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The Child Benefit: Its Usage and Improvement Options¹⁾

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Implemented in September 2018 pursuant to the Child Benefits Act, the Child Benefit was initially paid to families in the bottom 90 percent of the countable-income distribution for children under 6 years of age. The Child Benefit was made universal in January 2019 and extended further in January 2022 to cover children up to 7 years old. Survey findings suggest that families primarily allocate the child benefits they receive toward expenses such as food and snacks, followed by purchases of baby-and-child items, savings, insurance, investment, and stocks for the child, as well as fees for private early education. Recipients gave the Child Benefit an overall satisfaction score of 5.7 on a 10-point scale, slightly above the midpoint. In addition, over 50 percent of respondents reported that the Child Benefit had a positive influence on their decision to have children. For the Child Benefit to better serve as a means of promoting the fundamental rights of children and as an effective response to low fertility situations, it should be made available to children over a wider age range and paid in increased amounts.

Introduction

The Child Benefit, introduced in September 2018 pursuant to the Child Benefits Act, initially provided financial assistance for children under 6 years of age from families in the bottom 90 percent of the countable-income distribution. The aim of the scheme, as stated in the Act, was to promote the

¹⁾ This article is adapted from *Monitoring the Status of Health Inequality in Korea and Policy Development – Building Disaster Statistics to Improve Health Equity (2023: KIHASA)*, authored by Dongjin Kim et al.

fundamental rights and welfare of children by reducing the financial burden on their families and fostering a healthier environment for their growth.

In January 2019, the Child Benefit was made universal with the removal of the income and asset testing requirements. The rationale for this expansion was to ensure that Child Benefit fulfills its intended purpose: to support the fundamental rights and welfare of all children.

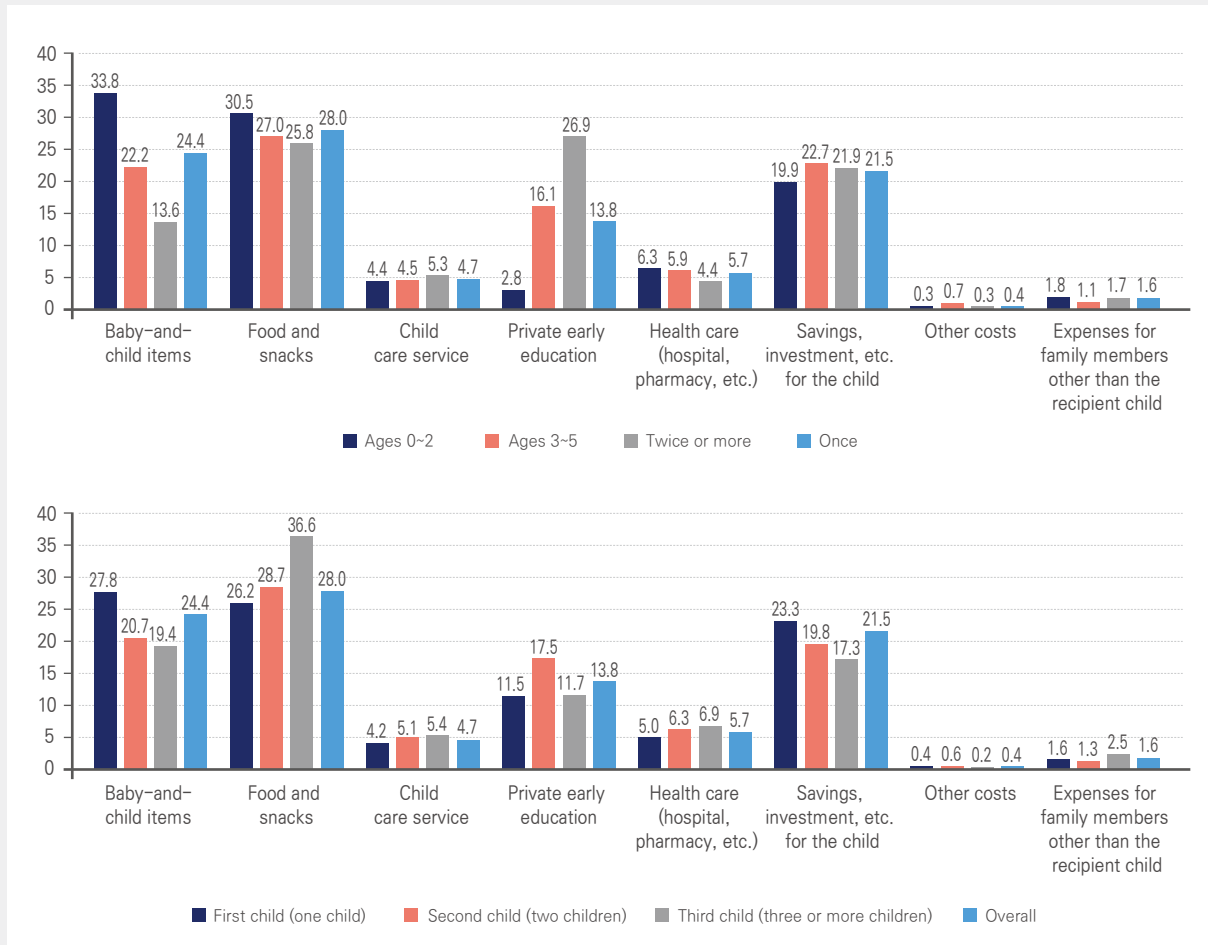
The Child Benefit is a pivotal component of the 4th Basic Plan on Low Fertility and Aging Society. Designed to advance children's rights and improve the quality of life for both them and their families, the Child Benefit is a cornerstone of the 'intensive investment in infancy' project, which aims to promote children's fundamental rights. Notably, the age limit was raised to 7 years in January 2022.

