that institutional context might be important to becoming independent. And work supporting programs via temporary agency could have limitations in successful labor market inclusion and financial independence.

As previously mentioned, researchers studying welfare dependency provided insight for this study. Because they have focused on broken sequences and the relationships between work, exiting poverty, and independence from welfare, Bane and Ellwood(1994) explained welfare dependency using three models sorted from existing research about welfare dependency: rational choice models, expectancy models, and class cultural models. In sum, according to rational models, benefit level over earning causes welfare dependency, and incentives might be a key to leaving social assistance. The expectancy models focus on duration of poverty and learned helplessness as causes of welfare dependency. In expectancy models, recovery of confidence as well as supportive programs is important in overcoming dependency. Moreover, class cultural models assume that the values and attitude of the poor cause dependency. Researchers who used the last model have not shown sufficient evidence to decrease dependency.

Just a few study on the factors that influence on exit from social assistance can be found in Korea. Low level of availability of the data cause the situation. The studies on exit tend to focus the factors related to work, so institutional factors are likely to be ignored. Park et al.(2004) explained, in his study, sex and family structure influence on the exit from social assistance. And he accepted that work and income increase are the important factors. Kang et al.(2006) claimed that welfare dependency is high in Korea, and human capital is core to exit from social assistance. Ku et al.(2008) explored the cause of the entry and exit of social assistance. He explained the factors related to the exit are sex, age, education, health and job condition. No et al.(2009) insisted that sex, marriage status, housing condition, job are the factors related to the exit. Ahn et al.(2011) also explained that household size, education, health, job are the factor. And she adds welfare dependency to the factors that could influence on the exit. Lee(2010) agreed to the previous study's conclusion and said that welfare experience could influence on the exit.

The researches mentioned above include common features. They did not consider the factor related to the social assistance policy itself, institutional frame. NBLSS(National Basic Livelihood Security System) is a representative social assistance program in Korea. The eligibility test for NBLSS has two criteria: income including tariff income and economical availability of family such as adult child or parents. The income of applicants is measured including earnings and private/public transfer and tariff income. Tariff income is defined as multiple assets by conversion rate.

As the official poverty line, the minimum cost of living is the reference level for the test. It is about 40% of median income in 2013¹⁾. A variety of benefits including housing, medical care, and

educational support is provided for the NBLSS recipients. The rigidity of eligibility for assets and economical availability of family has been criticized. The main point of the critics is that such rigidity creates limitations for NBLSS to cover the poor. NBLSS recipients comprise about 3% of total population. The poverty rate below the minimum cost of living is about 10%(Kim et al., 2012). Therefore, the poor who are not recipients are about 7% of the total population.

Because NBLSS is managed as a supplementary program, the total benefit amounts could be equal to the gap between the official threshold (poverty line) and individual household income. Thus, there is a risk that not a few recipients could underreport their income to get higher cash benefits and stay on NBLSS. The past ten years was the era of dramatic development of social policy in Korea. Many of these programs have also targeted the recipients of NBLSS. Finally, the level of total benefit recipients of NBLSS could receive become much too high. Under these circumstances, targeting overlap and notch effect have been a critical issue in social policy, especially regarding social assistance. The recipients of NBLSS receive about 80.7% of the minimum cost of living from various programs, but the poor who are not the recipients receive just 16.6% of the minimum cost of living as benefit(Kim et al., 2012: 363). In Korea, living on social assistance has been made more attractive by concentrated benefits. Therefore, the recipients usually want to stay in the system.

Self-support programs have supplied and been enforced for the working poor in NBLSS. The working recipients have to have jobs to receive their benefits. Many researchers insist that the work requirements are not so rigid: many working recipients are able to stay in the program and keep such high benefits even though they work outside the monitoring system and earn a higher income than the reference level. Unemployment recipients can use Self-reliance Aid Centers that are government funded organizations. But the rate of participation in this public program among working recipients and the exit rate from NBLSS through the program have been low. Thus, the low rate of successful self-reliance has been a matter of concern.

1) Median income is calculated using the Household Finance Survey 2011, previous two year median income growth rate, and equalizing index.

〈Table 1〉 Rate of Self-reliance among Users of Self-reliance Aid Centers in 2010

program	Participants (person)	Success rate (%)	Leave rate (%)
the employed beneficiary	25,819	15.8	7.2
Intensive support for employment	5,079	40.1	18.3
By Department of Labor	2,480	33.7	13.6
By Department of Welfare	2,599	46.2	22.8
total	30,898	19.7	9.0

Source: The Ministry of Health and Welfare of Korea.

As a features that influence on the exit from social assistance, institutional factors have been considered by the studies tried to identify the concept of 'exit from social assistance' and divide the beneficiary into several groups by their key features. Kim et al.(2008) assorted the exit from social assistance into three group: exit from poverty, exit by the eligibility test, exit by the other(for example death). The exit from poverty could be reassorted into two: by the factor of work and income increase, by the economical availability of family. The exit by the eligibility test considered other benefit increase, change in reference of eligibility test, and monitoring impact. No et al.(2009) also tried to divided the exit into two. One is 'exitI' that is the exit by employment and income increase. The other is 'exit II' that is the exit by a change of reference for eligibility test. Noh and Won(2011) insist exit by income increase should be distinguished from exit by a monitoring or a change of reference.

