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**Basic Livelihood Security Systems in China and South Korea:**

**Comparisons and Implications**

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**Abstract:**

This paper compares the establishment histories, regulations, implementations, and anti-poverty outcomes of the Basic Livelihood Security (BLS) Systems across China and South Korea and draws policy implications for future directions. We find that the two systems have many similarities, rooted in their shared social welfare philosophies and traditions. Both were established to provide a minimal level livelihood security for the poor. The BLS systems are strictly means tested with rather stigmatizing application procedures in both countries. Despite some recent expansions, both systems remain residual and have limited coverage. Overall, the anti-poverty effects of the BLS systems in both countries remain limited.

However, some key differences exist across the BLS systems in China and South Korea. First, the driving forces for the expansions of the BLS systems in the two countries are not entirely common. Among these, a major factor is the political and economic backgrounds—socialism and market economy in China versus democracy and capitalism in Korea—which have had different impacts on the developments of their respective BLS systems. Second, the regulations and administrations of BLS are made at the national level in South Korea, while they remain the responsibilities of local governments in China (with subsidies from the central government when local governments lack fiscal capacity). Third, the Korean system is supplemented by several self-support programs to provide skills training and work incentives for BLS recipients, which can serve as an example for the Chinese system.

## **Introduction**

China and South Korea share a border and much of the Confucius culture and tradition. During the past quarter century, they have both experienced not only rapid economic growth but also increased social problems and rising social welfare needs. On the one hand, both countries have been creating “economic miracles” due to their sustained high economic growth rates and holding increasingly powerful positions in East Asian and global economic and political arena. On the other hand, developments in market economy have led to growing income inequality and increased social welfare needs among those left behind by the market competition. In response to these needs and to ensure a stable environment for sustained economic growth, both China and South Korea have developed and expanded a public assistance program, the Basic Livelihood Security (BLS) systems, to provide a safety net for poor families. This paper compares the establishment histories, regulations, implementations, and anti-poverty outcomes of BLS across the two countries and draws policy implications for future directions.

We find that the two systems have many similarities, rooted in their shared social welfare philosophies and traditions. They were both established to provide a minimal level livelihood security for the poor, serving as a basic safety net for these families. Despite some recent expansions, both systems remain residual and have limited coverage. The BLS systems are strictly means tested with rather stigmatizing application procedures in both countries. The benefit levels in both systems are still quite low and do not sufficiently meet the needs of poor families. Only a small proportion of the eligible families are actual recipients of BLS benefits. In both countries, poor families in rural areas benefit much less from BLS than their peers in urban areas. Overall, the anti-poverty effects of the BLS systems in both countries remain limited.

Moreover, there exist great needs in evaluating and reforming the BLS systems in both countries. Poverty is of great concern as a result of South Korea's experience of economic crisis and increased income inequality alongside rapid development in China. The two countries also share a specific Asian culture that places core value on familism. For example, a key income source for many families in both countries is private transfers made voluntarily by family members, relatives, or neighbors. These kinds of private transfers consistently compensate for the residual aspects of public transfers although the role of private transfers has recently been diminishing as a result of the increasing complexity of social life, changing family structure, and excessive competition in both countries (Choi and Choi 2007).

However, some key differences exist across the BLS systems in China and South Korea. First, the driving forces for the expansions of the BLS systems in the two countries are not entirely common. Among these, a major factor is the political and economic backgrounds—socialism and market economy in China versus democracy and capitalism in Korea—which have had different impacts on the developments of their respective BLS systems. Second, the regulations and administrations of BLS are made at the national level in South Korea, while they remain the responsibilities of local governments in China (with subsidies from the central government when local governments lack fiscal capacity). Third, poor families in South Korea can also benefit from the national health insurance system in addition to BLS, but health care is among the biggest challenges faced by poor families in China despite its ongoing efforts to broaden health insurance coverage.

Below, we first compare the establishment history, regulations, implementations, and anti-poverty outcomes of BLS across the two countries. We then summarize their similarities and differences and draw policy implications for both countries based on these comparisons.

## **Establishment History**

The Chinese BLS was initiated in urban areas in the early 1990s and was only adopted in rural areas very recently. In urban China, market economy reforms since the late 1970s broke the formerly available “iron rice bowl,” under which all working-age urban residents had assigned jobs in state-owned or collective enterprises. Despite their low wages, these jobs were not only secure, but could be transferred to children of the workers. Various social benefits, including pensions, healthcare, housing, and even childcare were inherent in these jobs. However, the market economy reforms centered around promoting economic growth and efficiency. To achieve such economic goals, redundant workers were laid off and pensions and other welfare responsibilities gradually shifted away from solely borne by employers to be shared by employers, employees, and the government.

Left behind by both market and welfare reforms, a growing number of urban poor emerged in China in the early 1990s (Gao, 2006; Leung, 2006; Guan, 2005; Saunders and Shang, 2001). To establish a basic safety net for this group, BLS was initiated in Shanghai—one of the most rapidly developed cities in China—in 1993. All urban residents whose household per capita income was lower than the local minimum living standard line were entitled to basic assistance from the government. The city government set up the assistance lines, committed a financial budget, and achieved some successes in reducing poverty. In 1994, the Ministry of Civil Affairs encouraged other cities to follow the Shanghai model and adopt this program. BLS was established in 12 cities in 1995. It quickly expanded to 116 cities in 1996 and 334 cities in 1997. By October 1999, all 668 cities and 1,689 counties had implemented BLS (Leung, 2006; Information Office of the State Council [IOSC], 2004, 2002). In the same year, the central government enacted the Regulation on Assuring Urban Residents’ Basic Standard of Living

(hereafter “the Regulation”) as a guideline to local implementations of BLS across the country. The Regulation required that all local governments include BLS expenses in their budget. The central government may subsidize cities with financial difficulty (IOSC, 2004; Leung, 2003; IOSC, 2002).

