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**The Effect of Public Transfer on Private Transfer
in Korea between 2006 and 2011**

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Research Questions

- ▶ Does the recent expansion of the Elderly Welfare increase the elderly's quality of life, or does it simply reduce the family burden of care?
- ▶ In other words, will the expansion of the public transfer cause the reduction of the private transfer, so the actual income scale of the elderly group would remain the same?



Precedent Studies

- ▶ There are not many studies analyzing relations between the public and private transfer in Korea.
- ▶ Most of the studies examined that there exists crowding-out effect between the public and private transfer.
- ▶ But recent studies indicate that the crowding-out effect is weakening or even disappearing.



Discrimination Point

- ▶ The paper explores the relations between the public and private transfer through macroscopic method.
- ▶ The definition of private transfer is widened including inter-household and intra-household transfer.
- ▶ NTA is used because it is the only methodology to measure the intra-household transfer.

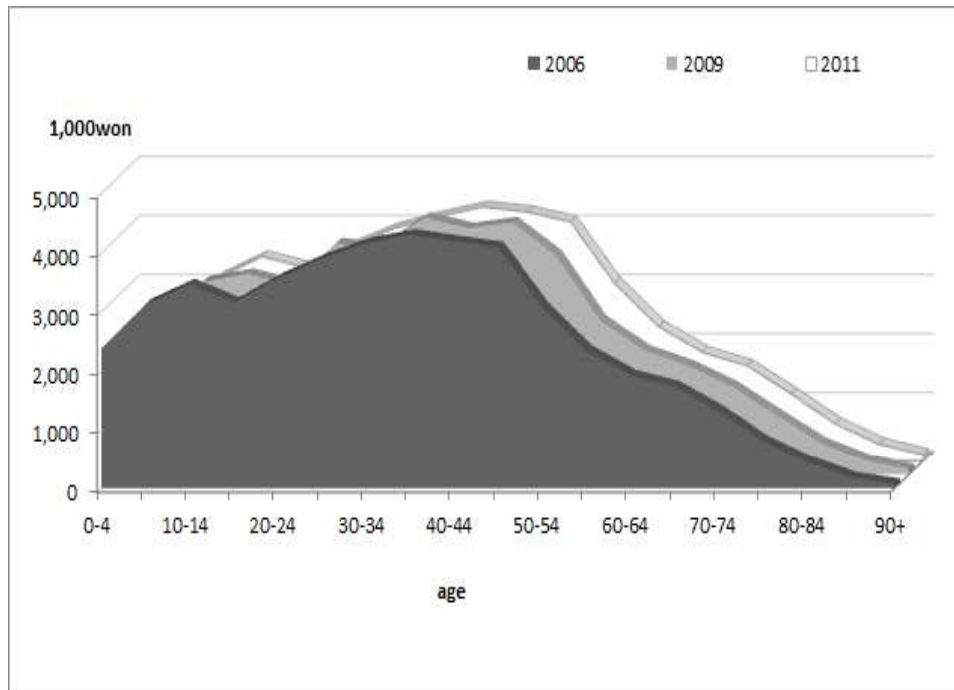


Data & Analysis Period

- ▶ National Account
- ▶ Household Income and Expenditure Survey, HIES
: 2006 ~ 2013
- ▶ Korean Labor and Income Panel Study, KLIPS
: 1998 ~ 2011
- ▶ NTA Establishment Year : 2006, 2009, and 2011
☞ 2000 data was also utilized

