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The Composition and Trends of Korea's Expenditure on Disability Policies: A Comparison with Other OECD Countries

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In 2020, Korea spent 0.83 percent of its GDP on disability policies, just over one-third of the OECD average. Disability benefits in kind as a share of GDP have approximated the OECD average, but disability cash benefits constituted less than a quarter of the OECD average as a share of GDP. Despite Korea's overall public social expenditure fast approaching the OECD average, spending on disability increased only at such a relatively moderate pace that it is hard to expect that it will soon reach a proportion anywhere near considered in balance with the rest of public social expenditure. Korea's spending on disability policies remaining at such low levels as a share of GDP is attributable to disability assistance programs remaining low in both coverage and benefit level. Unless substantial changes are made to disability cash assistance, which as a share of GDP still falls far below the OECD average, Korea's overall spending on disability policies is likely to remain low compared to the OECD average.

Introduction

In the three decades to 2020, Korea's disability spending has grown significantly, from 486.6 billion won to 16.1903 trillion won, with its share of GDP increasing from 0.24 percent in 1990 to 0.83 percent. The increase in disability policy expenditure grew especially sharper of late. For instance, the disability

budget earmarked for the Ministry of Health and Welfare has more than doubled, from 2.7 trillion won in 2017 to 4.0854 trillion won in 2022. Still, Korea's expenditure on disability policies as a share of GDP remains one-third of the OECD average. Also, expenditure on disability policies has been increasing at a rate slower than the pace at which overall social expenditure has been growing.

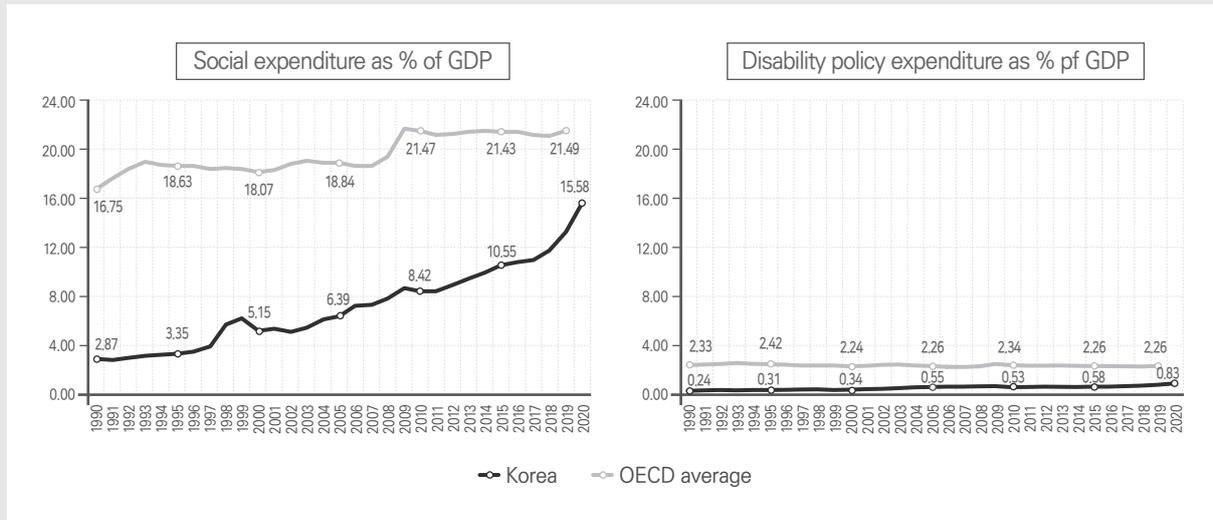
The first thing to look at to see if a state is allocating enough social resources to disability policies is the expenditure level. The evaluation would be more accurate if it examined the expenditure in terms of not just its total amount but also in terms of its level as a percentage of GDP relative to other countries, detailed composition, and trends. While the determination of whether the level of certain social expenditures is adequate as a share of GDP can be a complex process involving exploration of their efficiency and impact, changes in the demands and conditions concerning them, and a comparison with other social expenditure items, an analytic account of public expenditures can serve as the most basic instrument to look into the realities of the policies concerned. In this article I examine Korea's disability policy expenditures as a percentage of GDP and in terms of composition and trends, using OECD SOCX data.