In rural China, BLS was first experimented in Shanxi province—one of the provinces with the largest number of peasants and highest rural poverty rates—in 1994. Several other provinces started their experiments in 1996. However, it was not until 2007 the rural BLS was formally established nationwide (Farmers’ Daily, 2007).

The Korean BLS has a longer history than the Chinese BLS. The Livelihood Protection System (LPS)—which is the previous system of current National Basic Livelihood Security (NBLSS) of Korea—was established in the 1960s. For the past forty years (from 1960s to 2000), the Korean government has provided limited protection mainly for those who are unable to work due to age or disabilities under the previous LPS. However, the Korean financial crisis in 1997 and the consequential structural reforms caused rapid increase in the number of the poor and unemployed, which required urgent expansion of the social safety net. To face this situation in a fundamental way, the government enacted the NBLSS Act in September 1999, and fully implemented the system in October 2000. The new system has changed the paradigm of policies to fight poverty. The system emphasizes social responsibility for poverty and has strengthened the right of the people in the low-income bracket to receive public assistance. All people who live under the poverty line are provided financial benefit regardless of their working ability. At the same time, the system provides well-organized self-support services for those in the lower-income bracket who are considered and judged to have a degree of ability to work so that they can free themselves from poverty. These self-support programs include vocational training,

counseling, caregiving job and careers guidance. More specifically, for example, most of female recipients are participating in public caregiving program, cleaning, house repairing, making lunch boxes and sewing (Park and Hwang, 2003). The current NBLSS requires able-bodied benefit recipients to participate in the self-support programs that aim to realize the principle of ‘self-autonomy’ by providing work-focused support to help move poor people from welfare to work as soon as possible.

### **Assistance Lines**

In China, the BLS assistance lines are set up by local governments to reflect the local minimum living standards. These lines are set as a monthly amount in yuan. The local minimum standard of living is mostly estimated based on local average *per capita* income and basic consumption needs. According to the Regulation, the assistance should cover basic food, clothing, and shelter needs, taking into consideration utility, medical care, and tuition expenses (Hong, 2005a; Ru *et al.*, 2002). However, some localities may have limited financial capacity and thus set up assistance lines lower than what is required to meet families’ actual basic needs (Du and Park, 2006; Guan, 2005).

Even though the assistance lines have been revised annually to reflect changes in consumer prices, on average, they have remained relatively stable. Figure 1 presents trends in the national average of city assistance lines during 1999-2007, before and after adjusting for Consumer Price Indices (CPI). The average unadjusted assistance line fluctuated between 1999 and 2001 but constantly rose since 2001. The adjusted line, however, fluctuated during 1999-2004 and increased since then but to a smaller extent than the adjusted line.

[Figure 1 about here]

However, the national average of urban assistance lines has been actually lowered during 1999-2007 relative to the national average of per capita consumption in urban China. Figure 2 shows that average urban assistance line was 28 percent of per capita consumption in urban China in 1999 and 2000. However, this percentage decreased constantly from 25 percent in 2001 to 21 percent in 2004 and to 19 percent in 2007. This indicates that the adjustment of assistance lines on average lagged behind inflation.

[Figure 2 about here]

Further, the assistance lines remain low relative to average income. For example, in 2003, the average assistance line across Chinese cities was only 14 percent of the average wage and 23 percent of the average *per capita* disposable income of urban residents (Leung, 2006). In the first quarter of 2008, the national average of city assistance line was 199 yuan, only 17 percent of the average per capita disposable income in urban China. The national average of rural assistance line was 83 yuan, accounting for 24 percent of the average per capita disposable income in rural China.<sup>1</sup>

Unlike China's use of different local minimum standards of living, in South Korea, a national minimum cost of living is used (regardless where individuals live) to determine individuals' eligibility to receive benefits. The Ministry of Health, Welfare and Family Affairs (that is, the main ministry for welfare policy of central government) sets the minimum cost of living each year based on the inflation rates and the results of a national survey on the minimum living standards conducted by its research arm, the Korea Institute for Health and Social Affairs.

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<sup>1</sup> Source: Authors' calculations using administrative data. Assistance lines are obtained from Ministry of Civil Affairs [MCA], "BLS Assistance Lines in the First Quarter of 2008" (2008 diyi jidu baozhang biao zhun), Department of Planning and Finance, available online at <http://cws.mca.gov.cn/article/tjsj/bzbz/200804/20080400013808.shtml> (accessed on December 17, 2008). Average per capita disposable income is based on 2007 data and obtained from National Bureau of Statistics (2008), China Statistical Abstract 2008 (Zhongguo tongji zhaiyao 2008). China Statistics Press, p.101.

The 2003 minimum cost of living is presented in Table 1. In setting the cost of minimum living, consideration of differing household types or regions of origin is absent, thereby making it difficult to assist households with disabled members or urban low-income households in Korea (NHRCK, 2006).

