



# Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

## POLICY BRIEF

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### Asset-Based Policy in South Korea

*By Yunju Nam, Michael Sherraden, Li Zou, Eunlye Lee, and Youngmi Kim*

#### Summary

The government of South Korea has adopted asset building as a social investment policy, and interest in this policy direction is increasing in Korea. Two asset-based programs are underway.

First, the Korean Ministry for Health, Welfare and Family Affairs (KMHWFA) implemented the Child Development Accounts (CDAs) nationwide, beginning in April 2007. The goals of the CDAs are to reduce intergenerational transmission of poverty and to boost the national economy through intensive investment in development opportunities for young generations.

Second, the Seoul Metropolitan Government launched a three-year (2007-2010) Seoul Hope Plus Savings Accounts program for low-income households. This program aims to help the working poor accumulate assets and escape from poverty through owning savings accounts.

Since asset building was first discussed at the 56<sup>th</sup> Korean National Meetings in November 2004, discussion has grown rapidly in Korean government circles. CSD research, especially findings on Individual Development Accounts (IDAs) in the United States, has played a role in these developments. CSD was invited to present a keynote address on asset-building concepts and research to Mr. Simin Rhyu, Minister of KMHWFA, his Children's Welfare Team, and a group of senior scholars

and researchers from the Korean Labor Institute and universities in November 2006. During his visit to the United States in March 2007, Minister Rhyu presented a keynote address on the Korean government's innovative social investment strategies for future generations to American policymakers and policy experts at a meeting held at New America Foundation in Washington, D.C.

A growing body of Korean-language publications on asset building has become available, including articles from CSD researchers, Korean domestic policy experts and researchers, and mainstream media from the government.

#### Programs

Two major asset-building programs are underway: Child Development Accounts and Seoul Hope Plus Savings Accounts.<sup>1</sup>

<sup>1</sup>The concept of asset building was introduced in Korea by an official of then Korean Ministry of Health, Welfare and Family Affairs (KMHWFA) who visited the University of California, Berkeley, at the time Michael Sherraden was on sabbatical there. Sherraden gave a lecture on this topic, and the idea was then transferred to Korea. This official introduced the IDA demonstration concept in the government, but then was transferred from his position in the KMHWFA. The concept of an IDA demonstration then flagged in government, but was taken up by the Seoul Welfare Foundation (SWF).



## Child Development Accounts

The Korean Ministry for Health, Welfare and Family Affairs (KMHWFA) initiated the Child Development Accounts (CDAs) in April 2007. The program was unveiled as part of broader efforts to reduce widening gaps between the rich and poor by investing in human capital, and also to address plummeting birth rates in Korea. The government views CDAs not only as a mechanism for providing financial education to underprivileged children, but also as a vehicle for individuals to acquire major assets needed to support themselves.

Currently, all children aged 0-17 in the child welfare system and disability facilities are eligible for CDAs. Every participating child has two accounts, a savings account (for their and their sponsors' deposits) and a fund account (for the government matched fund). The maximum monthly deposit eligible to be matched at 1:1 by the Korean government is US \$30 (exchange rate: \$1 = 1,000 Korean Won). Children and their sponsors can make additional monthly deposits up to \$50 without government matched fund. At age 18, children will be allowed to access the CDA funds for education, housing, micro-enterprise start-up, medical costs, or wedding expenses.

The KMHWFA allocated an annual budget of \$6.6 million for 2009. Currently, KMHWFA, Shinhan Bank, the Korean Federation of Children Welfare, and local governments have partnered in managing all aspects of the CDA program. Early evaluation results suggest successful implementation of the CDA program. As of December 2008, 77% of eligible children were estimated to have a CDA and 98% of participants had made at least one deposit. Survey results indicate that most participants view the CDA program positively.

## Seoul Hope Plus Savings Accounts

Launched in late 2008, this three-year pilot project aims to assist working poor families with savings in three areas: home purchase, education, and micro-enterprise. Each participant is required to deposit 200,000 Korean Won (US \$200) per month for three consecutive years to remain in the program and to receive a matching fund from both public and private sectors such as Seoul Metropolitan Government and Community Chest of Korea. The match rate is set at 1:1. Participants are estimated to save up to \$14,400 with interest in their accounts by the time the program ends. In case participants exit the program early, they can receive the full amount of savings plus interest, but no matching

fund. The Seoul Welfare Foundation is taking the lead managing and implementing the program. The Seoul Metropolitan Government and Community Chest of Korea fund the program.