All the studies I mentioned imply that institutional factors could be a key for the exit in Korea. Of course, to exit from poverty and social assistance, human capital and work opportunities are important. We will examine their influence on poverty dynamics and social assistance dynamics. Further, we will extend our attention to institutional factors related to the notch effect. We can suppose the following situation. The determinativeness of assets and other factors are more powerful than workability in an eligibility test, and the total benefit related to social assistance is sufficiently large to create a notch effect between the recipients and the poor outside social assistance. Each of the two could make the benefit bigger. In this situation, most poor people want to stay on social assistance. Finally, we are interested in the typology depending on the welfare dynamic and the social assistance dynamic, and then we want to pay attention to the impact of three kinds of factors: workability and labor market participation; duration of social assistance; and institutional factors including level of benefit, assets, and income. Not a few poor are outside of the social assistance system in Korea. And even though some people are not the poor, they are still protected by social assistance. The two cases are also problematic. Not a few researchers have tried to investigate the discrepancy between work and independence from social assistance, poverty, and welfare dependency

in other countries. We also investigated these features and primary causes in Korea.

2) Research Questions

Previous researches reveal several stories on the behavioral patterns of welfare beneficiaries. Some analytical papers found Human Capital and Expected Earnings as key factors in western context. Welfare recipients who expect relatively low labor earnings tend not to exit beneficiary status. Other papers emphasized History and Social Capital in order to explain welfare beneficiaries' behaviors. Social capital as well as human capital affects lifetime achievement including economic success. So, we may expect that welfare recipients with more social capital are more easily able to escape beneficiary status than persons without social capital.

The expected earning hypothesis and the social capital hypothesis are quite reasonable and have been supported by many previous researchers. In this paper, however, we focus on the institutional factors and the welfare dependency itself, which compete with each other in some sense. The institutional factor hypothesis reveals that if there would exist some welfare retention, it comes from the design of the system itself. On the other hand, the welfare dependency hypothesis reveals that people tend to be satisfied and stick to a dependent state on social support, even in the absence of other specific reasons.

The design of the social assistance system itself can encourage or discourage certain groups of recipients. We can refer these tendencies to institutional factors and identify some important characteristics of the system design.

First of all, the Korean social assistance system provides strong supports for education of children and adolescents and for medical costs of sick people in recipient households. Once the household leaves beneficiary status, all household members lose their educational or medical supports. Prolonged provision of such support for the nonrecipient poor may help working recipients earn basic living costs and to escape their beneficiary status. To test this hypothesis, we include some variables indicating household composition such as the presence of adolescents receiving secondary education, existence of a sick person in the household, and so on. These are the household conditions(special needs) closely related with the institutional design of the NBLSS.

Another institutional feature of the NBLSS is that it attaches strong work requirements to working members of recipient households, even though the effectiveness of program participation is questionable. Compared to nonparticipation, we can identify the effects of each labor market program such as temporary jobs directly created by public finances, self-supporting communities, job training, internships supported by public finances, and job search activities supported by public employment services.

Likewise in other countries, many skeptics still raise the issue of welfare dependency, which implies that once people stay on beneficiary status, they find it more difficult to escape such a status in Korea. They complain that the recipients tend to be satisfied with and ultimately become trapped in their status. These critics argue that social assistance recipients are getting more burdensome for welfare states. In this paper, we indirectly identify the existence of welfare dependency by figuring out the periodical effects that remain even after controlling various explanatory variables.

3. Data and Methods

1) Data

We used 「Korean Welfare Panel survey」 data produced by the Korean Institute of Health and Social Affairs(KIHASA) and the Institute of Social Welfare at the Seoul National University. The data ran from 2006 on an annual basis regarding income, assets, expenditure, and other living conditions including welfare status of the previous year. The sample households were about 7,000. Because of dropped cases, the sample households which remain from the first wave to the seventh wave, are about 5,500. The survey has run from 2006 to 2012 and the data show the changing situations from 2005 to 2011. Households with working age members in the 7th survey were selected for the analysis. Finally, our sample size was 4,374 households. The poverty line for this analysis was 50% of median disposable income.

〈Table 2〉 shows the proportion of occasional or persistent poverty by observing the same people for 7 years. We find that 26.8% of people aged 15~64 experience poverty at least once and that 5% of the population stay impoverished for more than four years, which implies many people get in and out of their impoverished state often. The table also shows that the proportion of poverty for the elderly is incredibly high in Korea.

<Table 2> Occasional and Persistent Poverty Ratio

	Age of 15~64	Age of 65+	total
Non-poverty	73.3	35.1	67.6
Occasional poverty	21.7	26.2	22.3
Persistent poverty	5.1	38.8	10.1

Note: persistent poverty if 4 or more consecutive years of poverty, Occasional poverty if 1~3 years of poverty

Source: Own calculations using 『Korea Welfare Panel Study』 data 2006~2012, the Korea Institute for Health and Social Affairs.

