

# A study on the social assistance delivery systems in South Korea and Britain

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## Abstract

In order to address questions regarding the definition of social welfare and its interpretation in different countries, this paper analyzes the policy formulation process of social assistance in South Korea and Great Britain. Social assistance is a final social security system to protect national minimum standards of living. While a number of studies have investigated this security system, previous comparative studies of social assistance have focused on the scale of the benefits and the recipients with a view to poverty reduction. Although analysis of the effectiveness of social assistance programs is important, there has been little attention paid to the policy formulation process of social assistance, due to the complexity of the programs and their variations by region. It is simply not easy to analyze. However, examination of policy formulation is as important as comparing expenditures and recipients of social assistance because the effectiveness and efficiency of social assistance may vary according to factors in the policy delivery system. Determining this is a major purpose of this study.

Key words: Social assistance system, Delivery system, South Korea and Britain

## I. Introduction

Since the 1997 Asian financial crisis, there have been ongoing institutional expansion and budget increases for social assistance in South Korea. As a consequence of social security reform, categorical social assistance was replaced in 2000 with a general social assistance known as the National Basic Livelihood Security (NBLS) scheme. In that year the scheme came to cover all citizens lacking sufficient income from other sources. The NBLS provides a guarantee of minimum resources to citizens whose income and property fall below national minimum living standards. The former system included only those unable to work, such as the elderly, children, and the disabled. This new social assistance scheme was designed to protect human rights and to ensure certain standards for all citizens.

Social assistance is the oldest and historically deepest welfare system for the underprivileged is the final social safety net in most countries. The weight it is given within the system fluctuates according to social welfare regime, but the function of the social assistance system is crucial to ensuring all community members lead lives within determined standards. Social assistance funds come from national or local autonomous entities, leading to a high level of public interest. The delivery system of public assistance has an effect on the success and failure of its policies, raising the possibility that the achievement of social welfare policy goals depends on the methods of delivery and practice for the policy.

The share of public assistance in overall social security is very high in South Korea and further expansion of public assistance was recently made through changes to the NBS scheme. An evaluation of system efficiency is demanded by the nation because both the budget and the target of social assistance is increasing. The efficiency of social assistance programs has become a social issue, making reform of their delivery systems essential. However, reform of the delivery system of public assistance is a complex undertaking. From this point of view, the social assistance delivery systems of other nations can help South Korea to establish a more desirable system. In this paper, Great Britain was selected as a counterpart because of the extensive history of its social assistance scheme and the fact that Britain composes its welfare state based on a public assistance scheme.

To obtain a comparative perspective, the social assistance scheme in South Korea will be analyzed in terms of its relation to Britain's, shedding light on the character of the delivery system of public assistance in South Korea. Furthermore, this study is intended to uncover implications for the direction of delivery system improvement in South Korea.

## **II. Study details and methods**

Aspects of both countries will be analyzed based on changes in the delivery system of public assistance. The systems will be examined in terms of intra-governmental relations, human resources, and social assistance benefits.

## 1) Definition of social assistance

The term social assistance does not have a precise international definition. While it varies between countries and scholars, it can be determined on the basis of general principles. In the case of South Korea, the Framework Act on Social Security names social assistance as one of the social security systems and states that it plays a crucial role in protecting the poor who lack the ability to make a living or who are under the minimum living standards set by national and local governments. It guarantees minimum standards and supports independent living. In terms of the general principles of social assistance, recipients must prove their financial insufficiency via a means-test. Afterwards, they receive from the government limited cash, in-kind benefits, and services for minimum living standards, whether or not they contributed (H.-J. Lee, et al., 2003). According to Eardley et al. (1996a) social assistance schemes can be categorized into three divisions (Hölsch & Kraus, 2004). The first is *general assistance*, which provides cash benefits to most people whose income is below a minimum wage. The second is *categorical assistance*, which gives cash benefits to a specific group. The third is *tied assistance*, covering services or goods in kind. In this paper the operational definition of social assistance is general assistance. However, welfare-to-work has recently been emphasized in social assistance schemes, so not only basic security but also workfare social assistance systems were selected to study delivery systems of social assistance.