As over five years have elapsed since its inception, the Child Benefit merits an assessment of how it is used by the households receiving it and their perceptions of it. This article draws on a survey of child benefit recipients, conducted as part of *The Child Allowance as a Policy Response to Demographic Change in Korea*, a research project. The survey was conducted online with a total of 2,000 primary child rearers, aimed at understanding key expense items on which child benefits received were spent, the impact of the benefit scheme, and the demands recipients have of the scheme.

Expense items on which recipient families tend to spend their child benefits

The survey revealed that the Child Benefit, paid monthly in the amount of 100,000 won for each eligible child, was allocated by recipient families to "food and snacks," "baby-and-child items," "savings or insurance for the child," and "education fees, including those for preschool academies" in descending order of percentage proportions. The survey also found that the benefit was mostly spent on the intended child. Specific expenditures varied based on the child's age and the number of children in the family. The younger the child, the more the family allocated the benefit to "food and snacks" and "baby-and-child items" such as baby formula and diapers. Families with children closer to the upper limit of the eligible age range tended to allocate more of the benefit to cover expenses for private early education. Households with one child were found to allocate more of their benefits to savings or investments intended for the child. Households with three or more children spent more of their benefits on "food and snacks" and less on "baby-and-child items" as these items, including strollers, toys, and clothing, tend to be handed down within the family, reducing the need for new purchases. However, it is important to note that as the monthly amount of the Child Benefit is small compared to the average monthly costs of childrearing, the confidence level may not be sufficiently high for the answers given by the families unless they pertain to relatively fixed and precise items to which the money goes, such as education fees or savings for the child.

[Figure 1] Utilization of the Child Benefit, by the age of the child and by the number of children in the family (in 1,000 won)