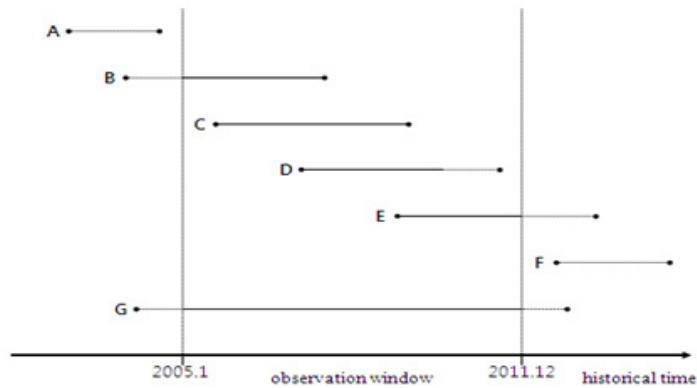
2) Method of Household Level Analysis

Analysis of this study could be divided into two by the method. One is at the level of household, the other is at the individual level. First is to find out the dynamic of the household that receive social assistance benefit and the factors influence on household welfare status. At the level of household, we try to classify according to the welfare dynamic and poverty dynamics. Sample households belong to nine groups. Depending on poverty status, there were three different categories: the non-poor, the poor, and those exiting poverty. The non-poor consist of households that never experienced poverty. Households named as "exiting poverty" have experienced poverty but have exited from poverty for more than three years before the last year. Other households include cyclers who are categorized as poor. Depending on welfare status, three types are also categorized. Those are non-recipients, leavers, and stayers. Non-recipients involve households that have never experienced social assistance benefits. Leavers are households that have received social assistance benefits but leave more than three years before the last year, 2011. The other households include cyclers of social assistance sorted into stayers. Finally, sample households are divided into nine groups: non poor-non recipient, non poor-leaver, non poor-stayer, exiting poverty-non recipient, exiting poverty-leaver, exiting poverty-stayer, poor-non recipient, poor-leaver, and poor-stayer.

Number of working age members, number of working members and employed members, education of head of household, earned income, benefit level, history of welfare, income, and assets are included as explanatory variables that influence the possibility that some households belong to some type of the nine. The number of working members and employed members are shown as the number of seventh wave and the change between the first wave and the seventh wave(the number in the seventh wave - the number in the first wave). The changes in the earned income ratio mean the gap between 'earned income/disposable income' of the seventh wave and the 'earned income/disposable income' of the first wave. Benefits from public support are measured by the sum of almost all public support except social insurance. The reference year for the benefit is 2008 because more than three years before 2011(the reference year of the last wave) are needed to leave social assistance. Duration of welfare experience is to assure whether culture or expectancy influence change of welfare and poverty status. Benefits, income, and assets are considered in finding that institutional conditions could have acted on welfare status.

3) Method of Individual Level Analysis: Event History Analysis

To identify personal and household characteristics affecting welfare recipient status, we rearrange the data set into a monthly history of social assistance recipient status at an individual level. Using seven waves of yearly surveys from 2006 through 2012, we can observe a maximum of 84 months of recipient history from January 2005 to December 2011. Figure 1 presents the observation window. We completely lose episode A and F and cannot observe parts of episode B, E, and G, which implies left and right censoring.



<Figure 1> Observation window of data

We use event history modeling, which is one of the best solutions to address duration data such as poverty, welfare receipt, employment, and unemployment. Hazard rate is defined as follows.

$$r_{jk} = \lim_{\Delta t \rightarrow 0} \frac{P_{jk}(t, t + \Delta t)}{\Delta t}$$

Here, $P_{jk}(t, t + \Delta t)$ is an instantaneous transition rate from j state at time t to k state at time $t + \Delta t$, while j is the social assistance recipient state and k is the nonrecipient state in our analysis. Time t is measured by month. We use both Cox regression models(Cox, 1984), which do not estimate duration effect parametrically and piecewise constant exponential models(Friedman, 1982), which estimate the hazards at each period of time. The duration-specific transition rate from

reciency to non-reciency state is supposed to be affected by the included explanatory variables, the duration of reciency and the time-varying indicator of calendar year 2008 or after, which is expressed in the following equation.

$$\ln r_{jk}[t_j x(t)] = q_{jk}(t) + b_{jk} x(t) + b_{jk} y_{2008}$$

In advance of hypothesis tests, the lower part of <Table 3> briefly presents the shape of sample data, which is composed of workable persons aged 20~64.²⁾ In our data, each working age person reports only 1.05 benefit recipient periods on average. Among those periods, 44% end up exiting from recipient status during the observation period. Average duration of receipt is about 41 months, including both exiting and staying periods.

<Table 3> also shows that variables included in the statistical modeling(Table 7). Respondents' household conditions are included in the model in order to identify special needs of family members. The existence of family members who need educational or medical supports has particular research interests in this analysis. Labor market programs which respondents have participated also attract our attention.

Expected earnings can be measured by proxy variables of human capital such as level of education, age, total months of labor market experiences, and types of employment in lifetime major jobs.³⁾ Social capital can be expected to affect the poverty and the benefit reciency status and the economic conditions for respondents experienced at age of 14 and mother's educational status are used as proxy variables to measure respondents' social capital.

To test the hypotheses, we control various possible factors affecting the transition rate of exiting beneficiary status. First, we include an indicator of whether the household has any other working person except the respondents. Second, we identify if the household has any child aged 7 or younger. Third, we include a time-dependant covariate indicating whether or not the time point is after January 2008, to control the effects of the global financial crisis at the end of 2007.

