

The Impact of the Basic Income System on Korea and Other Countries

Lu Wang

Kyung Hee University Graduate School of Technology and Management, Yongin 17104, Republic of Korea.

Abstract: The impact of major events such as the Asian financial crisis in 1997, the world financial crisis in 2009 and the new coronavirus epidemic in 2020 has led to increasing poverty and inequality in Korea. Against such a background, the basic income system is to some extent a system that must exist for the sake of the nation. As an important means of securing workers' income, the basic income aims to maintain the basic livelihood of low-income workers. The basic income system serves the purpose of ensuring that workers on low incomes are able to make a living in their respective cities and countries. Especially in today's fast-growing economy, where prices are uncertain, the National Assembly of Korea makes annual corrections to the basic income for the following year in order to ensure that the basic livelihood of the people is guaranteed while the economy grows.

Keywords: Basic Income System; Basic Income; National Economy; Social Security

1. Introduction

The impact of major events such as the Asian financial crisis in 1997, the world financial crisis in 2009, and the new coronavirus epidemic in 2020 have led to a steady increase in poverty and inequality in Korea. In response, a series of measures such as neoliberal reform orientation and labour market flexibilisation have impacted on the previous Korean social system, and in addition to traditional poverty issues such as the elderly and the disabled, new forms of poverty, such as unemployment and the increase in the number of low-income groups, have created a number of new challenges for Korean society. In this sense, poverty is a new challenge. In this sense, the chronicity and complexity of poverty provided a strong external incentive for the development of a basic income system in Korea, and beginning with the reform of the National Basic Livelihood Security System at the end of the 20th -century, the Korean government continued to increase public expenditure in an attempt to expand the scope and level of the income security system.

2. Background Current Situation and Basic Income System

2.1 Current situation in the background

The first is the ageing of relative poverty, which has long been one of the traditional poverty problems in Korea. The accelerating low fertility and ageing in recent years, coupled with the gradual stagnation of economic development, has made the trend of ageing poverty more and more pronounced. Although the overall relative poverty rate and the relative poverty rate of each age group have been decreasing in Korea in recent years, the problem of poverty among the elderly remains particularly pronounced. Compared to other OECD countries, Korea maintains the highest employment rates for middle-aged and elderly people, but the relative poverty rate for the elderly has remained high. the relative poverty rate for the elderly aged 65+ was 41.4% in 2019, exceeding the overall relative poverty rate in Korea by about four times^[1] and about more than three times the average relative poverty rate in OECD countries (15.8%)^[2]. Among them, the poverty problem is more severe among female elderly (46.8%) compared to male elderly (34.5%). With increasing life expectancy, poverty among the elderly is becoming more feminised and more advanced, reflecting the gender differences and income redistribution effects of pensions, which are an important function of post-retirement income security.

Secondly, the individualisation of poverty and the miniaturisation of family structure is one of the most important features of the changing family structure in Korean society. According to the Korea Statistics Agency, the proportion of one-person households living alone in Korea was as high as 31.7% in 2020, and is still gradually increasing, with the highest proportion of unmarried young people

living alone, elderly people living alone, and single-parent households^[3]. In terms of poverty by population groups in Korea, in addition to traditional poverty groups such as the elderly and the disabled, one-person households and single-parent households account for a relatively high rate of relative poverty. Among them, the relative poverty problem is more serious for elderly people living alone and unmarried young people living alone. For young people, reduced income due to unstable employment and the burden of housing costs associated with living alone are the most important causes of poverty.

2.2 The basic income system

The basic income system is, to a certain extent, a system that must exist for the sake of the nation, as an important means of guaranteeing the income of workers, with the aim of maintaining the basic subsistence of low-income workers. The basic income system is an important means of ensuring that workers on low incomes are able to make a living in their respective cities and countries. This is especially true in today's fast-growing economy, where there is a certain amount of uncertainty in prices, and where the National Assembly makes annual revisions to the basic income for the following year in order to ensure that the basic living of the people is guaranteed while the economy is growing.

In addition to the basic income system, a system similar to the national health insurance system is actually designed to help the basic livelihood of the people, and the debate between the parties in Korea is mainly centred on this point. Whether the basic income system should be improved or more strongly guaranteed in other areas is often the focus of partisan debate.

3. Practical application of the basic income system in China, Korea and other countries

3.1 Application of the Basic Income System in Korea

The author is more supportive of the Progressive Party's view to impose a higher basic income standard on Korean citizens. Firstly, for the sake of the overall economy, we live in an era that requires the rapid circulation of money as well as overspending, and the prosperity of money is vital to economic development. Moreover, as the poverty problem described earlier, with the widening gap between the rich and poor in Korean society and the increase in social inequality, a basic income system is a very viable solution to improve social injustice by redistributing society's resources. Basic income can improve economic efficiency. Firstly, compared to traditional social security, a universal basic income can increase motivation to work. For example, under the current social security system, minimum subsistence recipients tend to be less motivated to re-enter the labour market, as they are disqualified from continuing to receive low income after they have earned a certain amount of money upon re-employment. As a result, they will seek jobs with wages less than or equal to the subsistence minimum and perform minimal labour, but a basic income does not have these constraints and can make workers more active in the workforce^[4]. Secondly, a universal basic income can guarantee freedom of choice of occupation so that workers do not have to work for a living^[5]. This not only improves workers' bargaining power when looking for work, but also encourages them to take risks in challenging and innovative jobs^[6]. Moreover, jobs that are less well paid but socially vital, such as early childhood education, nursing and youth counselling, will become more attractive. With no pressure to earn a living, the job market will truly balance supply and demand. Once again, under the pressure to survive, people will be forced to take on jobs they are not intrinsically motivated to do, and will be forced to give up those jobs that truly fulfil their potential. This mismatch between potential and interest and actual jobs is a huge waste of human resources. By removing the fear of "how we will live", a universal basic income stimulates the entrepreneurial spirit necessary for economic development.