## 2) Definition of delivery system

The definition of delivery system varies from scholar to scholar. Taking a broad view, a social assistance scheme is a social welfare program. Delivery systems in the social welfare field are defined as follows. Gilbert stated that delivery system refers to the organizational arrangements that exist among service providers and between consumers, in the context of a community (Gilbert & Terrell, 2005). Similarly, Friedlander said that from the perspective of the objects of social welfare the delivery system is composed of all public welfare organizations and their service transmission networks with the recipients (Friedlander & Apte, 1980). According to Choi, a social welfare service delivery system is an organized system to connect a service provider or providers and their clients. That is, a delivery system in the social welfare field can be defined as an organized system which links welfare providers and

clients(Choi & Nam, 2006).

A social assistance delivery system, in accordance with its character, focuses on relations with public sector systems, public sector providers, and/or between providers and consumers. Social assistance schemes exist to guarantee a standard living for all citizens so they are regarded as a public good. If the private sector takes charge of social assistance there will be an external effect, necessitating its provision by the public sector.

### **3) Comparative frameworks of social assistance schemes**

To determine a comparative framework, important factors should be identified in advance. When a social welfare system is constructed, a desirable social welfare delivery system is composed which embodies the principles of a social welfare delivery system. Therefore, it is essential to evaluate the delivery system when a social welfare delivery system is established or altered. The principles of social assistance benefits management and delivery systems which were detailed in previous research are as follows.

Lee investigates the reorganization of the British public social assistance delivery system by studying the relationship between the central and local governmental organizations and human resources, focusing on responsibility and integrated service provision(S. I. Lee, 2004).

Eardley et al. considered subsequent factors when he compared the delivery by administrative divisions in OECD countries(Eardley, Bradshaw, Ditch, Gough, & Whiteford, 1996): central-local responsibilities, making claims and receiving payments, procedures for verification of identity, computerization of benefit delivery, fraud prevention and control, recovery of overpayments, provision for payment of benefits to third parties, role of social workers, role of non-governmental organizations, and quality and scrutiny of administration.

For this study, the composition of delivery systems based on the relation between central and local governments, features of front line social security offices, human resources available to social work officials, and service connections are expected to be dealt with.

## **III. Social assistance delivery system of South Korea**

### **1) Environment**

#### **Administrative system**

The regional administrative system in South Korea is composed of the central government, wide-area governments such as provinces and special cities, and local governments. The central government includes 15 departments: the Ministry of Strategy and Finance; the Ministry of Education, Science and Technology; the Ministry of Foreign Affairs and Trade; the Unification Ministry ; the Ministry of Justice; the Ministry of National Defense; the Ministry of Public Administration and Security; the Ministry of Culture, Sports and Tourism; the Ministry for Food, Agriculture, Forestry, and Fisheries; the Ministry of Knowledge Economy; the Ministry for Health, Welfare and Family Affairs; the Ministry of Environment; the Ministry of Labor; the Ministry of Gender Equality; and the Ministry of Land Transport and Maritime Affairs. The wider-area governments consist of 16 provinces and special cities while local governments include 234 cities, districts, and wards. 3574 village offices are administered by local governments. Traditionally, a centralized administrative system was maintained but in 1995 a local-government system was begun. Starting in 2005, decentralization was put into effect and the local-government system is becoming the center of the administrative system.

### **Welfare system**

The social welfare system in South Korea has yet to be perfected, so it is organized with a limited framework targeting the extremely poor. However, social conditions such as the outbreak of financial crises and widespread economic polarization are bringing about the expansion of social welfare.

### **2) Social assistance scheme**

The National Basic Livelihood Security scheme (NBLIS) is the representative social assistance scheme in South Korea. It targets citizens who lack sufficient means to live. To become a beneficiary of this scheme, two conditions must be met. One is income and property, which should be below the national minimum living standard. Applicants take a means-test to prove that they have insufficient income and property.