Disability expenditure, its scale and trends

Korea's social expenditure as a share of GDP, having increased rapidly to reach 15.6 percent in 2020, is expected to soon reach the OECD average, which as of 2019 was 21.5 percent. While social expenditure as whole as a share of GDP has increased steadily all along from the 2000s onward, disability expenditure, a component of social expenditure, had mostly plateaued as a share of GDP during the period between 2005 and 2015, increasing from 0.55 percent to 0.58 percent. With its rate of growth picking up a little in recent years, disability expenditure as a share of GDP reached 0.83 percent in 2020. Despite the recent increase, however, the rate of growth in disability expenditure remains lagging behind the rate of growth in overall social expenditure. In 2019, Korea's disability expenditure as a share of GDP stood just a touch over one-third of the OECD average of 2.26 percent.

[Figure 1] Social expenditures and disability policy expenditures

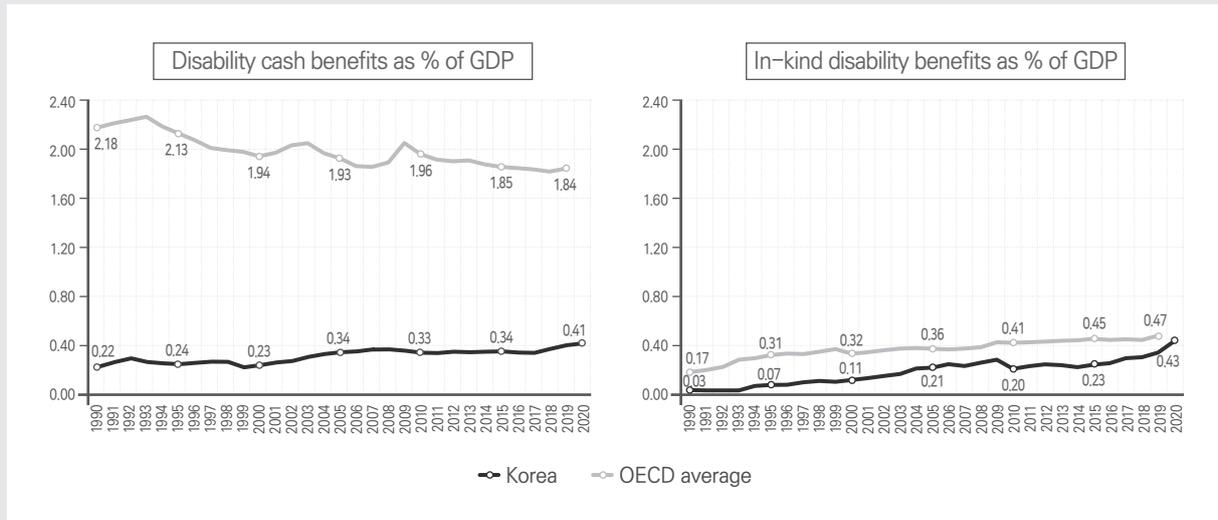


Note: Social expenditure includes public and mandatory private expenditures; disability policy refers incapacity benefits.

Source: OECD. (2023). Social Expenditure (SOCX) Database: Aggregated data.

Within the category of spending on disability policies, there was a noticeable difference in trends between cash and in-kind benefit expenditures. In-kind disability benefit expenditure as a share of GDP was 0.43 percent in 2020, not yet quite on par with but set to soon reach the OECD average, which in 2019 was 0.47 percent. Cash benefit expenditure, however, having plateaued for the past 15 years, stayed at as low as 0.41 percent in 2020, less than even a quarter of the 2019 OECD average of 1.84 percent. Korea's ratio of cash benefits and in-kind benefits in disability expenditure has remained at about one to one, with, in recent years, the former overtaken in expenditure by the latter, compared with the OECD average ratio of cash disability benefits to in-kind disability expenditure of about four to one. Korea's case may be due in part to the swift improvements made recently to in-kind benefits but also in part to its cash benefits spending remaining far too insufficient.