2) The original 『Korea Welfare Panel Study』 identifies four different levels of workability status from 'workable' to 'not-workable'.

3) 'Lifetime major job' is the job that a respondent has hold for longest period in her life.

<Table 3> Descriptive Statistic for spells and explanatory variables
(20-64 workable only, 7 year average)

variables		mean	s.d.
gender	female	0.59	0.49
age groups	aged 20-29	0.16	0.36
	aged 30-39	0.21	0.40
	aged 40-49	0.34	0.47
	aged 50-59	0.20	0.40
	aged 60-65	0.10	0.30
schooling	less than elementary school	0.11	0.32
	less than high school	0.40	0.49
	high school	0.33	0.47
	colledge or more	0.16	0.37
lifetime	regular emp.	0.34	0.47
	non-regular emp.	0.46	0.50
main job	self-employed	0.12	0.32
	unpaid family work	0.08	0.28
work experience	total months of work experience	221.71	147.41
economic condition in childhood	poor	0.13	0.33
	a little poor	0.35	0.48
	moderate	0.40	0.49
	well off	0.11	0.31
mother's schooling	less than elementary school	0.47	0.50
	elementary school	0.42	0.49
HH conditions	secondary school or more	0.06	0.23
	anyone else who are workable	0.68	0.47
	child under age of 7	0.19	0.39
	anyone in elementary school	0.32	0.47
	anyone in secondary school	0.39	0.49
	anyone in college student	0.19	0.39
	anyone in disabled	0.33	0.47
	anyone in chronically ill	0.72	0.45
anyone in sick	0.21	0.40	
LM program	publically financed temp job	0.02	0.15
	self-reliant community work.	0.08	0.28
participation	Social employment	0.06	0.23
	Job training/intern	0.03	0.16
	Job search serv.	0.02	0.14
evarege no. of spells per person		1.05	0.30
% of leaving recipient status		0.44	0.50
average duration of spells(months)		41.2	27.4
total no. of spells		580	

Source: Own calculations using 『Korea Welfare Panel Study』 data 2006-2012, the Korea Institute for Health and Social Affairs.

4. Result 1: Dynamic at the household level

As a result of classification, the leavers that exit poverty at the household level are just 0.3% of total households. Meanwhile, 1.4% leaves social assistance even though they are poor still. About 14.7% of households have been poor but are excluded from social assistance. Households that are recipients but are not poor consist of 0.5%. Even though they exit poverty, 0.9% of total households stay. Among the poor, a small number of households are protected by social assistance. And the number of leavers among working recipients is small.

According to Cancian and Meyer(2004), 26% that avoid dependency are avoiding poverty in the United States. It is 15% in Korea, though a more rigid reference is used to measure independence in this study. Many households above the poverty line (50% of median income) stay and the number of those households become much higher if we adjust the poverty line to the official poverty line (about 40% of median income).

<Table 4> Composition of Nine Types of Benefits and Poverty Status

Welfare dynamics		Non recipient	leaver	stayer	total
Poverty dynamics					
Non-poor	Case number(household)	2796	17	24	2837
	Within same poverty status(%)	98.6	0.6	0.8	100.0
	Within same welfare status(%)	69.5	18.7	9.3	64.9
	% of total	63.9	0.4	0.5	64.9
Exit from the poor	Case number(household)	588	14	38	640
	Within same poverty status(%)	91.9	2.2	5.9	100.0
	Within same welfare status(%)	14.6	15.4	14.7	14.6
	% of total	13.4	0.3	0.9	14.6
The still poor	Case number(household)	641	60	196	897
	Within same poverty status(%)	71.5	6.7	21.9	100.0
	Within same welfare status(%)	15.9	65.9	76.0	20.5
	% of total	14.7	1.4	4.5	20.5
total	Case	4025	91	258	4374

number(household)				
Within same poverty status(%)	92.0	2.1	5.9	100.0
Within same welfare status(%)				
	100.0	100.0	100.0	100.0
% of total				
	92.0	2.1	5.9	100.0

Source: Own calculations using 『Korea Welfare Panel Study』 data 2006~2012, the Korea Institute for Health and Social Affairs.

The rate of “exiting poverty-leaver” is low. But we can assure that employment and earning are a powerful way to leave poverty again in this analysis. An increase in the number of employed members and the ratio of earning to total income is greater than in other groups. Nonetheless, the number of working members and working age members, and the education of the households of leavers are not better than for that of stayers. Therefore, we have to review the reasons that some working recipients try to work and exit from welfare but some working recipients do not try to do so.