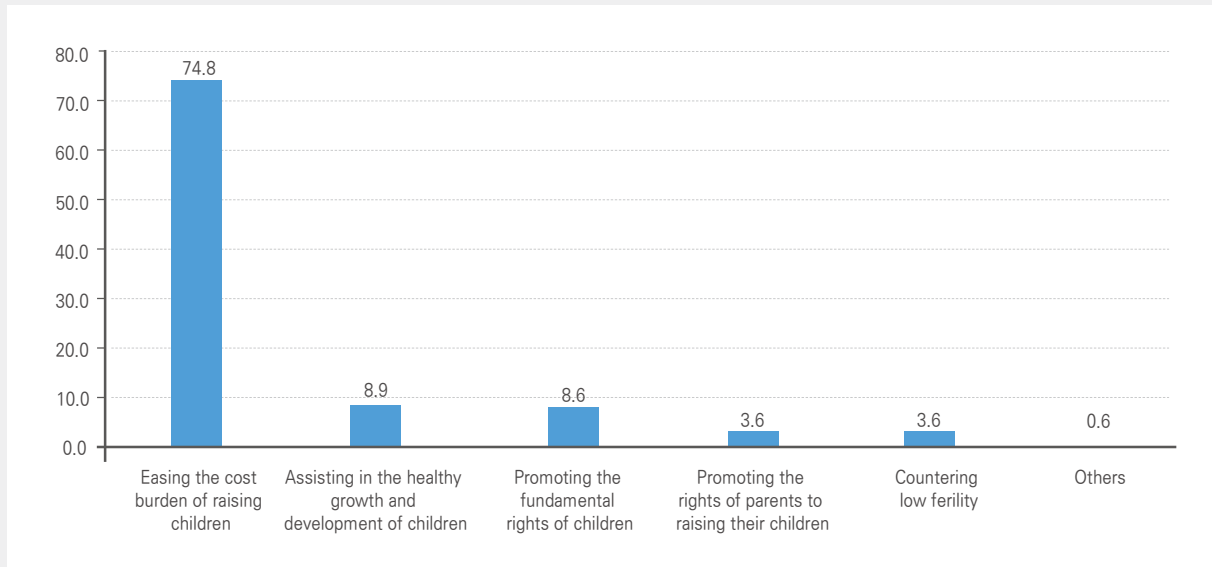
Note: 1) Respondents are those who were in receipt of child benefits for their children at the time of the survey. There were 546 respondents with children aged 0-2, 546 with children aged 3-5, and 364 with children aged 6-7, totaling 1,456 individuals with children up to 7 years of age. Out of a total of 2,000 respondents, 1,000 had one child, 832 had two children, and 168 had three or more children.

2) The monthly amount of the Child Benefit is KRW 100,000, so the figures above can be interpreted both in terms of KRW 1,000 and percentiles.

Source: So-Young Lee et al. 2023. The Child Allowance as a Policy Response to Demographic Change in Korea. KIHASA.

Recipient parents mostly thought the primary purpose of the Child Benefit to be to supplement the cost of raising children. In contrast, only a small percentage of those surveyed were aware that the Child Benefit also aims to counter the low fertility rates in Korea.

[Figure 2] Perceived primary objective of the Child Benefit (in %)

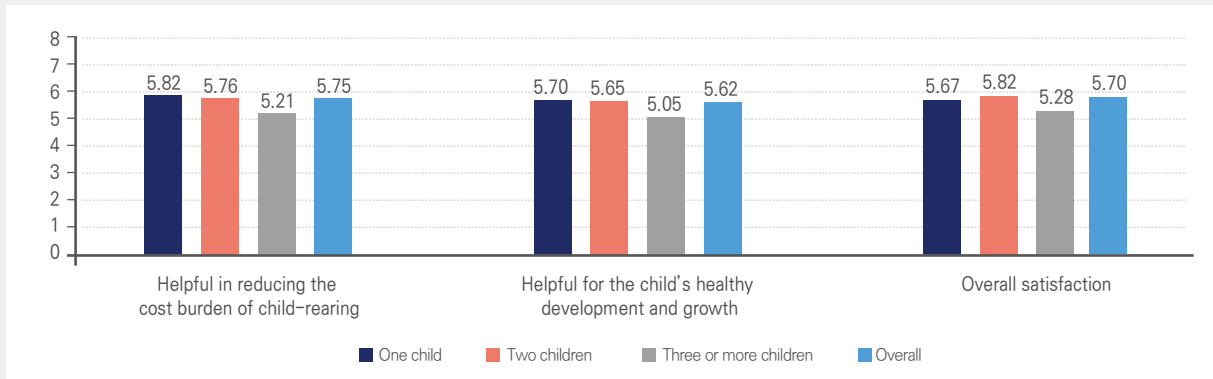


Note: Respondents are 2,000 primary child rears who were or had been in receipt of child benefits for their children at the time of the survey.

Source: So-Young Lee et al. 2023. The Child Allowance as a Policy Response to Demographic Change in Korea. KIHASA.