[Figure 2] Disability policy expenditure: cash and in-kind benefits



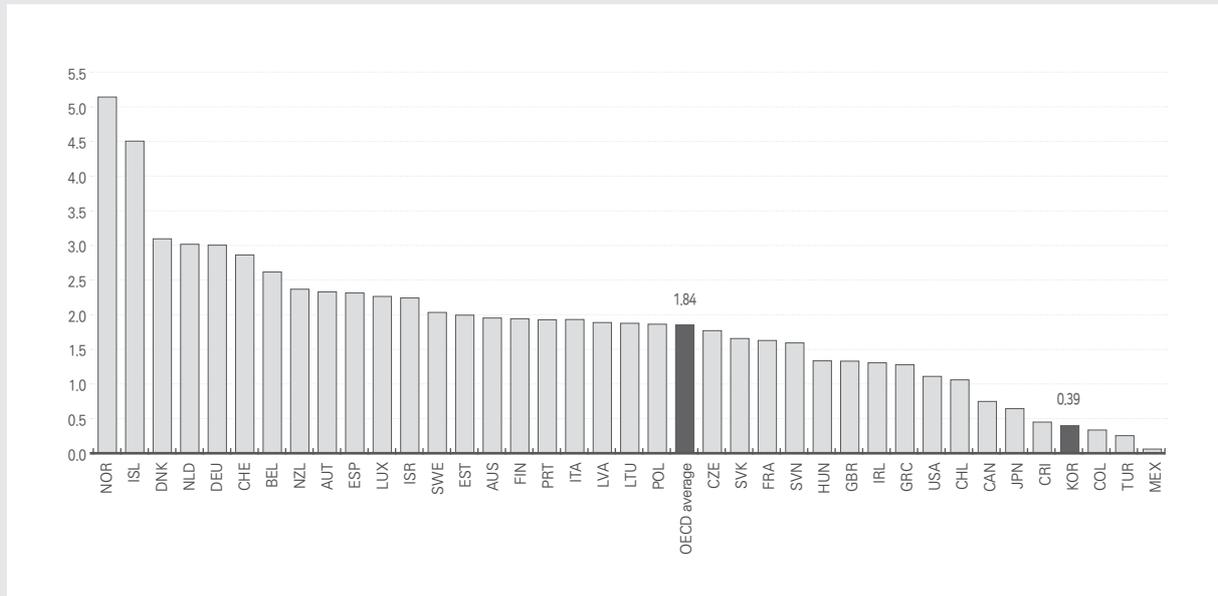
Note: Social expenditure includes public and mandatory private expenditures
 Source: OECD. (2023). Social Expenditure (SOCX) Database: Aggregated data.



Cash and in-kind disability benefits: trends in expenditure

Among all OECD member countries, only Mexico, Turkey, and Colombia spent a smaller percentage of GDP on disability cash benefits than Korea. Korea's low spending on cash disability benefits may be a result of a narrow benefit coverage, low benefit levels, or a combination of both. However, expenditures measured as a share of GDP alone do not suffice in determining to which of these factors Korea's case is attributed.

[Figure 3] Disability cash benefits as a share of GDP for OECD countries (2019)