[Table 1. 2003 Total Household Minimum Cost of Living in South Korea]

<b>Household Size (Number of household members)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Minimum cost of living (thousands KRW)	356	589	810	1019	1159	1308

The purpose of specifying the minimum cost of living is for determining individuals' eligibility to receive financial assistance under the NBLSS. The total amount of assistance under the NBLSS equals the balance of the minimum cost of living and the recognized income of the household including other supports under different programs. The 2003 monthly cash benefit is shown in Table 1. For example, the cash benefit for four person household is only 897,000won (which is approximately 897 US dollars when converted using the exchange rate of 1000 won per one US dollar).

[Table 2. 2003 Average Monthly Cash Benefit by Household Size in South Korea]

<b>Household Size (Number of household members)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Monthly benefit (in thousands KRW)	313	519	714	897	1020	1151

The NBLSS beneficiaries are also entitled to medical aid, education costs, job training, and loans for small business and community work as well as living cost. Also there are earning disregards and housing benefits. However, such additional benefits are provided only in case those benefits are needed by the beneficiaries and the benefit amount is very limited. This fact indicates that the actual benefit level of Korean NBLSS is still very low.

### **Eligibility Rules**

In China, the Regulation stipulates that anyone whose family's *per capita* income is lower than the local BLS line is entitled to the subsidy. However, the Regulation differentiates two groups of beneficiaries (Leung, 2006; Hong, 2005a). The first group is the traditional recipients of social assistance, namely those without an income source, working capability, or legal guardian or supporter (known as the "Three Without" Households). This group is entitled to receiving the full amount of benefits equivalent to the local assistance line. The second group is the newly emerged urban poor mostly due to unemployment and insufficient pensions or healthcare coverage. Most of this group has family members who are in their working ages and/or have some level of income. Their entitled benefit amount is the local assistance line less their total household income, which includes cash income from all sources (Gao, Garfinkel, and Zhai, 2009; Hong, 2005a). However, due to difficulties of income measurement, some other indicators, such as financial assets, employment, health status, and housing conditions, are also considered (Chen, Ravallion, and Wang, 2006; Du and Park, 2006). Many cities also take into account ownership of durable goods. For example, Beijing has specified that families who own luxury goods such as a vehicle, motorcycle, cell phone, or who have pets, are ineligible for BLS benefits (Hong, 2005a). An additional eligibility test concerns residency status and family formation. Only individuals who have official local urban residency status are eligible. Cities treat adult children who still live with parents in the same household differently: some consider them members of the family and some treat them separately, while some others have not yet established specific rules regarding such cases (Hong, 2005a).

The Korean NBLSS sets up strict conditions for eligibility. To be eligible for NBLSS, two conditions should be met. First, household income should be below the minimum cost of living regardless their ability to work. Eligible applicants for NBLSS are entitled to financial

assistance which amounts to the difference between their incomes and the minimum cost of living calculated by the Ministry of Health and Welfare. There is another eligibility requirement for receiving financial assistance under NBLSS. Applicants cannot live with "legal supporters" who are not only legally responsible but also financially capable of supporting them. "Legal supporters" refer to immediate adult family members, such as spouse, parents and children. In order to qualify as a recipient of the NBLSS, individuals need to provide evidence that they are unable to support themselves and lack sustainable support from any other party.

More specifically in practice, after deeming to meet the requirement of lack of supporters, the total amount of the individual's income and property is then assessed (means-tested), and if this is deemed below the minimum cost of living annually specified by the Ministry of Health, Welfare and Family, financial benefits are provided (MOHWF 2005). Furthermore, to embody the concept of productive welfare, the Korean government has introduced a program in the late 1990s which provides NBLSS social benefits on the condition that recipients participate in self-support programs (MOHWF 2005), which constitutes another aspect of strict eligibility of the Korean NBLSS.

### **Expenditures and Coverage**

Figure 3 presents the progress in BLS expenditures and coverage in urban China during 1996-2007. It shows that total BLS expenditures in urban China increased steadily since 1996, from 0.3 billion yuan in 1997 to 2.7 billion yuan in 2000, 10.9 billion yuan in 2002, 19.2 billion yuan in 2005, and 27.5 billion yuan in 2007. The number of BLS recipients was 0.8 million in 1996 and increased to 4.0 million by 2000. It then had a huge jump during 2000-2002 to 11.7 million in 2001 and 20.6 million in 2002, but the increase leveled off after 2002 and the total number of recipients has remained around 22.5 million since 2003.

[Figure 3 about here]

Data on the expenditures and coverage of rural BLS are only available since its recent nationwide implementation. Official statistics show that the total number of rural BLS recipients more than doubled from 16.1 million in January 2007 to 38.8 million by October 2008. Total expenditures on rural BLS were 104.1 billion yuan in 2007 and are expected to more than double this amount in 2008 (MCA 2007; 2008).