Table 1> National minimum living standards for 2009

(Unit: won/month)

| <b>One-member</b> | <b>Two-member</b> | <b>Three-member</b> | <b>Four-member</b> | <b>Five-member</b> | <b>Six-member</b> |
|-------------------|-------------------|---------------------|--------------------|--------------------|-------------------|
|-------------------|-------------------|---------------------|--------------------|--------------------|-------------------|

|                | household | household | household | household | household | household |
|----------------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Benefit</b> | 490,845   | 835,763   | 1,081,186 | 1,326,609 | 1,572,031 | 1,817,454 |

※More than seven-member households: 205,441 won added per member over the sixth.

("Nation Basic Livelihood Security scheme,")

The second condition is based on the presence and ability of children and parents who may have a duty to support the applicant. If children or parents lack the financial means for support or cannot support for other reasonable causes, an applicant can become a beneficiary. By December 2007, the total beneficiaries of the NBLS scheme numbered about 1.55 million, 3.2 percent of the total population. If someone is selected as a recipient of the NBLS scheme, seven kinds of benefits are offered: living allowance, housing benefit, education benefit, medical benefit, childbirth benefit, funeral benefit, and self-support benefit. The grant level is determined so that the total grant brings the recipient above of the minimum cost of living. The total grant is calculated include the sum of presumed income and property and other legal financial support and social assistance benefits, minus funeral and childbirth benefits.

The Self-Support Program was newly introduced when the National Basic Livelihood Security Act came into effect in October 2000. The purpose of the Program is to help low-income people who have the ability to work. On the condition that they participate in the Self-Support Program, recipients are provided with subsistence allowances to prevent them from falling into deepening poverty and to assist them in becoming self-sufficient.

### **3) Structure of delivery system: relations between governments**

#### **Central government**

The NBLS scheme is managed by the Ministry for Health, Welfare and Family Affairs, one constituent of the central government. Services delivered from the central government to clients are providing through local governments. The central government has no dedicated system for delivery of social assistance but rather takes advantage of local organizations such as village offices. As a result, the central government makes plans for most social assistance services and local governments carry them out.

The Ministry of Health, Welfare and Family Affairs makes decisions such as minimum living cost, formula for presumed income and property, benefits standards, coverage of

beneficiaries, etc. Within the Ministry of Health, Welfare and Family Affairs there is the Social Welfare Policy Office, which is classified into six divisions. These are the social welfare, social integrated strategy, basic living guarantee, fundamental medical treatment, local welfare, and private welfare departments. The social assistance system benefit is given out in cash. However, if the clients are elderly or disabled, links within departments must be considered.

### **Local government**

City mayors or provincial governors in local governments carry out the operations of the NBLS service and report the results of the service to the Ministry of Health and Welfare and Family Affairs. Most of the detailed services are delegated to provincial governors. At each village office there is social welfare officer tasked with general social welfare in the province.

### **Local community center**

There is no alternative delivery organization for social assistance and welfare service other than the local community centers, which are under the Ministry of Public Administration and Security. It exists for convenience of administration. It has advantage of previous integration into communities, so that is why the Minister of Health and Welfare and Family Affairs does not establish execution offices. At each community center there is one or two social welfare officers who carry out general administrative work such as basic inquiries, resident registration, affixing seals, family registers, and local taxes, as well as social welfare. Due to this workload they are unable to perform outreach service. As a related welfare effort, social welfare officers are serving as a front line delivery system for the social assistance system. Finding the recipients, in-taking, assisting with applications and delivery are the duties of social welfare officers. Clients come to the local community center and the social welfare officer performs general administrative work and provides social welfare services and cash benefits.

### **Funding**

80% of funds for operations come from the central government. Local governments are responsible for the remaining 20%, but if the local governments' finances are solid, they share 50% of the funding.

### **III. Social assistance delivery system of Britain**

#### **1) Environment**

##### **Administrative system**

In Great Britain, the governmental organized laws follow the Common Law, so each ministry has the authority to change internal departments, enabling them to adjust the function of underlying departments(N. K. Lee, Shin, Kim, & Kim, 2001).

##### **Britain's provincial administrative system**

Local governments come in five forms: county, district, borough, unitary council and City of London. The provincial administrative system has metropolitan and non-metropolitan divisions. The metropolitan administrative sector of Britain is composed of 36 District Councils, 32 Borough Councils, and the City of London, complimented by 47 Non-Metropolitan. County units are much smaller than South Korea's provinces in population and area, the average population of a county being less than one million. These local governments vary in political power but usually provide education, personal welfare, social welfare, basic needs service, protective service, amenity service, and facilities service(N. K. Lee, et al., 2001).