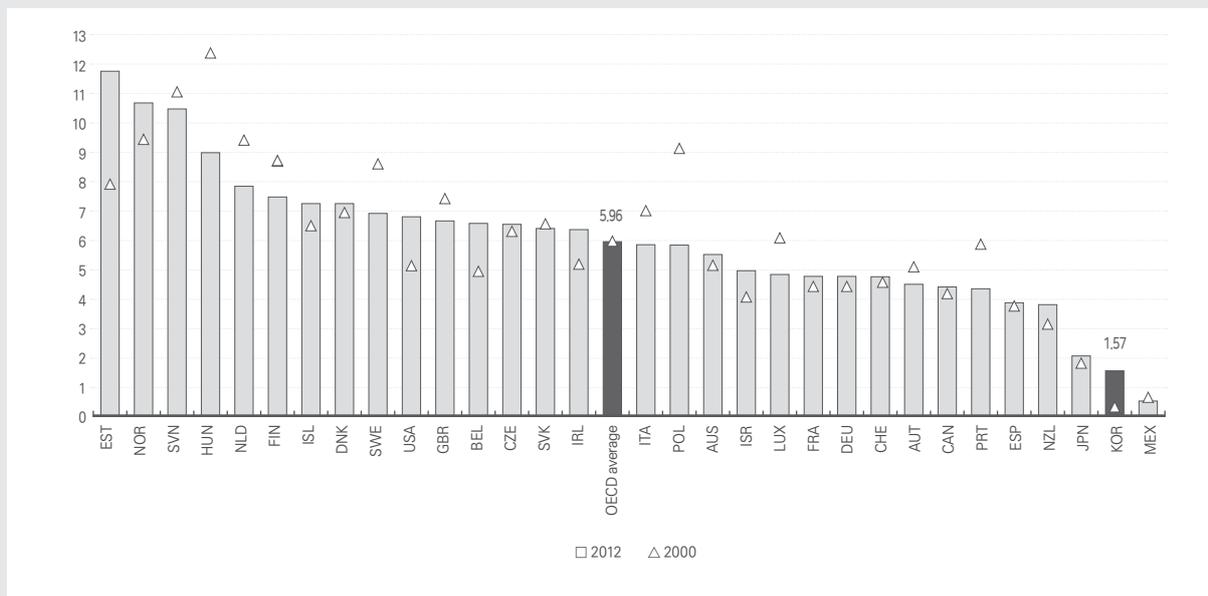


Note: Public and mandatory private expenditures as a share of GDP (cash benefits)—“disability pensions”, “pensions for occupational injury and disease,” “paid sick leave for occupational injury and disease,” “paid sick leave for non-occupational injury and disease,” and “other cash benefits.”

Source: OECD. (2023). Social Expenditure (SOCX) Database: Aggregated data.

Little has been published that compares the benefit coverage of disability policies in different countries, but disability cash assistance is a notable exception in that indicators have been generated on it on multiple occasions and published in a cross-country comparative format. In 2012, OECD member countries had on average 6 percent of their populations aged 20 to 64 receiving cash disability benefits, while for Korea the figure was only a quarter as large. Figures 3 and 4 taken together illustrate how far down Korea ranks in both the level and coverage of disability benefits.

[Figure 4] Population receiving disability benefits, as a share of the working-age population (ages 20~64)