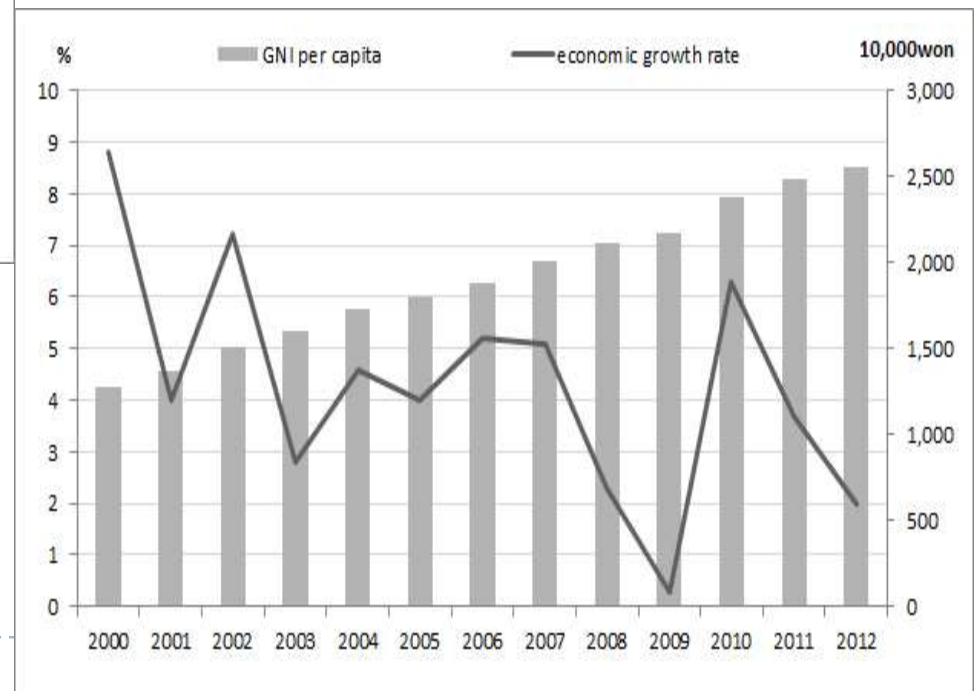


Population & Economic Indicator



- ▶ Korea is in aging society.
 - 9.5% → 10.7% → 11.4%

- ▶ Due to the global economic crisis, the economic growth of 2009 recorded 0.3%.



Budget increase in the Elderly Welfare

- ▶ The portion of Elderly welfare of overall welfare budget almost doubled.
 - 4.0% in 2006 → 11.1% in 2011

<The Elderly Welfare Budget>

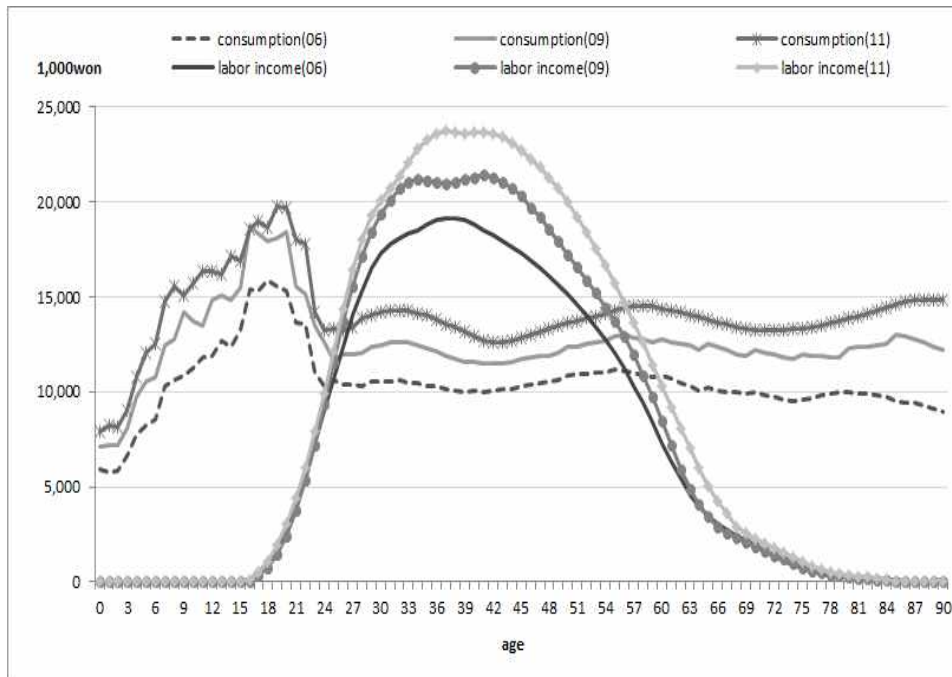
(unit: billion won, %)

	2006	2007	2008	2009	2010	2011	2012
Total Expenditure	10,134	11,659	24,886	26,937	31,020	33,569	36,693
Elderly	407	569	2,206	4,215	3,517	3,731	3,904
(Portion)	4.0	4.9	8.9	15.6	11.3	11.1	10.6

Note : In the portion, the Youth group is added in 2007 and 2008, and the Disabled group is added in 2009.