Despite these expansions in both urban and rural China, the actual per capita BLS expenditures remain low relative to average per capita disposable income. For example, in October 2008, per capita BLS expenditure was 44 yuan in rural China compared to 133 yuan in urban China, accounting for about 12 percent of the average per capita disposable income in both areas.<sup>2</sup>

In South Korea, the government has increased social welfare expenditure on a large scale since the late 1990s. Table 3 shows that between 2002 and 2006, the share of public social expenditure in Korea's total government budget increased steadily from 19.9 percent to 27.9 percent. Given the strict conditions for eligibility, it is not surprising that only 22.5 percent of poor households benefit from the Korean system. While 8 million people are living below the official poverty line, only 1.4 million people are protected by the NBLSS. The remaining 6.6 million people lack the protection of a public assistance program (Ryu 2005: 172).

[Table 3] Trends in Korea's Public Social Expenditure, 2002-2006

<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>19.9</b>	20.2	24.5	26.7	27.9

<sup>2</sup> Source: Authors' calculations using administrative data. Per capita BLS expenditures are obtained from Ministry of Civil Affairs [MCA] (2008), "National Quarterly Civil Affairs Statistics" (Quanguo minzheng shiye tongji shuju), Department of Planning and Finance, available online at <http://cws.mca.gov.cn/article/tjsj/dbsj/> (accessed on 8 December 2008). Average per capita disposable income is based on 2007 data and obtained from National Bureau of Statistics (2008), China Statistical Abstract 2008 (Zhongguo tongji zhaiyao 2008). China Statistics Press, p.101.

Although some studies such as Jung (2007) argue that the quantitative expansion in social expenditure is the key feature of welfare state development, it is careless to interpret this quantitative growth as a qualitative makeover. Despite such increase in the welfare expenditure, South Korea is far behind the welfare expenditure level of the other OECD countries. Adema (2006) pointed out that Korea is below OECD average in public social expenditures. The Korean BLS welfare system continues to lag significantly behind the advanced social welfare programs of countries with similar-sized economies. Means-testing is still dominant in welfare provision and the public attitude toward welfare is still negative, with negative discourses such as welfare disease and welfare dependency dominating (Jung, 2007). Particularly, in the area of public finance, the principle of the “small government” is still actively pursued.

The scope and capacity criterion of the family support obligation traps many poor families in a blind spot (NHRCK, 2008). There exists an urgent need to expand support and assistance to those who are right above the cutoff line, those who are in the low income bracket with household income not exceeding 120% of the minimum cost of living, and those who are denied of benefits because they are dependent. Strict eligibility rules (including means testing) explain the low coverage of the BLS of Korea. Strict rules applied to the eligibility of the NBLSS recipients, family support obligations, high income exchange rates, and impractical standards for the minimum cost of living, all together leave the poor excluded and unjustly deprived of their benefits (NHRCK, 2008).

### **Characteristics of Recipients**

In urban China, unemployment and low wages have been the leading factors driving families to become BLS recipients. In rural China, poor natural environment that prohibits farmland productivity has been one of the major reasons. Across the urban-rural division, poor

health, including having chronic illness, disability, and old age—especially when pensions are unavailable or insufficient, is the other major factor associated with BLS participation (Du and Park, 2006; Gao, Garfinkel, and Zhai, 2009; Hong, 2005a; Leung, 2006; MCA 2007). For example, in 2002, over half of BLS recipients in urban China were unemployed (either laid-off or nominally on the job roster but not working or receiving any income). Another 10 percent had low wages and 5 percent were retired (Hong, 2005b). A national survey of 10,000 BLS recipients in the cities in 2003 indicated that over one-third of these households had disabled members, and 65 percent had chronically sick members (Leung, 2006). In a study of five major cities in 2003, Tang (2004) found that 53 percent of all BLS recipients were unemployed and 12 percent were retired, chronically sick, or disabled.<sup>3</sup> BLS recipients also tend to have other socioeconomic disadvantages such as low education, large household size, and not being a Communist Party member (Chen, Ravallion, and Wang, 2006; Du and Park, 2006; Gustafsson and Deng, 2007).

In South Korea, the number of total recipients of the NBLSS is approximately 1,550 thousands (852 thousand households), which is the 3.2 percent of entire population in 2007. In terms of socio-demographic characteristics, the NBLSS recipients are likely to be elderly (mostly, in the age group of 40~64 years old), female, not in the labor market, and one person household. More specifically, only 2.2 percent is in the labor market while 7.8 out of 10 recipients are not in the labor market. The 2.2 percent is employed or unemployed looking for jobs. In terms of gender, it can be said that the Korean NBLSS is feminized; the proportion of female beneficiaries of the NBLSS is higher than that of males, at 3.4 percent and 2.5 percent respectively out of total population. The 2002 Statistics of the Ministry of Health, Welfare and Family Affairs shows that women account for 57.1 percent of the total recipients of welfare (Park and Hwang, 2003). The proportion of female subscribers to the National Pension System

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<sup>3</sup> Another 26 percent of the recipients were children in this study.

(NPS) is 14.7 percent, whereas the figure for men is 36.5 percent. The fact that the rate of women recipients in the NPS is less than that for men while the number of female beneficiaries of public assistance is more than that for men indicates that more women live in extreme poverty. By age group, 32.3 percent is in the age group of 40~65 and 26.4 percent is more than 65 years old, which indicates that about 58.7 percent is older than or equal to 40 years old. The 40-or-older group accounts for the largest part of NBLSS beneficiaries, suggesting that the issue of poverty for the female elderly is very serious in the Korean NBLSS.