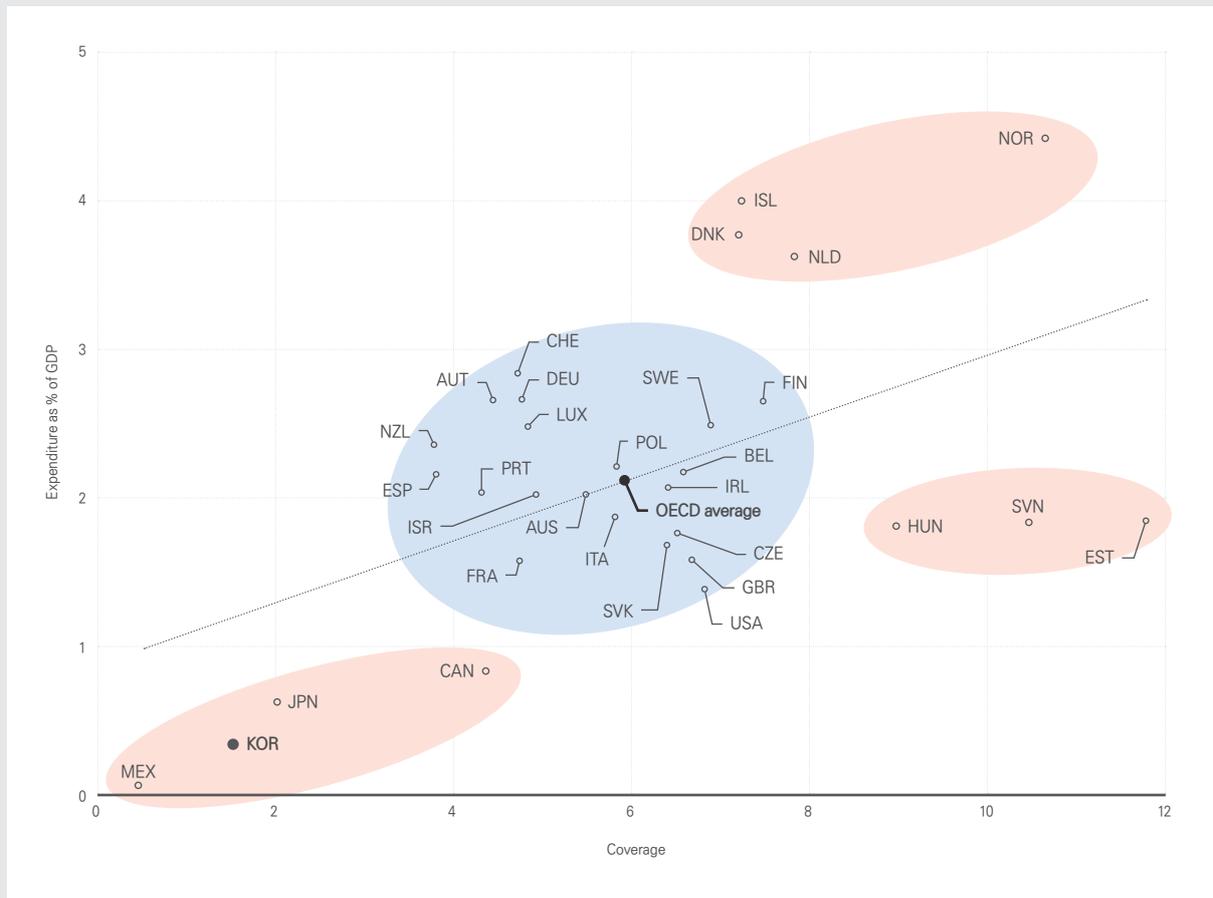


Note: Individuals receiving disability benefits as a share of the population aged 10–64; disability benefits include both contributory and non-contributory benefits (including occupational incapacity payments); the time point of comparison varies for some countries; the time points for Korea are 2000 and 2007.

Source: OECD. (2016). Economic policy reforms 2016: Going for growth interim report. Paris: OECD Publishing. p. 32.

One country's benefit level of disability cash assistance can be evaluated in comparison to the other countries' based on the distribution of disability cash benefits expressed in the combination of coverage and expenditure as a share of GDP. The distribution of the two factors combined concentrated around the OECD average. The proportion of the working-age population receiving disability benefits ranged from 4 to 8 percent, and the expenditure on disability cash benefits as a share of GDP was between 1.5 and 3.0 percent. Several countries were found to be significantly away from the OECD average, forming distinct groups. Of the first of these groups are Norway, Iceland, the Netherlands, and Denmark, all Northern European countries, all with their disability cash benefits going to a large proportion of the working-age population and accounting for a substantial percentage of GDP. The second group, consisting of Eastern European countries such as Estonia, Slovenia, and Hungary, is characterized by a high benefit receipt rate and an expenditure of about the OECD average on disability benefits, which in combination translate to a low benefit level. In the third and last of the minor groups are Korea, Mexico, Japan, and Canada, where disability cash assistance, low both in coverage and as a share of GDP, remains relatively low in benefit levels. Korea's low disability expenditure as a share of GDP has been said to be a result of the disability policies benefiting too small a percentage of the population. This study goes further to suggest that Korea's low expenditure as a percentage of GDP on disability policies, at least in the case of cash assistance, is a product not only of narrow coverage but of low benefit levels as well.

[Figure 5] Disability cash benefits, distribution of the combination of coverage and expenditure as a share of GDP (2012), for OECD countries



Note: Coverage refers to individuals receiving disability benefits as a share of the working-age population (20–64); expenditure level is incapacity cash benefits as a share of GDP; the straight line represents linear regressions.

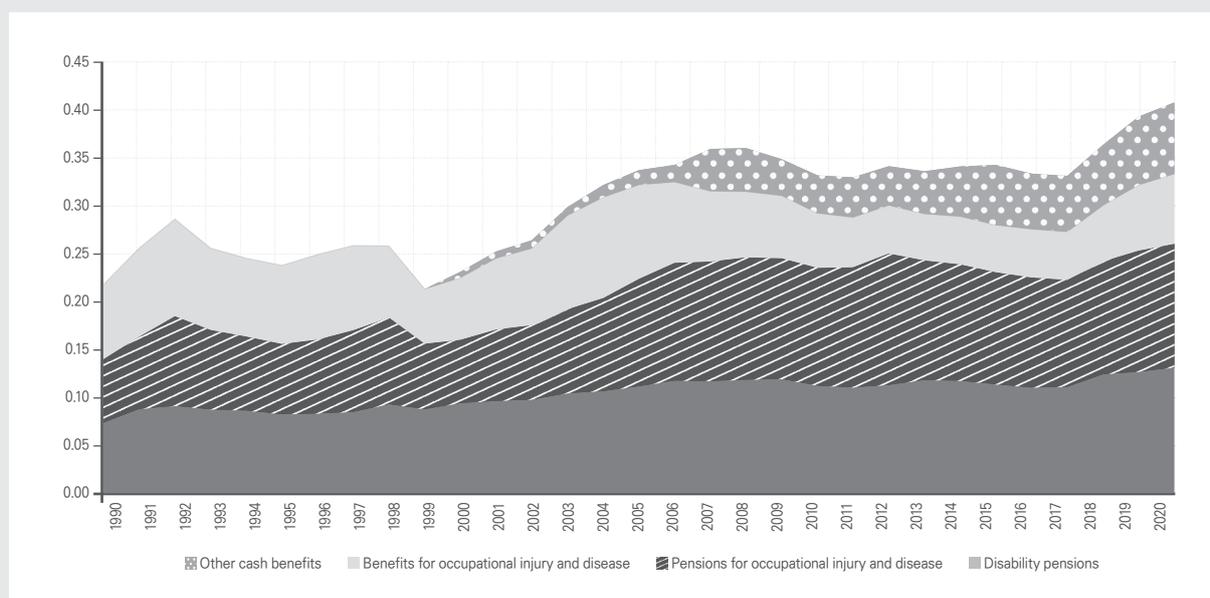
Sources: For coverage—OECD. (2016). Economic policy reforms 2016: Going for growth interim report. Paris: OECD Publishing. p. 32.; for expenditure level—OECD. (2023). Social Expenditure (SOCX) Database: Aggregated data.