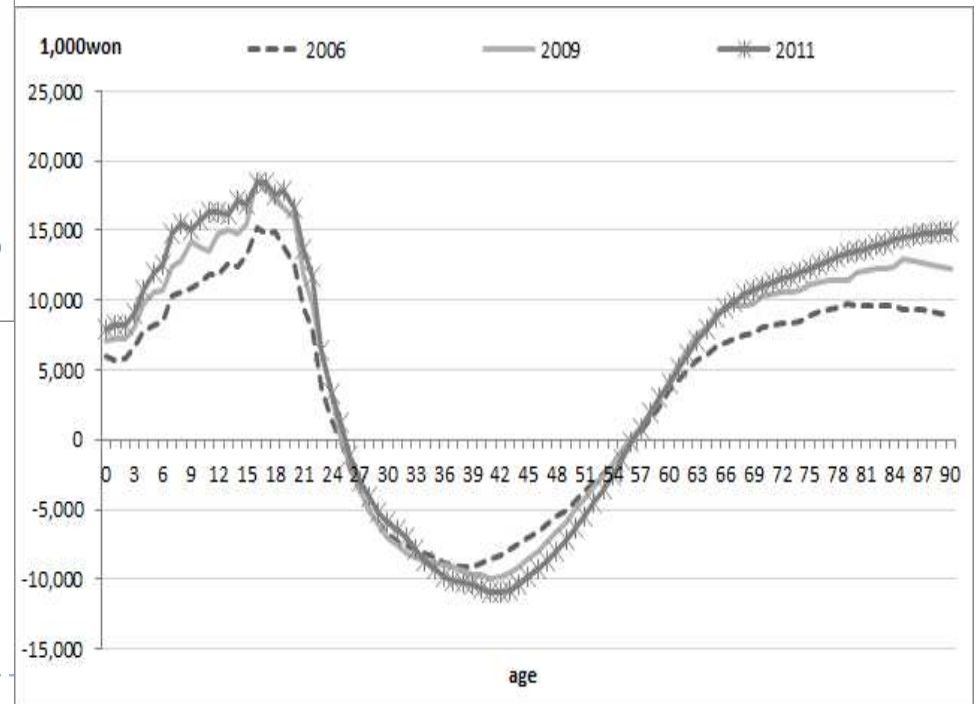


Lifecycle Deficit : Consumption & Labor Income

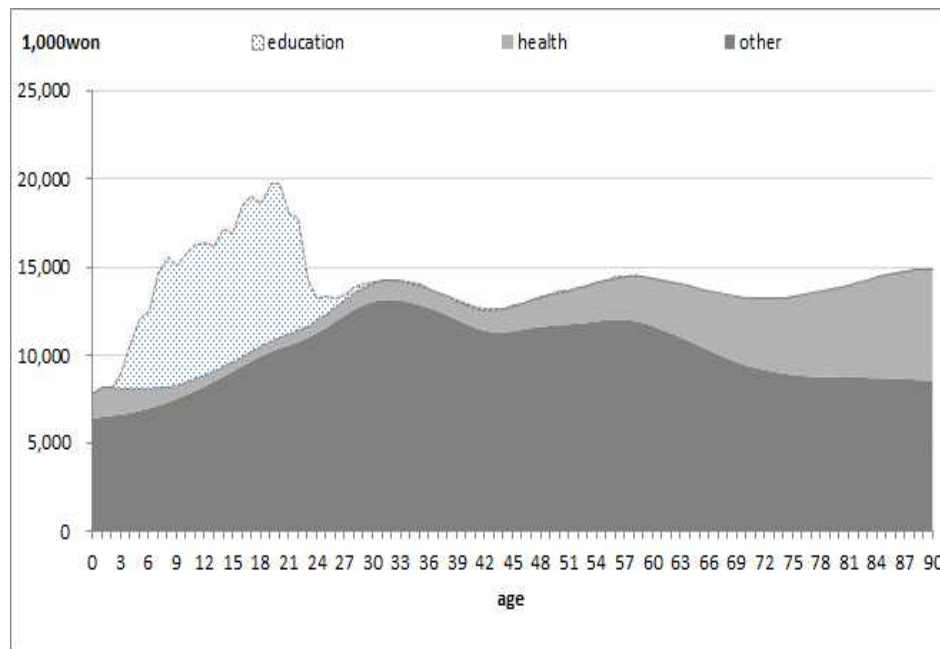


- ▶ Both the consumption and labor income increased.