<Table 5> Key Features by Beneficiary and Poverty Status

		Non recipient	leaver	stayer	
Non poor	Humane capital and work	Number of working household member	2.3	1.8	2.9
		Number of workable household member(change)	2.6(.19)	2.4(.20)	3.1(.29)
		Level of education of household(year)	13.0	9.1	11.1
		Number of employed household member(change)	1.7(.21)	1.6(-.08)	1.9(.93)
		Change in earned income/disposable income	-1.8	-.34	y.52
	Institutional factor	Benefit from public support(10,000won)	57.9	445.2	473.9
		Disposable income(10,000won)	2.73	1.46	1.74
		Assets(1,000,000won)	39,677	7,009	4,410
	Expectance cultural factors	Duration in social assistance(years)	.02	1.92	9.53
Exit from the poor	Humane capital and work	Number of working household member	2.1	1.8	2.1
		Number of workable household member (change)	2.5(24)*	2.7(1.2)	2.5(.76)
		Level of education of household(year)	11.5	7.9	10.3

		Number of employed household member (change)	1.6(.39)	1.3(.64)	1.2(.45)
		Change in earned income/disposable income	-1.12	.71	.61
	Institutional factor	Benefit from public support(10,000won)	80.5	480.9	709.8
		Disposable income(10,000won)	1.99	1.52	1.62
		Assets(1,000,000won)	27,769	13,007	3,990
	Expectance cultural factors	Duration in social assistance(year)	0.10	3.36	8.78
		Number of working household member	1.9	1.5	1.6
	Humane capital and work	Number of workable household member (change)	2.2(.14)	2.0(.39)	1.6(.40)
		Level of education of household(year)	10.3	9.4	8.5
		Number of employed household member (change)	1.2(.01)	0.9(-.02)	0.5(.04)
The still poor		Change in earned income/disposable income	-6.21	-.26	.03
	Institutional factor	Benefit from public support(10,000won)	73.2	362.5	666.9
		Disposable income(10,000won)	1.15	0.86	0.81
		Assets(1,000,000won)	24,310	5957	1817
	Expectance cultural factors	Duration in social assistance(year)	.06	3.14	8.04

Source: Own calculations using 『Korea Welfare Panel Study』 data 2006~2012, the Korea Institute for Health and Social Affairs.

One can guess that institutional factors influence exclusion. First of all, the level of benefits for stayers is highest. The level for leavers is lower than that of stayers, which is assurance that the rational model could be applied to this phenomenon. The assets of the “poor-non recipient” and “the poor-leaver” are higher than for those of stayers. Actually, applicants failed to pass the eligibility test response to the question about the reason for their failing as follows: 23.8% of respondents answer assets as causes and 38.6% answers income and assets of family outside household. Just the price change of asset of recipients could lead to leaving social assistance.

<Table 6> Reasons for Failing the Eligibility Test

reason	case (household)	%	double count ratio
Income above threshold	20	10.5	12.9
Because of own vehicle	12	6.1	7.5
House price above threshold	25	12.9	15.9
Assets beside House above threshold	9	4.8	5.9
Income and assets of family outside household	74	38.6	47.4
others	35	18.4	22.7
Don't know	17	8.7	10.6
total	191	100.0	122.8

Source: Own calculations using 『Korea Welfare Panel Study』 data 2006~2012, the Korea Institute for Health and Social Affairs.

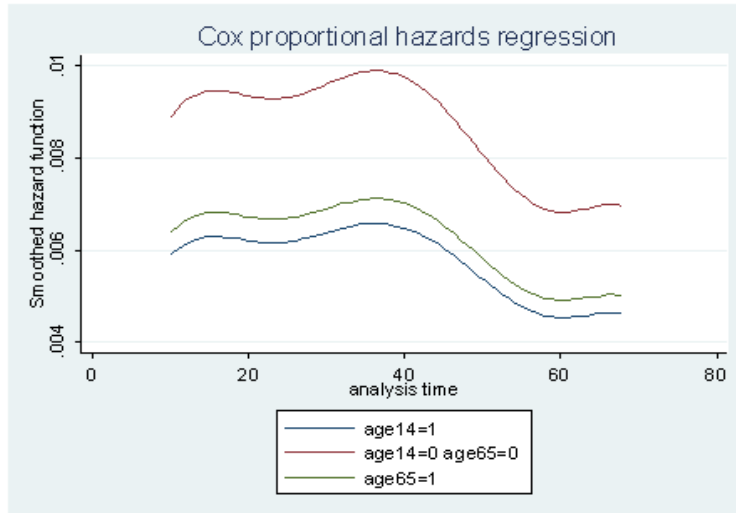
Duration of welfare for stayers is longer than for other groups. The average duration of stayers is about 9 years, which is more than three times that of leavers. In sum, the number of households in the group that exited poverty and left social assistance is not big. Yet among them, employment and earned income could act on financial independence strongly. Many households that stay on social assistance must be affected from income effects of concentrated benefits attached to social assistance. Not a few households are excluded even though they are poor. Rigidity might cause this exclusion. Thus, these two institutional features make a notch effect and make recipients want to stay on social assistance. In Korea, institutional factors might influence the dynamics of poverty and welfare.

5. Result 2: Dynamic at the individual level

First of all, we will start with testing the duration dependency hypothesis of the recipients being trapped in their status of the NBLSS. <Figure 2> and <Figure 3> shows the baseline hazards of getting out of the benefit recipient status for particular groups of people. As expected, the working age population tends to escape from their beneficiary status with higher rates at any time period than other age groups(Figure 2). Among people aged 20~64, having jobs tends to help them get out of their beneficiary status with higher rates at any time period than for other groups(Figure 3).