In the OECD Social Expenditure Database, disability cash benefits divide into five items: “disability pensions”, “pensions for occupational injury and disease,” “paid sick leave for occupational injury and disease,” “paid sick leave for non-occupational injury and disease,” and “other cash benefits.” For Korea in 2020, “disability pensions” and “pensions for occupational injury and disease” each accounted for 0.13 percent of GDP, “paid sick leave for occupational injury and disease” and “other cash benefits” each took up 0.07 percent, while no expenditure was recorded on “paid sick leave for non-occupational injury and disease.”

In Korea, a half of the spending on disability policies is allocated to “occupational injury and disease” (0.20 percent of GDP) and most of “disability pensions” are veterans-related (0.10 percent of GDP). As a result, a relatively small portion (0.10 percent of GDP) is allocated to general disabilities. The expenditure trends since 1990 reveal moderate increases in “disability pensions”, “pensions for occupational injury

and disease,” and “other cash benefits,” while spending on paid occupational sick leave has plateaued or even declined. “Other cash benefits” is a subcategory whose expenditure, while having been non-existent throughout the 1990s, began coming about in the 2000s and thereafter, especially from the 2010s onward, with the expansion of disability allowance and the introduction of disability pensions, grew rapidly.

[Figure 6] Disability cash benefits, composition, for Korea



Note: Public and mandatory private expenditures on cash benefits, as a share of GDP.

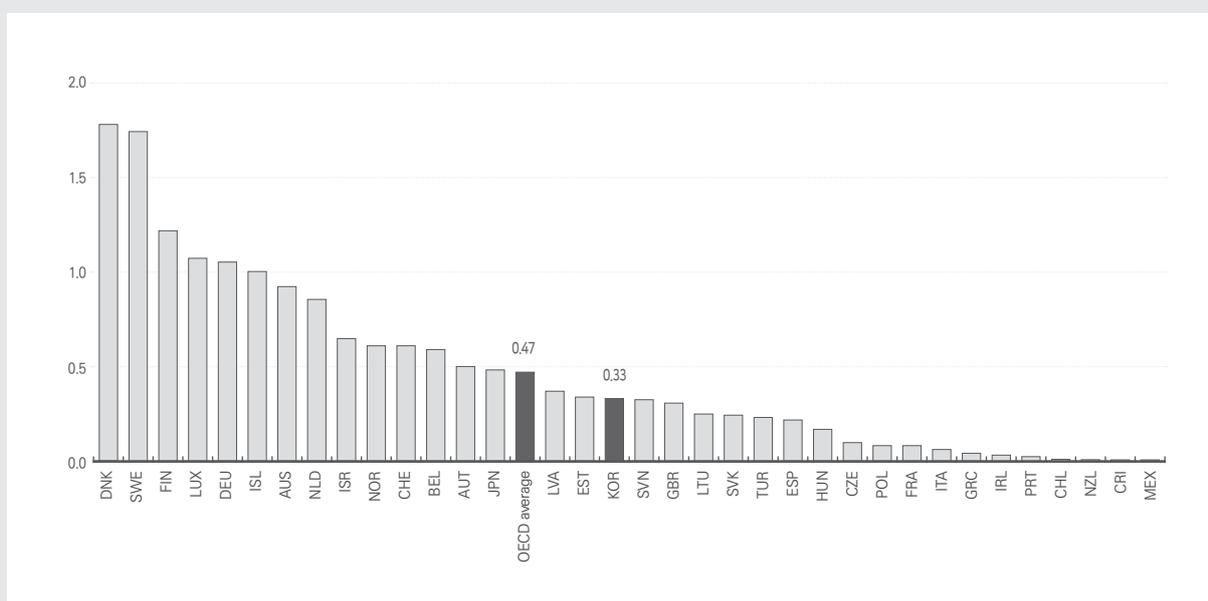
Source: OECD. (2023). Social Expenditure (SOCX) Database: Detailed data.