- ▶ The consumption of the elderly in late years increased.

- ▶ Lifecycle Deficit of both children and elderly group increased.

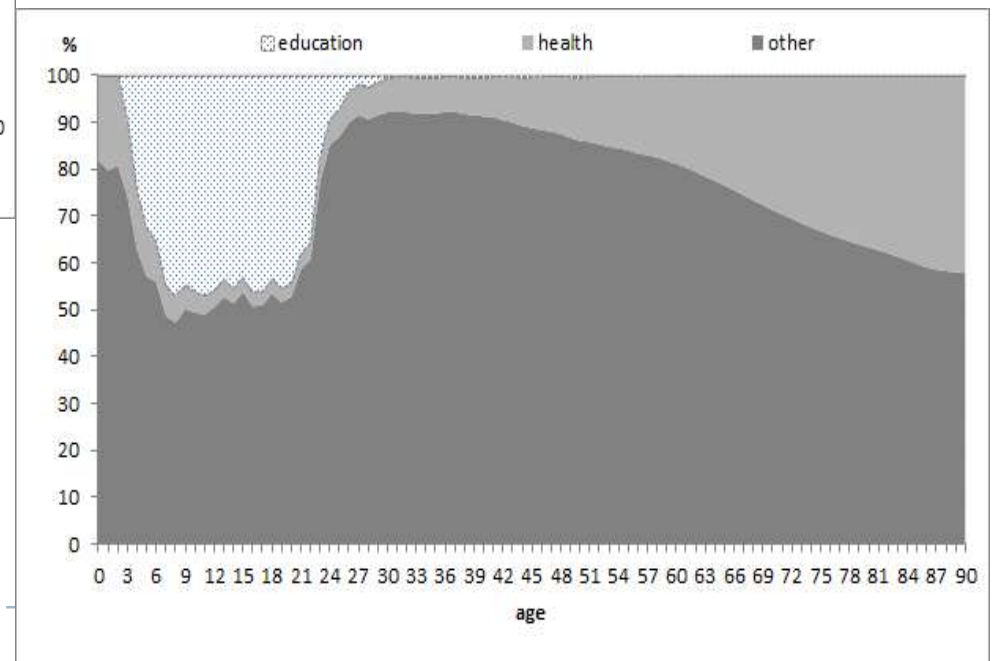


Composition of Consumption (2011)