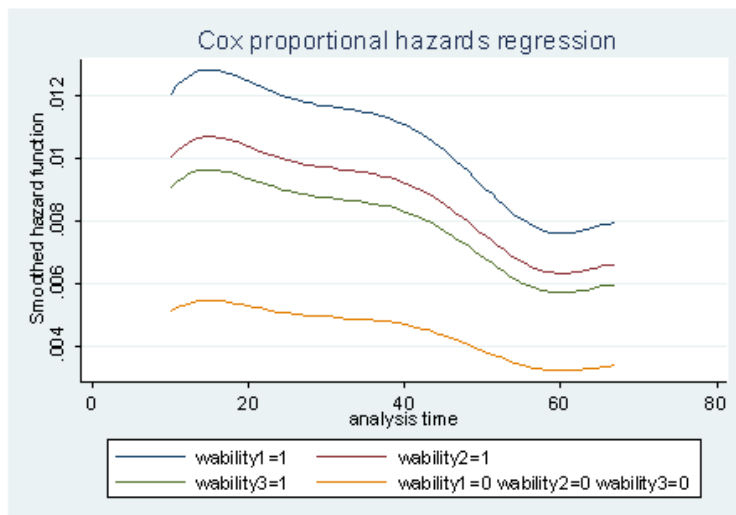
The baseline hazard of each group of people shows that the transition rate of getting out of welfare dependency towards employment tends to be lowered with the duration of reciprocity. This observation cannot be directly interpreted, however, as evidence of increasing welfare dependency of longer reciprocity duration. In general, the rate of exiting welfare reciprocity decrease with duration because more vulnerable beneficiaries stay longer in the system. Therefore, we need to investigate

welfare dependency claims with more careful analysis to find out the pure effects of duration controlling for the effects of individual characteristics.



Source: Korea Institute for Health and Social Affairs, 『Korea Welfare Panel Study』 2006~2012

<Figure 2> Hazards of exit from beneficiary status by age group

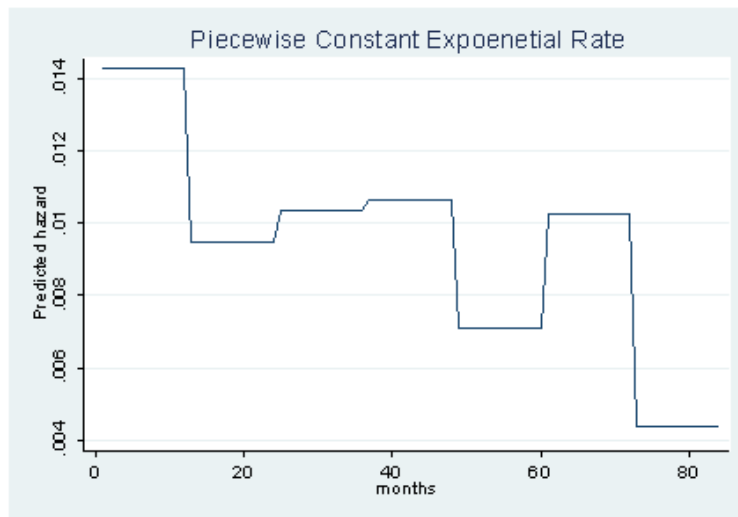


Note: wability1=1 if workable, wability2=1 if workable only at home, wability3=1 if able only for household chores, wability1=0 wability1=0 if unworkable.

Source: Own calculations using 『Korea Welfare Panel Study』 data 2006~2012, the Korea Institute for Health and Social Affairs.

<Figure 3> Hazards of exit from beneficiary status by workability status (ages 20-64)

The piecewise constant exponential model reveals the probability of exiting welfare dependency at each 12-month periods, as presented in [Figure 4]. Without controlling any other covariates, during the first 12 months, the transition rate from reciprocity to employment is relatively high, and the rate tends to be lower for the following three years, while the rate becomes unstable after four years of reciprocity. The figure coincides with the typical knowledge regarding welfare dependency as well. However, again, we cannot conclude that a longer stay on recipient status make people more dependent, because the long stayers may have many conditions hindering them from exiting poverty. What happens if the other possible causes are controlled? <Table 13> presents the results of modeling with such considerations.



Source: Own calculations using 『Korea Welfare Panel Study』 data 2006~2012, the Korea Institute for Health and Social Affairs.

<Figure 4> Duration effects: piecewise constant exponential models without cov.

The piecewise constant exponential model that controls for many individual characteristics and household conditions reveals that the effects of each period do not seem to increase with duration of staying. The z-value of testing the null-hypothesis of equal coefficients is only 1.237 (between 36-47 mo. and 65+ mo.), and below 0.8 in other coefficients, which means we can not reject the null-hypothesis that the coefficients are statistically different between duration periods. That is, a longer stay on beneficiary status itself is not a cause of welfare dependency. The reason that some people cannot escape from their welfare dependency should be explained in other ways.