Korea's expenditure on disability cash benefits as a share of GDP remains at a level significantly lower than the OECD average. The limited share of GDP allocated to disability cash benefits can be attributed to a combination of narrow benefit coverage and low benefit levels. In addition, the spending taking such a low proportion of GDP can be explained also by its makeup, where “pensions for occupational injury and disease” and veterans-related payments together vastly dwarf “disability pensions” (part of the National Pension) and “paid sick leave for non-occupational injury and disease” remains absent. The low coverage can be thought of as a result mostly of the current disability registration system, where the determination of disability and its cause, made based solely on medical considerations, is heavily restrictive. Meanwhile, the existing disability pensions and disability allowances, while relatively broad in coverage, are low in benefit levels, contributing to the overall disability cash benefit level staying low.

Korea's expenditure on disability benefits in kind as a share of GDP was 0.33 percent in 2019, somewhat

lower than the OECD average of 0.47 percent. When it came to rankings, however, Korea came in around the middle of the list of OECD countries, ahead of France (0.08 percent), Spain (0.22 percent), and the UK (0.31 percent). If the rate of its recent increases is any indication to go by, Korea's expenditure on in-kind disability benefits as a share of GDP, having already climbed to 0.43 percent in 2020, is likely soon to reach a level considered anything but insufficient. However, it should be noted that for lack of relevant statistics, it is difficult at this point to evaluate how Korea fares in comparison with other countries in terms of the level and coverage of disability benefits in kind.

[Figure 7] In-kind disability benefits as a share of GDP, OECD countries (2019)



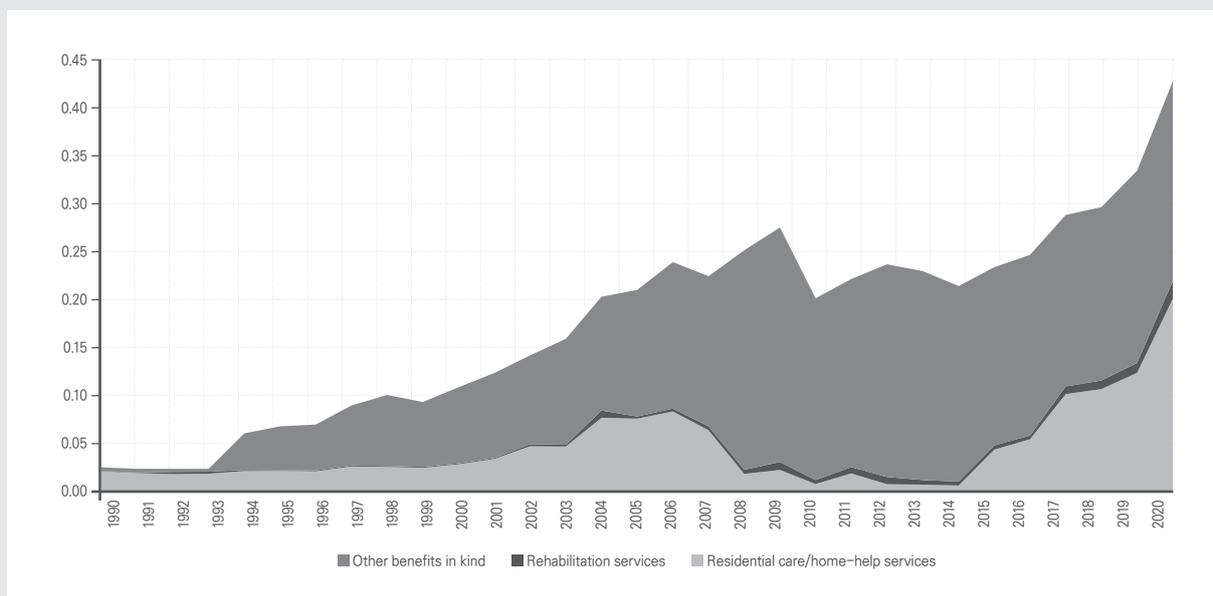
Note: Public and mandatory expenditures as a share of GDP on in-kind benefits: “residential care/home-help services,” “rehabilitation services,” and “other benefits in kind”; data on the UK is from 2018.