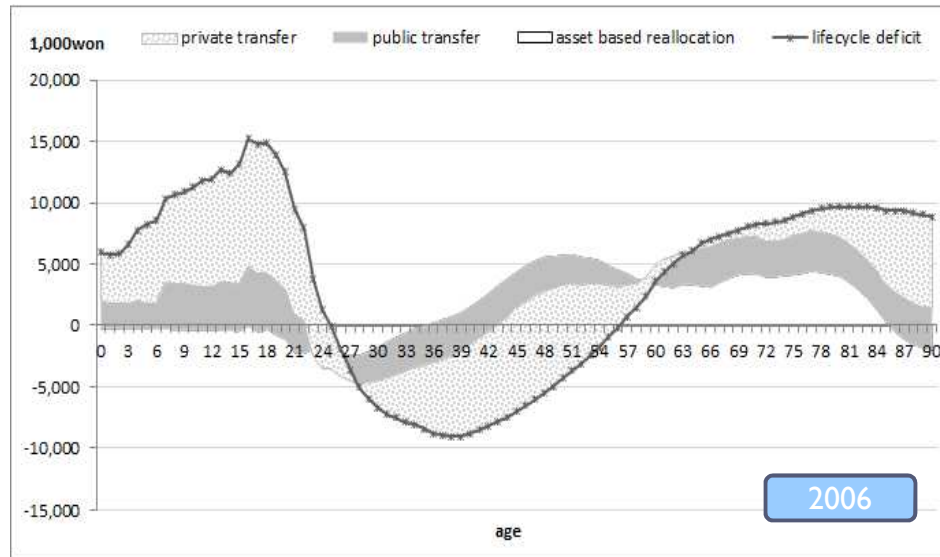


- ▶ In the schooling period where the overall consumption is the highest.
- ▶ The portion of education consumption is very high.

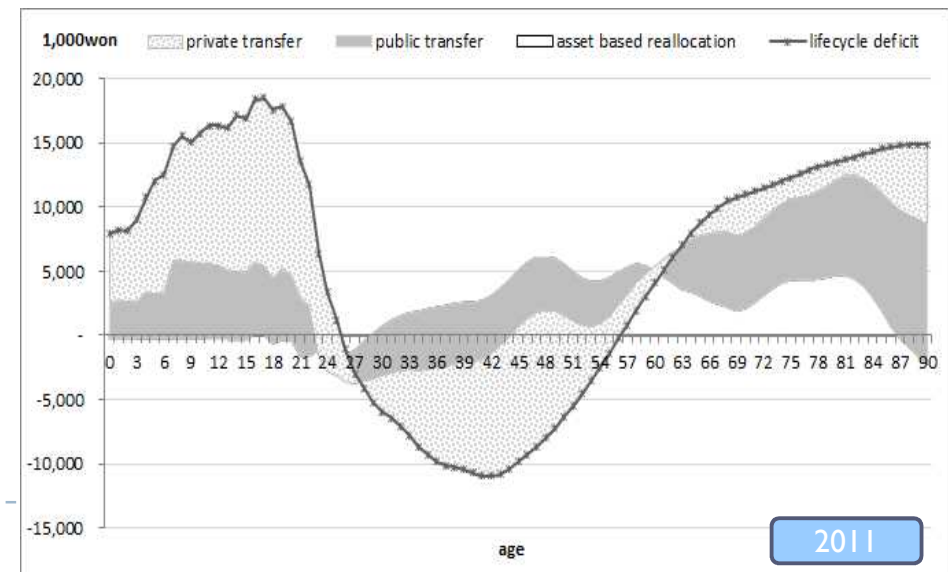
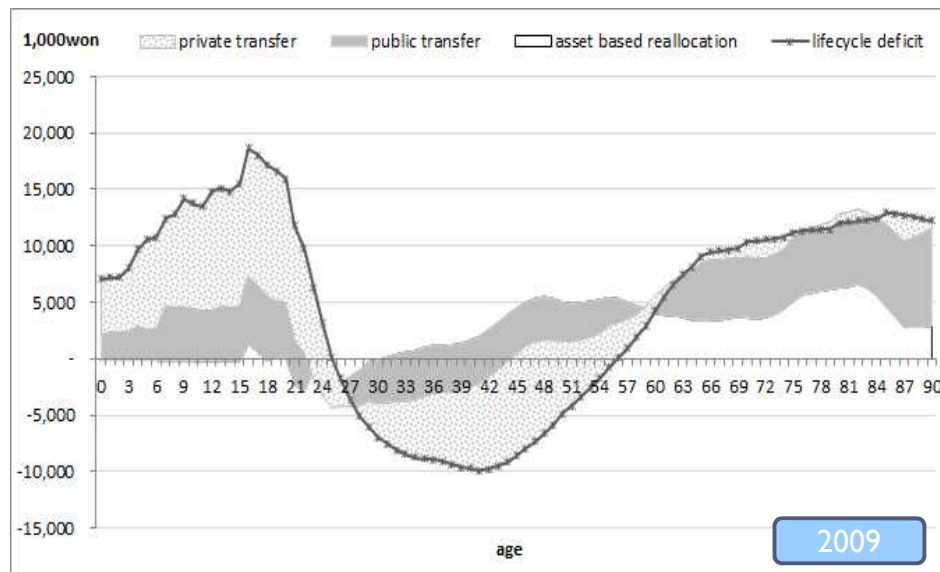
- ▶ The portion of the health care consumption in the elderly group is very high.