##### **Social welfare system**

The social security payment system is separated into social insurance, social assistance, and demo grants. These types are categorized according to presence of contribution and means-test. Social insurance is a contributory benefit while social assistance and universal grant are non-contributory benefits. Social assistance recipients are selected by a means-test and receive an allowance. This allowance includes Income Support, Job-Seekers' Allowance, Family Credit/Working Families Tax Credit, Housing Benefit, Council Tax Benefit, and the Social Fund.

As a general assistance scheme, Income Support, a representative social assistance allowance, has been selected for study and Job Seeker's Allowance has been chosen to represent a delivery system of support to laborers.

#### **2) Social assistance scheme**



### **Income Support**

Income Support (IS) plays a crucial role in securing a life which meet minimum standards for low income earners by granting an allowance. Income Support can be paid to a person who is in Great Britain, aged 16 or over, not working more than 16 hours. IS is a non-contributory benefit. In October 1996, Jobseeker's Allowance replaced IS for the unemployed. IS is now generally available only to those who are not required to be available for work, such as pensioners, single parents, caregivers, and ill or disabled people. There is no limit to its duration and 100% of funding comes from the central government. Recipients with the right to receive IS are also allowed the Housing Benefit, Council Tax Benefit, and the Social Fund. As of May 2008, the total number of IS claimants was 2.09 million.

### **Income-based Jobseeker's Allowance**

Since 1996, the low-income unemployed have receives Jobseeker's Allowance (JSA) in the place of IS. JSA can be claimed by people who are available for and actively seeking employment (including those who average less than 16 hours of remunerative work per week) and by people engaged in government training schemes.

### **Benefit entitlement**

Contribution-based benefits are determined by National Insurance contributions and are paid at an individuated rate for up to six months. Income-based benefits are set to match claimants' and dependants' needs. These are payable for as long as qualifying conditions remain. A claimant may receive either contribution or income-based JSA, but not both. To receive JSA, claimants should go to Jobcentre Plus and fill in the Jobseeker's Agreement. The JSA Centre asks them to regularly show evidence of their efforts to find work. There is no difference in amount of between contribution based benefits and income based benefits but they are given according to age.

Table2> JSA claimants by benefit entitlement

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|      |     |             |
|------|-----|-------------|
| 2005 | All | Type of JSA |
|------|-----|-------------|

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| February | All claimants | recipients | Contribution based only | Contribution- and income-based | Income-based only | No JSA payment |
|----------|---------------|------------|-------------------------|--------------------------------|-------------------|----------------|
|          | 855.4         | 773.1      | 153.0                   | 15.0                           | 605.1             | 82.3           |

(Unit: Thousands)

Source: Department for Work and Pensions,

("Job Seeker's Allowance Quarterly Statistical Enquiry," 2008)

### **3) Structure of delivery system: relations between governments**

In the UK, the central government is responsible for planning and execution of Social Assistance, taking on nearly all the needed roles. The central government remains in charge of the fund and prepares the standards for the selection of recipients and benefit levels. The basic framework of the social assistance system is detailed in national law. Administration also depends mainly on the central government but local offices are relatively independent. The social welfare delivery system in the UK is separated into social security organizations and social welfare service organizations. This means that in the UK cash benefits and social services are provided through different channels.