Recipients gave the Child Benefit an overall satisfaction score of 5.7 on a 10-point scale, slightly above the midpoint. Respondents perceived the Child Benefit as slightly more helpful in alleviating the economic strain of raising children than in promoting their healthy growth and development. The satisfaction and helpfulness scores varied significantly depending on the number of children, with households with three or more children giving lower scores on both counts. This can be explained by the fact that families with three or more growing children face greater household expenditures, and for some of these families, with some children having aged out of eligibility for the Child Benefit, the gap between total expenditures on raising children and the total amount of benefits received can be larger still.

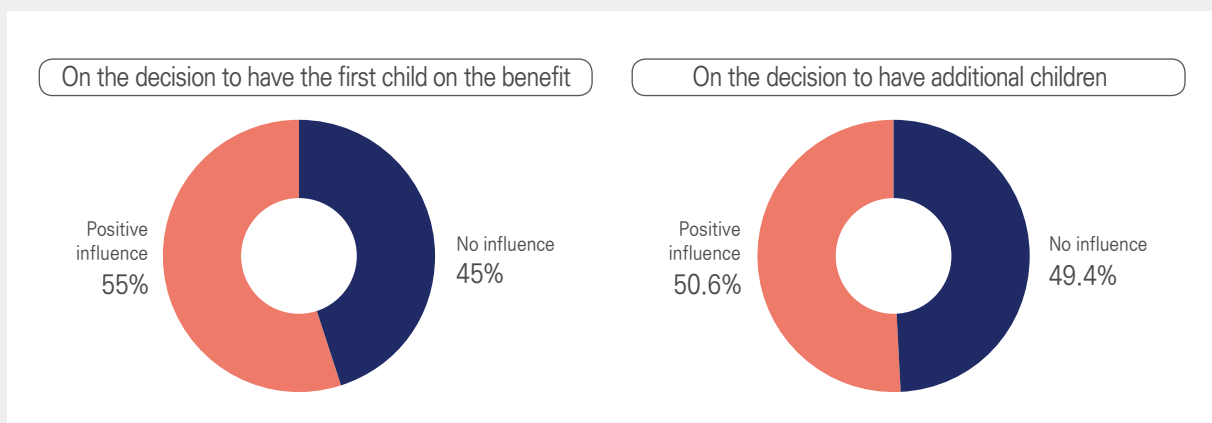
[Figure 3] Perceive helpfulness of and satisfaction with the Child Benefit, by the number of children in the family (in points)



Note: 1) Respondents are those who were or had been in receipt of child benefits for their children at the time of the survey. Out of a total of 2,000 respondents, 1,000 had one child, 832 had two children, and 168 had three or more children.
 2) The figures are average scores (1-not at all helpful or not at all satisfactory; 10-very helpful or very satisfactory)
 Source: So-Young Lee et al. 2023. The Child Allowance as a Policy Response to Demographic Change in Korea. KIHASA.

About 55 percent of respondents who were aware of the Child Benefit before becoming pregnant with their first child receiving it said it had positively influenced their decision to have the child. Among a total of 271 respondents planning to have one or more additional children, 50.6 percent said the Child Benefit affected their decision to make these plans.

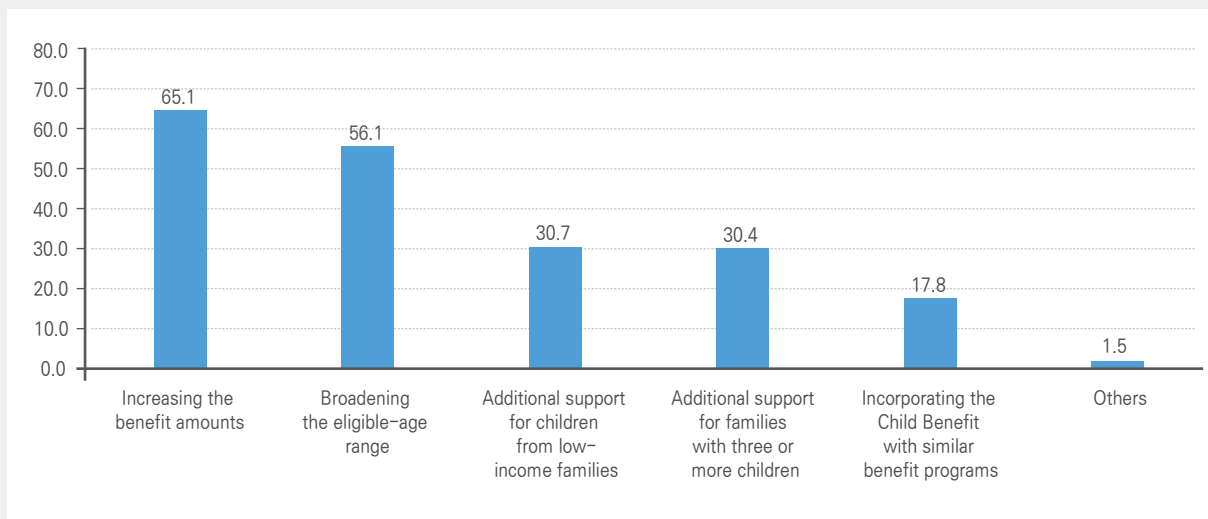
[Figure 4] Did the Child Benefit affect your decision to have children (in %)