Age Reallocation

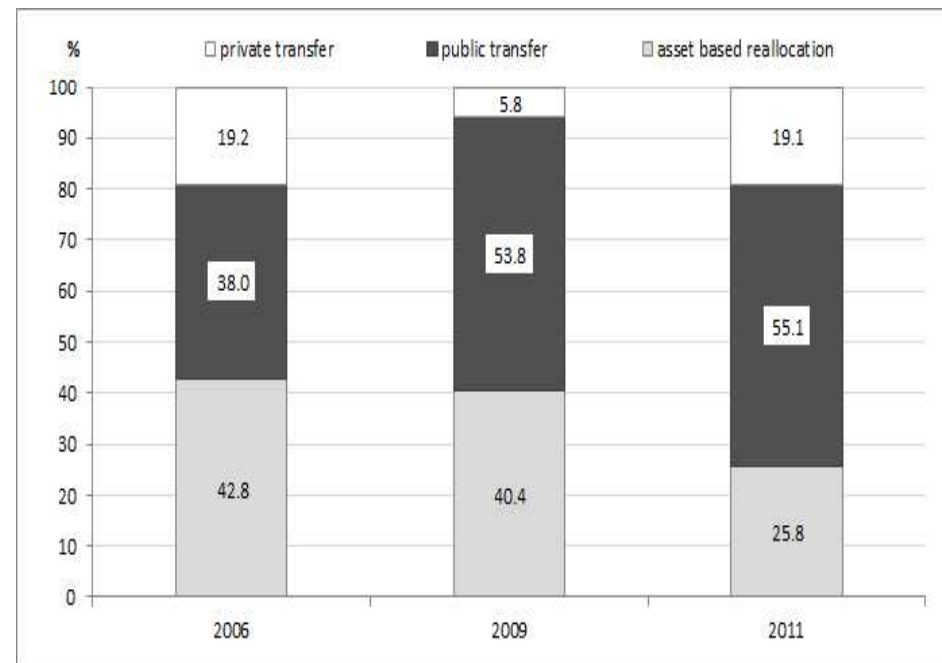
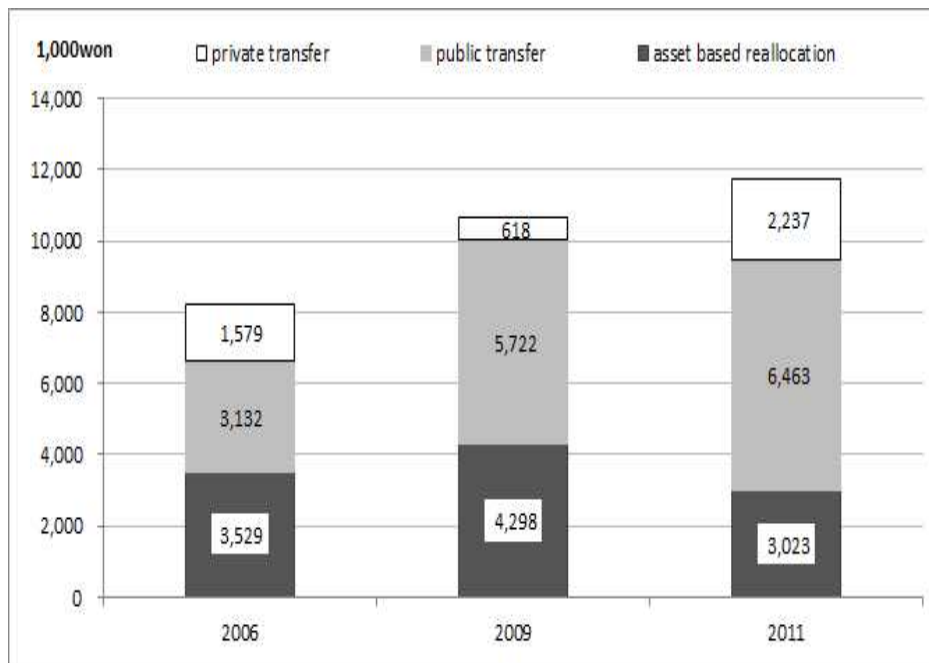


- ▶ The private transfer of children group increased.
- ▶ The private transfer decreased then recovered, while the public transfer increased in the elderly group.