#### **Central government**

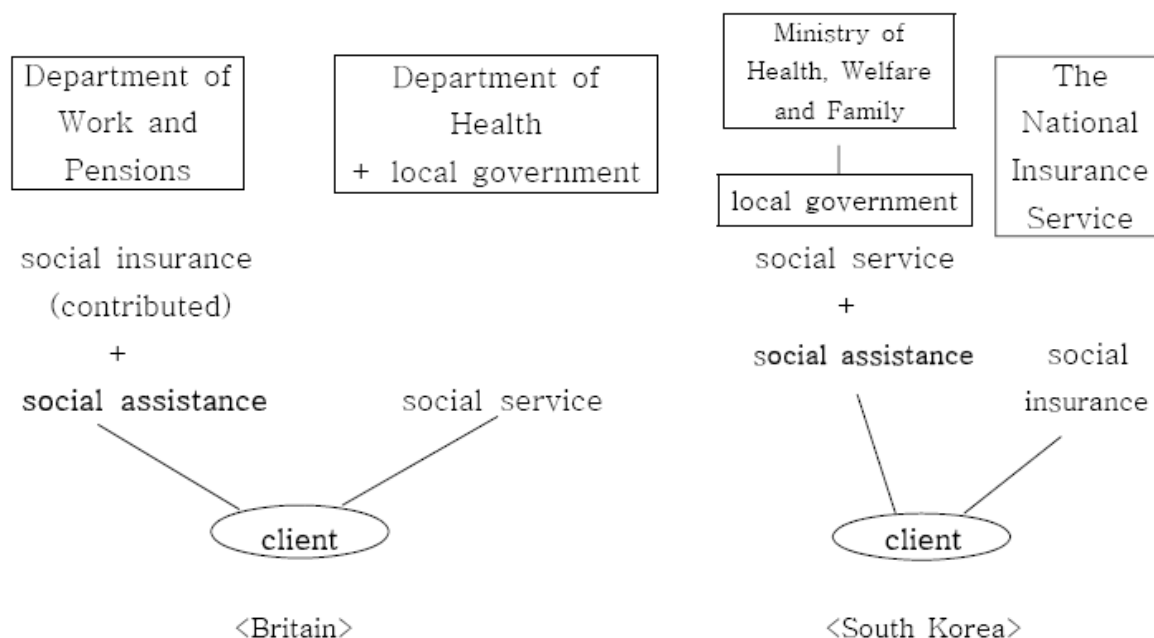
When dividing UK central-governmental organizations into central departments, non-departmental public bodies, and executive agency, it is the Department for Work and Pensions which is in charge of social assistance systems. Frontline execution of service belongs to Jobcentres Plus.

#### **Department for Work and Pensions (DWP)**

DWP controls the social assistance system and its allowances. It takes charge of developing policy, distributing funds, and monitoring delivery organizations. There are a range of DWP execution stations, including Jobcentre Plus, Pension Service Child Support Agency, Disability and Careers Service, Health and Safety Commission and Health and Safety Executive, Rent Service, and Appeals Service. Cash benefits and employment services and conditions are managed comprehensively by Jobcentre Plus. Jobcentre Plus is composed of the various teams which are responsible for execution and the board of directors.

#### IV. South Korean and British delivery system comparison

Figure 1 > Diagram of South Korean and British social assistance delivery systems



In South Korea, problems with social assistance delivery system include discontinuation of social insurance and social assistance delivery systems, a dual benefits system, and ambiguity of service responsibility. This stems from cash allowances and general social service being provided by a single entity, an obstacle to professionalism and effectiveness. Meanwhile, workfare is attracting increasing attention and taking an important role in social assistance. However, welfare to work programs, such as employment training and finding jobs, also take place at local community centers. Appropriate support and monitoring are impossible in such a delivery system. According to a 2007 annual report by MIHWAF, a mere 6.3% of social allowance recipients succeed at becoming self-sufficient(Jeon, 2008).

Social welfare officers belong to the Ministry of Health, Welfare and Family Affairs but the organizations for which they work belong to the Ministry of Public Administration and Security. It means social welfare officers work within two supervisory organizations.

It is impossible to completely rework the delivery system. Nevertheless, to assuage the heavy workload of social welfare officials' non-systematic service, a separation of human resources is necessary. General staff are able to perform tasks such as routine administrative work and case management. Clarification of the division of the workload is needed. In

addition, even though local community center may be used, efforts are needed to close the dual ministerial system. Rationalization of the delivery system, meaning an appropriate separation of general social welfare services, self-support centers, and income security will confront the demand of reconstruct. Finally it will guarantee the satisfaction of users. There is a best social assistance delivery system, but it is simply an ideal. Finding the best system possible and adjusting it to the appropriate scheme is the task at hand.

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