### **Anti-poverty Effectiveness**

The BLS in urban China has been found to have some modest impacts on poverty reduction, but these effects are limited by the program's partial coverage and delivery. Only about half or fewer eligible families were actual recipients of BLS benefits. Further, the poverty reduction impact is only noticeable among the participants and insignificant for the urban population as a whole. BLS has had a larger impact on reducing poverty depth and severity than on the poverty rate (Chen, Ravallion and Wang, 2006; Du and Park, 2006; Gao, Garfinkel and Zhai, 2009; Gustafsson and Deng, 2007; Wang, 2007).

Specifically, in urban China, Gustafsson and Deng (2007) found that BLS reduced the poverty rate by 16 percent among its participants and by 5 percent among all urban households, using a poverty line developed by Khan (2004) according to the minimum food intake required to sustain energy. The poverty gap was narrowed by 29 percent among BLS participants and by 12 percent among all urban households. The poverty severity was reduced by 38 percent for BLS participants and by 20 percent for all urban households. Using the same poverty line but focusing on a sample of BLS's target population (i.e., the eligible families) only, Gao, Garfinkel and Zhai (2009) found that BLS lowered participants' poverty rate by only 1 but reduced their poverty gap

by 22 percent and poverty severity by 37 percent. They simulated the anti-poverty outcomes if BLS fully covered all eligible families and the full entitled amount was delivered. They found that the full coverage and delivery of BLS would lead the poverty rate to reduce by 5 percent, poverty gap by 65 percent, and poverty severity by 86 percent.

Since the rural BLS has only been implemented nationwide since 2007, household survey data are still unavailable to enable evaluations of its anti-poverty effectiveness. Data collection and other research efforts need to be made in this arena as the program expands.

Empirical findings on the poverty reduction effects of the Korean BLS are inconsistent. Some studies show poverty decreasing effects while some studies cannot find poverty decreasing effects of the NBLSS. As mentioned previously, because basic income support is provided even to those who are able to work in the labor market since the NBLSS was enacted, it is regarded as a break-through development in public assistance history in Korea, in that the government started to take an interest in the poverty problems of those in employment. It is proposed that this new program is the first policy consideration for the working poor in Korea's welfare state development (Jung, 2007). Therefore, the new NBLSS was regarded as the most successful poverty response. However, it has not overcome the old act completely. Although its legal characteristics have been changed, stipulating a benefit as a citizen's right from previous protection from government, its coverage is confined to around only about 3 percent of the total population (KNSO, 2007). Since the enactment of the NBLSS in 2000, between 2000 and 2007 the relative poverty rate worsened from 10.8 to 15.6 percent (NHRCK, 2008). The Gini coefficients increased from 0.286 to 0.324; the country's wealth distribution increased from 4.58 to 6.12, indicating serious income polarization (NHRCK, 2008). A dream for guaranteeing the national minimum income has never been realized. Priority of economic policy over social

policy is still prevalent and attempts to dilute the real purpose of the NBLSS act from economists and economic bureaucrats continue. The enactment of the NBLSS is seen as a semi-success and in a sense surrender to growth advocates (Jung, 2007).

A different approach should be taken to resolve the poverty problem in South Korea since poverty has been ‘socialized’ in contemporary Korea (Kang et al, 2004). Participation in the labor market does not guarantee the escape from poverty anymore (Jung, 2007). At the core of this ‘new poverty’, there are ‘working poor’ and people involved in precarious employment (Joung et al, 2006). Thus, the self-support program of the NBLSS of Korea cannot be the only solution. For example, a multi-dimensional approach is needed; failure of NBLSS to ensure basic living and self-support can be attributed to; recipients’ basic standard living allowance is insufficient to support their basic living needs; recipients are stigmatized as social failures; selection process for recipients is unfair; working conditions for the able-bodied poor does not allow them to escape from poverty (the wage is low and working condition is unstable); and there is a lack of security of living, education, medical care and housing.

### **Discussion and Implications**

Differences and similarities emerge from the above comparisons and suggest some important policy lessons. China and South Korea have key differences in the structure of the BLS systems. With regard to assistance lines and management of benefits, South Korea has a legal structure and a national homogeneity system in compliance with central government's administration, while China sets up assistance lines locally and has local governments administering its BLS following central government's regulations. The Chinese BLS was mainly developed in the level of local government while the Korean BLS was driven by central government from its initiation to all other important aspects including regulation, administration,

and implementation. With regard to eligibility rules and benefit level, in South Korea, the beneficial unit is a household and the benefit level is determined comparing household's income to the minimum living expense set up for a household of specific size in South Korea. China also treats a household as the eligibility unit but determines the benefit level by comparing household per capita income to the minimum living standard per person.

Among these differences, probably the most significant is whether central government or local government played a central role in the BLS establishment since this may explain how the nation's BLS is in current time. In Korea, the division of work between central government and local government is well structured. The Ministry of Health, Welfare and Family affairs is responsible for the Korean BLS in terms of major tasks including design, reform and re-authorization. Local government is responsible for actual affairs in practice including administration of BLS and managing administrative data of BLS. For example, local governments collaborate with central government so that central government can implement self-support programs of Korean BLS. Then vocational training, counseling, careers guidance can be conducted and provided to participants in the local government level. Also, the local governments can be involved in BLS improvement through providing inputs to the central government in the design and implementation of BLS. Such a system enables central government to manage a nation-wide homogeneity system in compliance with central government's administration. On the other hand, in China, local governments have much more autonomy and are in charge of nearly all aspects of BLS, including determining assistance lines and implementing the program. The central government plays two important roles, though. The first is to provide regulations and guidelines for BLS implementations across the nation. The second is to subsidize local governments with financial difficulties.