Note: 1) The respondents who were asked whether the Child Benefit had influenced their decision to have their first benefit-eligible child consisted of 380 individuals who had been aware of the Child Benefit before becoming pregnant.
 2) Those who responded to the question of whether the Child Benefit had influenced their decision to have additional children consisted of 271 individuals who were planning to have one or more additional children in the future.
 Source: So-Young Lee et al. 2023. The Child Allowance as a Policy Response to Demographic Change in Korea. KIHASA.

Recipient parents cited several desired improvements to the Child Benefit. These include increasing the benefit amounts, extending the eligibility period by raising the eligible age limit, offering differential support based on income level, and providing additional support for families with three or more children. The need for increased benefit amounts was particularly noticeable among those from low-income households, especially among mothers aged 34 or younger, non-homeowners, and those with only one child.

[Figure 5] How would you like to see the Child Benefit improved? (in %)



Note: Respondents are 2,000 primary child rears who were or had been in receipt of child benefits for their children at the time of the survey.

Source: So-Young Lee et al. 2023. The Child Allowance as a Policy Response to Demographic Change in Korea. KIHASA.



Concluding remarks: Improvement directions for the Child Benefit

The Child Benefit should be redefined, with its role broadened to include its function as a response to low fertility. The aim of the Child Benefit, as defined in the Child Benefits Act, is to promote the healthy growth and development of children by easing the economic burden on their families. Our survey findings indicate that recipient parents view easing the economic burden of childrearing as the primary objective of the Child Benefit. Furthermore, given the current low fertility rates and declining number of childbirths, the Child Benefit should not only achieve its primary objective of supporting children's healthy growth and development by reducing the economic burden on families but also aim ultimately to function as a response to low fertility. For the Child Benefit to better serve as a means of promoting the fundamental rights of children and effectively respond to low fertility situations, it should be made available to children over a wider age range and paid in increased amounts.

The age until which a child is eligible for the Child Benefit may need to increase over time to 17 years, considering that other countries have higher age limits for comparable benefit schemes. For example, in Germany, benefits are available until 18 years of age as a rule, or up to 25 years in some cases. In Japan, benefits continue until middle-school graduation. In France, benefits are available until 20 years of age, and in Sweden, child benefits are provided until 16 years of age, with student allowances for older children and young adults. Increasing the eligibility age limit seems all the more necessary given that universal benefit programs such as the parent allowance and the first-year-of-birth lump sum voucher are available for infants, and the childrearing allowance and childcare support are provided for children up to preschool age. In light of the fact that bills proposed since 2021 for partial amendments to the Child Benefits Act have successively called for increasing the age limit to 12 years, 13 years, and then 18 years, and considering the definition of a child given in Article 3 of the Child Welfare Act, it may be necessary to raise the age limit to 17 years.

The monthly amount of the Child Benefit has remained the same at 100,000 won ever since the introduction of the scheme. Given inflation and the demands from people for an enhanced Child Benefit, the benefit amount should be increased. Additional support may be required to promote the fundamental rights of children from low-income families. Furthermore, if the Child Benefit is to function as an effective response to low fertility, as envisioned in the 4th Basic Plan on Low Fertility and Aging Society, further additional support may be needed for children of different birth orders.