〈Table 7〉 Coefficients of Hazard Models

		Cox model		Piecewise Exponential Model	
		coef	se	coef	se
Control Var.	HH_ any workable	0.555**	0.280	0.546*	0.279
	HH_ child under 7	-0.816**	0.321	-0.742**	0.319
	After Jan.2008	-0.397	0.265	-0.254	0.262
Human capital/ expected earnings	Female	0.126	0.254	0.104	0.254
	Age20	-0.555	0.437	-0.538	0.435
	Age40	0.156	0.339	0.151	0.337
	Age50	0.052	0.404	0.041	0.403
	Age60	-0.783	0.506	-0.726	0.502
	Less than elementary	0.209	0.545	0.253	0.544
	Less than high school	0.072	0.378	0.109	0.376
	high school	0.323	0.341	0.308	0.339
	Total LM experience	-0.001	0.001	-0.001	0.001
	Non-regular emp.	-0.274	0.261	-0.268	0.260
History/ Social capital	Self-employed	0.626*	0.343	0.588*	0.341
	Unpaid family work	0.450	0.404	0.402	0.405
	Childhood_ poor	-0.847	0.515	-0.742	0.515
	Childhood_ a little poor	-0.298	0.359	-0.226	0.360
	Childhood- moderate	-0.153	0.341	-0.050	0.339
	Mother- under elementary	0.074	0.486	0.159	0.482
	Mother_ elementary	0.022	0.474	0.114	0.470
	HH_ secondary school	-0.972***	0.283	-0.900***	0.280
	HH_ college student	0.169	0.296	0.097	0.294
	HH_ any disabled	0.009	0.264	0.004	0.264
Institutional /HH conditions	HH_ chronically ill	-0.222	0.262	-0.212	0.261
	HH_ sick	-0.188	0.312	-0.105	0.308
	Publically financed temp Job	-0.708	1.162	-0.637	1.163
	Community for indep.	-1.772**	0.793	-1.680**	0.783
	Social employment	1.459	0.982	1.396	0.975
Institutional /LM programs	Job training/intern	0.320	0.733	0.393	0.726
	Job search serv.	1.492*	0.813	1.480*	0.807
	0-11 mo.			-3.808***	0.705
	12-23 mo.			-3.851***	0.750
	24-35 mo.			-3.703***	0.802
Duration dependency	36-47 mo.			-4.604***	0.924
	48-59 mo.			-4.146***	0.941
	60+ mo.			-2.993***	0.918

Note: ***p<0.01, **p<0.05, *p<0.1 HH stands for households. LM stands for Labor Market

In the Cox and Piecewise Exponential Model, we control three variables which may affect the exit rate from beneficiary status. The existence of any other working household members except respondents affects the rate, as easily expected. The presence of working members increases the transition rate by 72.5%. On the other hand, the presence of children under 7 in the household decreases the exit rate from beneficiary status by 52%.

We also include the time-varying covariate('After Jan.2008') indicating that the calendar year is after 2008 because the global financial crisis of the end of 2007 might also have affected the Korean labor market. The results, however, indicate that the exit rates of beneficiaries are not quite different before or after the crisis.

Unexpectedly, covariates reflecting the level of human capital and social capital of respondents do not seem to affect exiting beneficiary status. The only statistically significant result founded in the model is that persons who have been self-employed tend to escape from recipient status at higher rates than their regular wage worker counterparts. It is also noteworthy that poverty experienced in their adolescence and their mothers' education levels do not affect the recipients to be more dependent on welfare benefits in their later lives in Korea.

As we expected, the design of the social assistance system itself matters, which we called an institutional factor, and we identified two distinguished institutional variables. The first is an interaction between special needs of each household and the institution. The result shows that the existence of adolescents receiving secondary education in households decreases the exit rate from beneficiary status by 59%. The presence of chronically-ill or sick household members also reduce the exit rate, but it is not a statistically significant result. The results means that the institutional design of combining the basic benefits with the educational supports in the NBLSS has the possibility of decreasing the exit rate while the health supports have little significant effects contrary to the conventional expectations in Korea.

The quantity and quality of employment services provided to the benefit recipients are expected to affect the possibility of exiting their statuses. The findings from our modeling support this expectation. Compared to the recipients who do not go on any employment service programs, people settled in so-called "self-reliant community work" tend to exit at lower rates, and people provided with employment services including job placement service tend to exit at a higher rate. Other programs such as publically financed temporary jobs and job training for the beneficiary do not seem to make a great difference in terms of their exiting from recipient status⁴⁾.

6. Conclusion

Korea has developed its social assistance system, the NBLSS that supports poor families without excluding households of the working poor since 2001. Some critics have worried about increasing

4) Some caution should be added in this interpretation, for labor market programs are not randomly assigned to the recipients, which means that there are selection-bias problem in our model. The more rigorous estimation methods to control for the bias will be needed in the later studies.

welfare dependency, particularly for those with working ability. We attempt in this paper to investigate the factors that make beneficiaries dependent on the assistance program.

Using household level descriptive analysis, we investigated the characteristics of the leaver and the stayer of social assistance programs. We found that value change of assets and the change of caregivers are highly related with beneficiary status, while new employment of household members definitely explains large parts of exiting welfare. These findings and implications from previous research in various other countries give insight that institutional factors related with household conditions and labor market policies as well as individual characteristics such as human and social capital influence exiting welfare dependency.

With individual level analytical modeling, we first test the hypothesis that the longer recipients stay in their dependent status, the harder it is to leave their status. The show that it is not. At a glance, we observe decreasing transition rates with duration of benefit reciprocity. By controlling major factors affecting welfare dependency, however, the duration dependency disappears. That means that the long stayers have many vulnerable conditions not to escape from poverty, and the institutional design of social assistance do not help them to overcome them.