There are several important similarities in the BLS systems of the two countries. First, the purpose of both programs is to provide relief for poor families, including the unemployed, retired, and those with health problems and/or other difficulties. Second, the BLS of both countries have the common characteristic of residual welfare, which applies very strict rules to determine eligibility for receiving benefits. Third, the actual level (and type in South Korea) of benefits received by participating families are very limited.

One may argue that the Korean BLS has longer history so is better developed than the Chinese BLS in terms of institutional arrangements. It is true to some extent since the Korean central government's driving force and political factors contributed to the expansion and paradigm change of the Korean BLS. However, whether the Korean BLS can be a role model to Chinese BLS for the future needs to be re-considered.

Most of all, looking at the current outcomes of the Korean BLS, only 17.5 percent out of 8 million people who are living below the poverty line are protected by the Korean BLS, which indicates that the Korean BLS is still subject to blind spots in protection of the needy and is not sufficient in terms of coverage of the program. The level of benefit amount is still very low and eligibility rule became more strict by adding the requirement of participating in self-support program in the late 1990s (that is, meaning work requirements partially). Moreover, time limits are currently considered by central government in order to add them as an additional condition for receipt replicating the US's public assistance reform.

Situation of labor market is another warning to unstable life of the poor in Korea. Since the financial crisis of 1997, the number of low-wage non-standard workers has increased sharply in Korea. The percentage of non-standard workers in Korea's total workforce increased from 45 percent immediately following the financial crisis to 55.4 percent (7.8 million people) in 2003,

55.9 percent (8.16 million people) in 2004, and 56.1 percent (8.4 million people) in 2005 (Choi, T. W. 2006). Presently, Korea ranks first among 30 OECD countries in terms of its percentage of non-standard workers in the total workforce (Park, 2008). The fact that non-standard workers now account for the majority of the total labor force in Korea largely explains why the national social insurance covers only 50 percent of wage earners despite rapidly expanded coverage since the financial crisis.

Despite this depressing status of Korea, emphasizing “productive welfare” and “self-support” still constitute the characteristics of the Korean BLS, which can serve as a model for the Chinese BLS as some recent ethnographic research reveals that the current Chinese system is found to deter work efforts by the poor (Solinger 2008). Productive Welfare aims to provide work-related programs to support self-reliance of the benefit recipients. Thus, to embody the concept of productive welfare, the Korean government has introduced a program which provides NBLSS social benefits on the condition that the recipients participate in self-support programs (MOHW 2005, 69) in the late 1990s as mentioned previously. Thus, the Korean NBLSS requires able-bodied benefit recipients to participate in the self-support programs as a condition of receiving financial assistance. Thus, able-bodied participants are provided with vocational training, counseling, career guidance and job placement opportunities, which help them gradually develop the willingness and ability to enter or re-enter the labor market. The self-support programs seems to realize the principle of productive welfare by providing work-focused support to help move unemployed people from welfare to work as soon as possible.

However, opponents of NBLSS’s self-support programs argue that the ultimate aim of this particular measure is to keep the pressure on recipients of financial aid and is to give penalty to recipients by pushing them into labor market. Yet, the disadvantaged people out of welfare are

again subject to being marginalized workforces (having low wage, part time jobs) in the labor market. This approach is typical of the residual welfare model which state intervention remains limited and the family and the private market economy play the central roles in providing a social safety net. Despite rapid institutional expansion since the 1990s, the role of the state as a provider of welfare remains low and the family continues in its position as the primary source of social welfare with the private sector playing an increasing role in recent years in Korea. Corporate welfare, in particular, has grown significantly. The amount of private income transfer within the family still surpasses that of public income transfer. In 2000, the private income transfer totaled 18.3 trillion won (3.5 percent of the GDP), surpassing total income-security related expenses, including national pension, survivor pension, unemployment benefit, NBLSS, etc., which totaled 11.889 trillion won (Kim, 2005) in Korea. Welfare services provided by the family, including private income transfers and managing household affairs, account for 37.4 percent of total welfare expenditure, which suggests that the family is still the most important source of welfare provision in the Korea's welfare system (Kim, 2005). Despite economic growth, a national social policy in Korea is still developed mainly to induce rapid economic development and to compensate the losers arising from this process, rather than to achieve equity, as is arguably the case in such welfare states as Sweden and Finland. This is a characteristic not found in the institutional welfare framework, in which social welfare programs are introduced and implemented to construct a universal and comprehensive welfare system not only for the poorer members of society but for all citizens, as a way of realizing egalitarian values.

The welfare regime of China and Korea is inherently residual in nature. Why then have both countries adopted such a residual welfare regime? What political, social and economic factors explain the development of this residual welfare system in two countries? Numerous

factors have been instrumental in creating the residual type of welfare regime in both countries. The present study sees the legacy of the “growth-first ideology,” based on the growth-first-and-distribute-later principle, as the most important one.