Source: OECD. (2023). Social Expenditure (SOCX) Database: Aggregated data.

In the OECD SOCX database, disability benefits in kind are divided into “residential care/home-help services,” “rehabilitation services,” and “other benefits in kind,” each of which, in the case of Korea in 2020, represented 0.20 percent, 0.02 percent, and 0.21 percent, respectively, of GDP in 2020. Expenditure on “other benefits in kind,” which was higher than the OECD average as a share of GDP, was accounted for mostly by spending on special education, representing 0.16 percent of GDP. For other OECD countries, however, spending on special education is little reflected in the category of “other benefits in kind.” If we excluded the portion dedicated to special education, which appears to be the case for many OECD countries, Korea's expenditure on in-kind disability benefits would constitute only 0.26 percent of GDP, significantly lower than the OECD average of 0.47 percent.

Korea's expenditure on "other benefits in kind" as a share of GDP grew rapidly in the late 2000s, and, afterward, there occurred in the late 2010s a sharp increase in the portion dedicated to "residential care/home-help services," likely as a result of the sizeable expansion that transpired then in the provision of services falling under that rubric. The significant rise in "other benefits in kind" observed in 2020 may be attributed to the reclassification of national expenditures on "activity assistant services," previously placed in a different category, into the realm of disability policy. Meanwhile, the decrease in expenditure on in-kind disability benefits seen in the earlier years of the 2010s, before the reclassification, warrants further analysis.

[Figure 8] In-kind disability benefits, composition, for Korea



Note: Public and mandatory private expenditures on in-kind benefits, as a share of GDP.

Source: OECD. (2023). Social Expenditure (SOCX) Database: Detailed data.

Korea's social expenditure on "disability benefits in kind," though having recently reached a level nearing the OECD average, can hardly be taken to have reached what may be considered an adequate level, especially when the component on special education, unique to Korea, is left out of account. This study presumes that the current level of expenditure on "disability benefits in kind" is a product of a combination of benefit coverage and benefit level. Assistant services, residential care, and special education, all taking up a large proportion of "disability benefits in kind," are high in benefit level but low in coverage. Reductions and exemptions on public transport fares and public utility charges are very broad in coverage but generally low in benefit level.



Concluding remarks

The OECD SOCX may not be perfect, but, even at its least, it is a source of available data that allowed for the present cross-country comparison, from which the level of expenditures on disability policies in Korea turned out to be low relative to other OECD countries. This study found that Korea's expenditure on disability cash benefits as a share of GDP was substantially lower than the OECD average. Korea's expenditure on "disability benefits in kind" as a share of GDP was also found to be lower than the OECD average, especially when the component of special education is disregarded as is the case with most OECD countries. Also, Korea's disability policy expenditure turned out to be less than well-balanced in composition, with disability cash assistance heavy on occupation-related and veterans-related payments and in-kind benefits on activity assistant services, residential care, and special education.

Given the substantial increase in Korea's spending on in-kind disability benefits in recent years, one might anticipate a gradual increase in overall disability policy expenditures as a share of GDP over time. However, public spending on in-kind disability benefits, having already reached close to the OECD average, is unlikely to continue growing at the current rate for an extended period. Further expansion is more needed for disability cash benefits, which lag further behind the OECD average in terms of expenditure as a percentage of GDP. There is also a need to expand coverage through changes to the disability determination system and the disability pension, increase benefit levels, especially for the disability pension, and introduce paid sick leave. Without these measures, Korea's expenditure on disability policies as a share of GDP is likely to remain low relative to the OECD average. Considering the path-dependency of social security programs, however, any expansion of disability down the line must be planned based on precise projections of demands and deliverables.