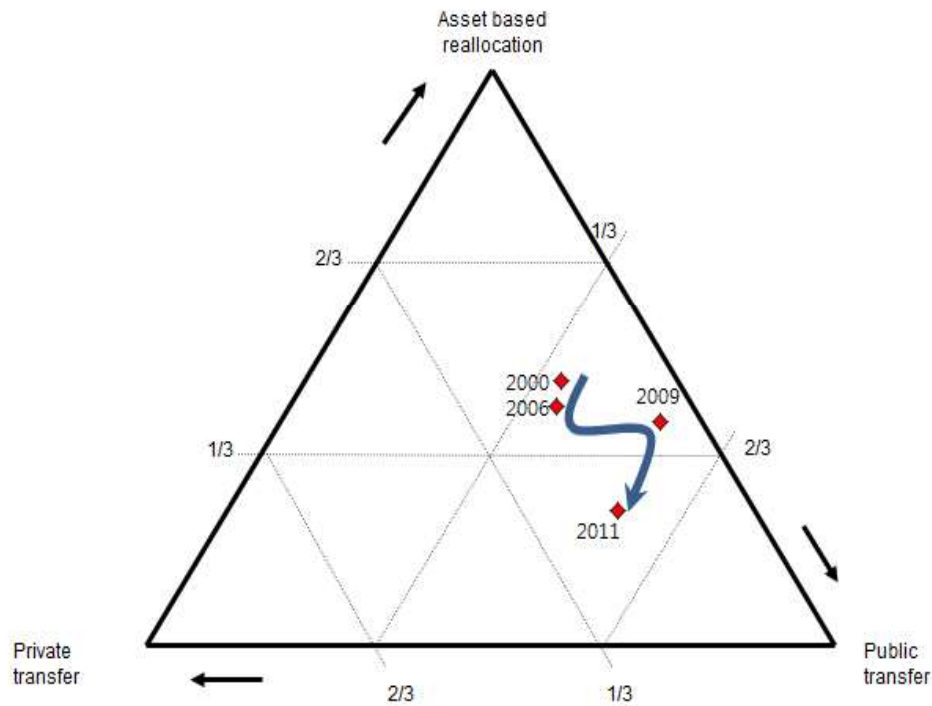


Age Reallocation for the Elderly

- ▶ The portion of public transfer grew to about 55% after 2009 (from 38% in 2006).
- ▶ The private transfer went down from 19% to 6% and then rose again to 19%.
- ▶ The asset-based reallocation fell to 26% in 2011 (from 40-43%)



Age Reallocation for the Elderly



- ▶ **Public transfer**

2000, 2006 vs 2009, 2011

- ▶ **Private transfer**

2000, 2006, 2011 vs 2009

- ▶ **Asset-based reallocation**

2000, 2006, 2009 vs 2011



Conclusion

- ▶ In conclusion, there is no crowding-out relations between the public and private transfer in Korea.
- ▶ The scale of public transfer has increased since after 2009 (38% → 55%).
- ▶ The share of private transfer remained 20% except 2009 (global economic crisis).
- ▶ The scale of Age Reallocation in the elderly group has increased steadily.



Conclusion

- ▶ The result of this study still has reservations.
- ▶ The clearer identification of the relations between the public and private transfer should be done for the expansion of time series of NTA.
- ▶ The base year of the analysis period was the year when the Senior Welfare was expanded, but at the same time, it was the time of bad economic situation(economic crisis).



Conclusion

- ▶ New Research Topic: “What age group benefits the most from the expansion of public finance caused from the economic crisis?”



Thank you for listening
to my presentation!