Looking at Korea’s case, this has remained the dominant approach favored by the majority of Korea’s political and economic decision-makers since the period of authoritarian rule (1961–1993) and continuing to the present era of neoliberal globalization. To understand why the welfare system in Korea approaches a residual model today, it is first necessary to consider the central philosophy toward economic policy shared by the country’s political and economic elites, who have regulated all national policies, including social welfare policy for the past 50 years. Particularly, what brings growth-first ideology to Korea is neo-liberalism and globalization. The core of globalization can be summarized as the liberalization of markets, increased privatization, and deregulation. Globalization is also antithetical to the expansion of state welfare. This approach tends to emphasize on the individual autonomy and self-support, which is a feature of typical underdeveloped state welfare. According to National Human Rights Commission of Korea (NHRCK), the widespread neo-liberal approach to national policies, supported by free competition and labor flexibility, creates unfavorable ground for guaranteeing the economic, social, and cultural rights (NHRCK, 2008). Unfortunately, the new administration departed on February 2008, raising concerns for its economy-first approach. There still exists a social demand for measures to be taken to alleviate the adverse outcomes of widespread of neo-liberalism. The new government’s lead on privatization of necessary public goods, such as healthcare, education, water, and electricity, seriously challenge the full realization of economic, social, and cultural rights of the poor and cast doubt on whether those rights were considered during the policy-making process (NHRCK, 2008).

The spread of globalization also influenced the Chinese BLS regulations and administrations. Similarly to Korea, until the 1980s, the Chinese BLS focused on the people who are not hired in public sector. Since the 1990s, Chinese government propelled the reformative open-door policy execution after 1990s. Public enterprises and government agencies were reformed. As a result, the retirees, the unemployed who were from the structural reform process, and laid-off workers occurred. To solve these problems, the Chinese government introduced the BLS, in Shanghai, 1993 and implemented nationwide in October 1999 in compliance with the administrative regulations of the national minimum standard guarantee.

However, given that labor market is neither favorable nor friendly to disadvantaged group, work-first strategy based on globalization or neoliberal economic theory is unable to improve the poor's life or nation's reality. For example, the situation has precipitated a crisis of the labor movement. As the number of non-standard workers has increased rapidly as a result of the neoliberal labor policy of the Korean government since the financial crisis, in particular, the polarization of labor between standard workers employed in large companies and those employed in small companies, as well as between standard and non-standard workers, in all respects – i.e. wages, welfare, job training, employment security and working conditions – has deepened. Korea and China need to focus on variety of socioeconomic goals, such as better jobs, better incomes, wealth distribution, social benefits, employment expansion, and the improvement of working conditions and living standards. These goals could not be achieved automatically by a trickle-down effect or by rapid economic development. Instead of growth-first, state intervention or government directed income redistribution should be regarded as not only as beneficial to the effort to achieve social goals, but also as a means to national economic development.