3.2 Application of the basic income system in China

The current situation in China and South Korea is quite similar in many aspects, such as the large gap between the rich and the poor and the increase in social inequality. Therefore, excluding the basic income system mentioned above can improve economic efficiency, which is also applicable in China, and at the same time, excluding these basic points, the benefits of the basic income system for China cannot be ignored under the impact brought by the new crown epidemic, in 2022, for China and South Korea, which The year 2022 will be challenging for both China and South Korea, countries that have just liberalised their epidemic management policies. The consumption of epidemic supplies and the accumulated cost of living for the population during an epidemic is a serious issue. In China in particular, with its extensive urban management policy, people may often be left without jobs, and in this case,

raising the basic income of the population could be of great help. As of now, China has just fully decontrolled the epidemic, and future changes in basic income and basic security for the population will also be a top priority.

3.3 Application of basic income systems in other countries

As a typical example of a high welfare state, Finland's universal basic income experiment has attracted global attention. According to the Finnish National Social Security Board, until 31 December 2016, the Board will draw around 2,000 Finnish citizens between the ages of 25 and 58 among those who have received unemployment and low-income benefits in November; for the next 24 months, they will receive a basic income of €560 per month unconditionally provided by the state (€560 is exactly the current amount of unemployment benefit in Finland). For the next 24 months, after which they will not be able to receive unemployment or low income benefits for two years. However, if they find a job during this period, the unconditional basic income of €560 per month will not be reduced. It is important to note that €560 is well below the average Finnish income of €2,700, which is only the 'basic income'. The experiment was conducted with two main objectives in mind: firstly, whether the willingness of the unemployed to re-enter the workforce would increase. Many of the unemployed and low-income households are reluctant to take up lower-paid jobs, fearing that their after-tax wages will be less than their unemployment benefits. The final evaluation of the two-year universal basic income experiment has not yet been completed, but the Finnish Minister of Health and Social Affairs, Pirkko Mattila, who investigated the initial results of the experiment, stated that, based on the data from the first year, the effect of basic income on the employment rate of participants "seems to be small". However, according to Olli Kangas, the project's lead researcher, the participants on basic income were significantly happier and healthier than the control group[8]. In other words, there was a significant increase in happiness.

In the case of Finland, the basic national income seems to be all good and no harm, but this is not all true for companies. Germany, for example, has a basic income of 9.6 euros per hour in 2021 and has achieved more than 80 per cent of this wage target in terms of benefits such as national insurance, which is covered by companies. This high standard of welfare, combined with its strict enforcement of the eight-hour working system, has led to a significant reduction in national stress and a solid increase in national happiness in Germany. But in the framework of the epidemic, this high human cost has dealt a serious blow to German businesses, and many small and medium-sized enterprises have even gone bankrupt as a result of this situation. In a certain way, this distribution system is also no less oppressive for business.

Conclusion

While it is true that a basic income system can contribute to the development of the economy and that its implementation can be effective in promoting economic development and improving the well-being of the population, it is also necessary to adapt it to the country's situation and to the current state of affairs, and not to apply it directly without regard to the current situation. A basic economic system, systematically adapted to the country's situation, can, on the one hand, stimulate a higher rate of re-employment, especially in professions that are not well paid but are essential to society, and, on the other hand, guarantee a basic income that will also increase the happiness of the population and guarantee social stability.

The guarantee of a basic income system must not exceed the limits of the national economy and cause greater economic pressure on enterprises and the government. However, as the economy grows, infrastructure is built and people's living standards become more secure, the gap between the rich and the poor increases and social inequality grows, the introduction of a basic income system is a major solution to these problems.

References

- [1] Korea Institute of Health and Social Research, Poverty Statistics Annual Report 2020 [R], pp: 31-41.
- [2] OECD Database Income Distribution and Poverty. <https://stats.oecd.org/> (Access on January 2023).
- [3] Population Household Survey, Statistics Korea. Available from: https://www.kostat.go.kr/portal/korea/kor_nw/1/2/1/index.board (Access on May 2022).
- [4] Philippe Van Parijs, Competing Justifications of Basic Income, *Arguing for Basic Income*, Verson, 1992, pp: 3 – 11.
- [5] Daniel Raventós, *Basic Income: The Material Conditions of Freedom*, Pluto Press, 2007, pp: 22.
- [6] Andy Stern and Lee Kravitz, *Raising the Floor: How a Universal Basic Income Can Renew Our Economy and Re-build the American Dream*, pp: 188 – 190.