We confirmed that specific family needs interacting with reciprocity rules such as educational support combined with the basic benefits, cause longer stays on beneficiary status. That implies that prolonged supports for family needs after the exit may provide more positive incentives for the working age recipients to take a job and to escape from assistance programs. The participation and the quality of employment service also matter. We observed some labor market programs such as job placement service work well, whereas others do not.

Korea is now in the middle of a debate on social assistance reform. The key change would be expected in the development of categorical support including housing support, medical aid, and educational support to meet the basic needs of poor families. The government also expects to give some help for more people who have not been covered by the current system. On the other hand, the government has raised the issue of coverage and quality of employment services provided to the poor, with underlying worries about budget constraints and the long stay of the working poor on social assistance. As we have seen, however, the stagnant duration dependency of the working age recipients on the assistance program has not been observed in Korea. That is, some effective modifications of the incentive structure in the institution would be helpful in affecting the possibility of exiting from dependency.

References

- Ahn, S., Ku, I., and Lee, W., 2011, "Determinants of the exit from national basic livelihood protection program", *Social Welfare Policy*, 38(1): 199-216.
- Bane, M., and Ellwood, D., 1994, *Welfare Realities: from Rhetoric to Reform*, Cambridge: Harvard Univ.
- Cancian, M., and Meyer, D. R., 2004, "Alternative measures of economic success among TANF participants: Avoiding poverty, hardship and dependence on public assistance", *Journal of Policy Analysis and Management*, 23(3): 531-548.
- Cheng, T., 2002, "Welfare recipients: How do they become independent?", *Social Work Research*, 26(3): 159-170.
- Cox, D. R., 1984, *Analysis of Survival Data*, Chapman and Hall.
- Friedman, M., 1982, "Piecewise exponential models for survival data with covariates", *The Annals of Statistics*, 10(1): 101-113.
- Kang, S., Lee, H., Shin, Y., Ku, I., and Lim, W., 2006, *A Study on The Dynamics of The Beneficiary and Related Factors of Social Assistance*, KIHASA.
- Kim, M., Yeo, Y., Kim, T., Song, C., Oh, J. and Lim, M., 2008, *A Survey on the Exit of Workable Recipients*, KIHASA.
- Kim, M., Kim, T., Uh, S. and Lee, S., 2012, *Poverty Statistical Yearbook 2012*, KIHASA.
- Kim, Y., Jong, W., Cha, B., Kim, S., Park, H. and Park, N., 2012, *A Assessment Report for the Public Policy 2010: the Policies for Social Protection*, KDI.
- Ku, I., Kang, B., Lee, H., Ahn, S., and Lee, W., 2008, *A Study on Exit and Entry of Social Assistance*, Research Institute for Social Welfare, SNU.
- Lee, W., 2010, "Welfare dynamics in Korea: Determinants of welfare exit", *Korean Journal of Social Welfare*, 62(3): 5-29.
- No, D., Won, I., Lee, J. and Park, E., 2009, *A Survey about the factors of the Workable Recipients' Exit*, Ministry of Welfare-KIHASA.
- No, D., and Won, I., 2011, "A study on the welfare exit of public assistance recipients: A comparison between successful and administrative welfare exit", *Journal of Community Welfare*, 37: 333-360.
- Park, N., Yu, J., Lim, W., and Baik, H., 2004, *A Study on The Dynamics of The Beneficiary of Social Assistance*, KIHASA.
- Van Berkel, R., 2007, "Social assistance dynamics in the Netherlands: Exploring the sustainability of independence from social assistance via labor market inclusion", *Social policy and Society*, 6(2): 127-139.

근로연령대 수급자의 탈빈곤 : 노동시장통합 결정 요인에 관한 연구

장 지 연

(한국노동연구원)

이 현 주

(한국보건사회연구원)

전 병 유

(한신대학교)

본 연구의 목적은 한국의 공공부조제도에서 근로연령대 빈곤인구의 빈곤 탈출과 노동시장에 통합을 촉진 또는 저해하는 요인이 무엇인지를 실증적으로 분석하는 데 있다. 한국보건사회연구원의 복지패널 자료를 활용하여 분석한 결과, 한국의 근로연령대 기초생활보장수급자들의 기간 의존성이 나타나고 있지만, 이는 수급기간이 길어짐에 따라서 복지의존성이 강화되었기 때문이라기보다는 장기 수급의존층의 경우 수급 탈출에 취약한 조건들을 가지고 있기 때문이라는 점을 확인하였다. 특히 수급자들이 빈곤으로부터 탈출해서 노동시장으로 이행하는 데 장애로 작용하는 요인들을 분석한 결과, 인적자본이나 사회적 자본과 같은 특성보다는 청년피부양가구구성원의 존재 여부나 직업알선서비스 참여 여부가 빈곤탈출에 유의한 영향을 주는 것으로 나타났다. 이는 수급으로부터의 탈출이 교육-의료 서비스가 수급 여부와 연계되어 있다는 수급제도의 특성이나 적극적 노동시장프로그램의 성격과 같은 제도-정책의 요인이 크게 작용하고 있다는 것을 의미한다.

주제어: 빈곤, 탈빈곤, 탈수급, 노동시장통합, 패널연구

[논문 접수일 : 14. 05. 22, 심사일 : 14. 06. 11, 게재 확정일 : 14. 07. 08]