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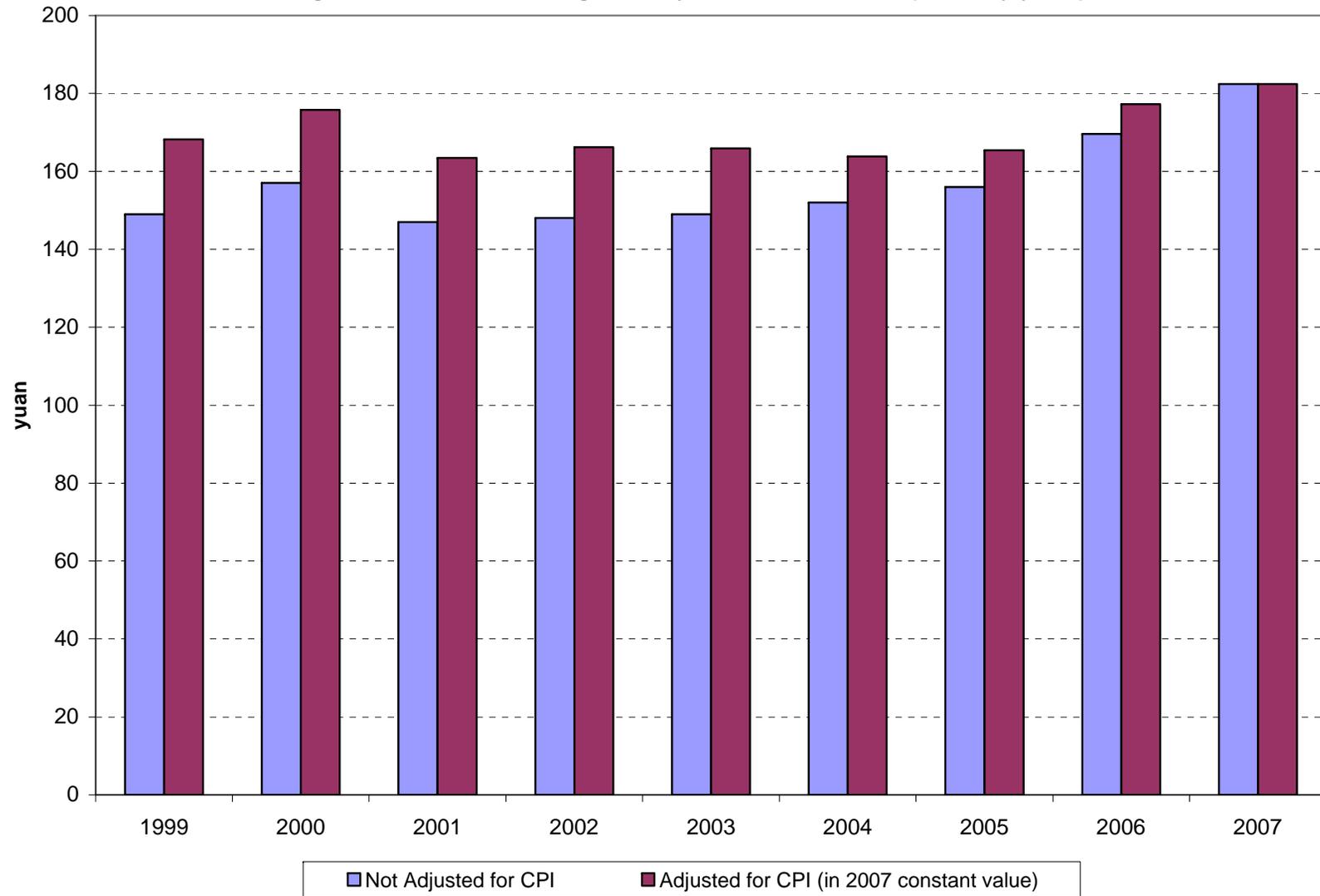
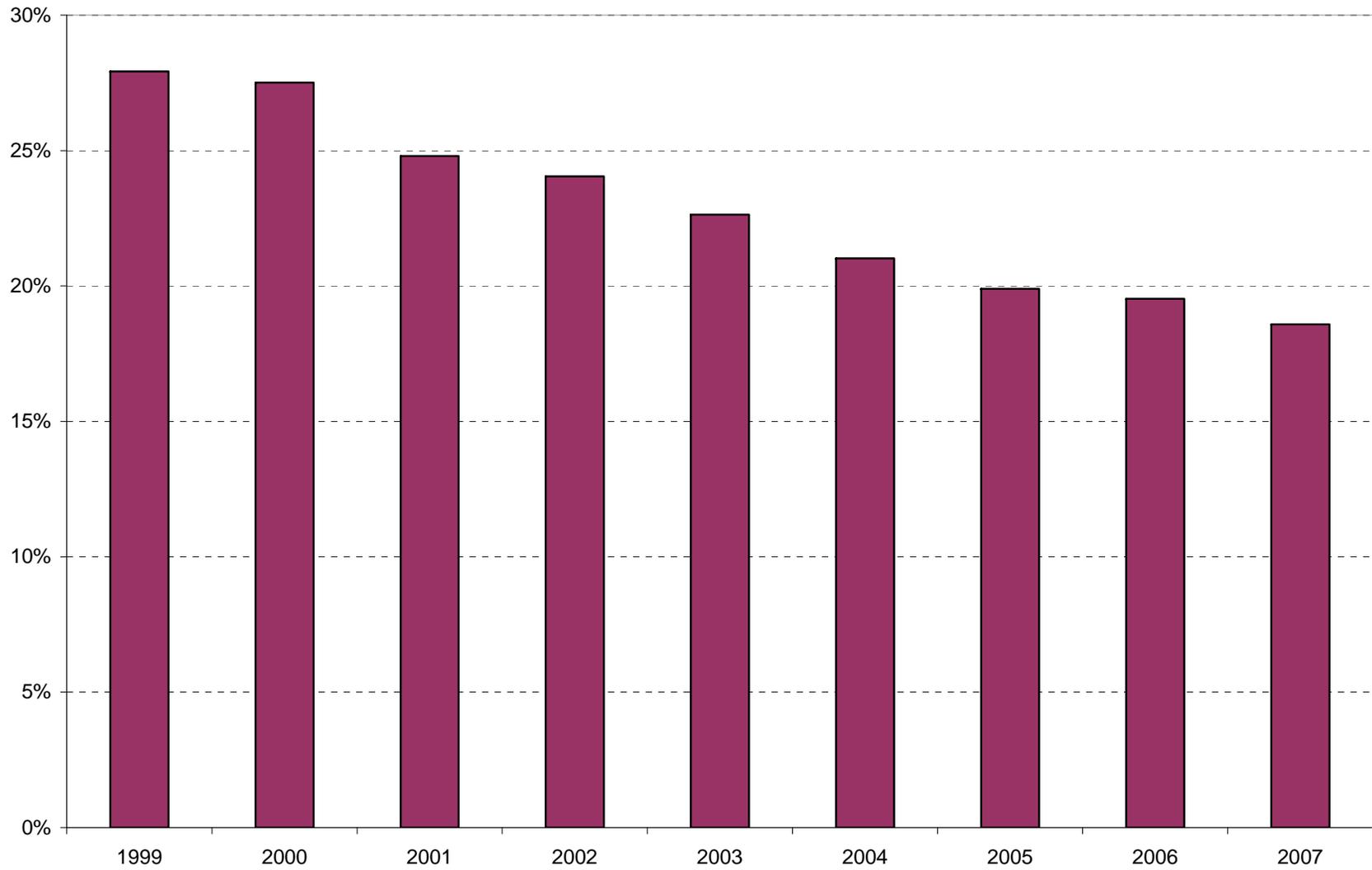
**Figure 1: National Average of City Assistance Lines (monthly yuan)**

Figure 2: National Average of BLS Assistance Line as a Percentage of per capita Consumption in Urban China



**Figure 3: Total MLSA Expenditures and Number of Recipients in Urban China, 1996-2007**