## Conferences

In November 2006, Michael Sherraden was the keynote speaker at a conference entitled, "*Toward a New Paradigm in Social Policy: The Potential of Child Development Accounts in Asset-Based Social Policy*," organized by the Korean Labor Institute and Chung Ang University. Professor Kim Yeon-Myung was the lead organizer of the conference. Margaret Sherraden spoke on the U.S.-based "I Can Save" project, and Li Zou presented a summary of asset-building work in China. This conference generated substantial discussions and reinforced interest in asset-based policy in Korea.

In March 2007, Mr. Simin Rhyu, Minister of KMHWFA delivered a keynote address entitled "Learning from Korea: Innovative social investment strategies for future generations" to American policy-makers and policy experts at the New America Foundation in Washington, D.C. In his speech, Minister Rhyu specifically introduced Child Development Accounts as a component of Korean social investment policy, aimed at tackling new social risks and promoting development of all households.

In November 2007, Michael Sherraden presented a keynote speech at an international academic symposium organized by the Seoul Welfare Foundation. This symposium marked the launch of the Seoul Hope Plus Savings Accounts program. CSD collaborator Prof. Lichen Cheng from National Taiwan University spoke on Taiwan's "Family Development Accounts."

## Context

(1) Current South Korean public assistance programs were shaped in the wake of Korea's major financial crisis in 1997. These programs focus on maintaining the poor's income and increasing their workforce participation. However, the general consensus is that these programs have not been effective in tackling national poverty. (2) The major welfare program is operated through the "National Security for Basic Livelihood" system. This system categorizes welfare recipients into two groups: those who can work, and those who cannot (e.g., the young, the elderly, and the disabled). Those who can work are required to participate in an existing Self-Support Program that offers job training and employment opportunities at the

community level. Program participants can receive an incentive worth 30% of their earnings for their work. (3) National discussions on asset building in Korea are linked closely with discussions of the Self-Support Program, and with the Earned Income Tax Credit (EITC) program that is to be implemented in 2009 as a work incentive policy.

## Role of research

Ongoing research is underway documenting the CDA policy. Key research questions related to adoption and implementation of CDAs are being examined. Initial research results are available in both Korean and English. Yunju Nam of CSD is planning more extensive research with a team in Korea.

## Plans

The Korean national government plans to make CDAs available to all children born into households with incomes below the national median, approximately 50% of all Korean newborns by 2010.

The Seoul Metropolitan Government is planning to launch the Hope Dream Project in 2009 which contains a set of asset-based programs: 1) Expansion of Hope Plus Savings Account program for low-income households; 2) Dream Account Program, a children's savings account program designed to help low-income households save money for their children's education; 3) Seoul Hope Dream Bank, a micro-credit program assisting the working poor to overcome their economic risks and accomplish self support; 4) Financial Education Services, a program focusing on improving the financial education of low-income families. .

## Caveats, concerns, challenges

(1) Although the potential for asset-based policy in Korea is now quite promising, it is not possible to predict how it will develop. (2) The most critical challenge will be reaching all of the poor in Korea, whether they are welfare recipients or the working poor.

## Potential

With the implementations of CDA project and the Hope Dream Project, there is a growing opportunity to inform and influence a universal asset-based policy in Korea. While in the early stages of policy formation, these initiatives are laying the groundwork for continuing research and policy innovation in Korea.

## Publications

The above policy discussions have generated a beginning body of scholarship on asset building in Korean publications. Several South Korean scholars have written articles relevant to this area. These include:

Nam, Yunju & Han, Chang-Keun. (2009). *A new approach to promote economic independence among at-risk children: Child Development Accounts (CDAs) in Korea* (CSD Working Paper 09-02). St. Louis: Center for Social Development, Washington University.

Han, Chang-Keun. (2007). Implications of asset-based policy for social policy in Korea. In *Social investment, applications to South Korea*, pp. 185-190. Seoul: Korean Ministry of Health and Welfare and Chung Ang University. (in Korean).

Kim, Misook, Kim, Hyojin, & Hong, Mi. (2007). *Effective operation of Child Development Accounts in Korea* (policy report 2007-85). Seoul: Korea Institute for Health and Social Affairs (KIHASA). (in Korean).

Kim, Yeon-Myong, Choi, Young, Nam, Yunju, Lee, Yongwoo, & Lee, Eunju Lee (2007). *Plan for the development and expansion of Child Development Accounts in Korea*. Korea: Ministry of Health and Welfare. (in Korean).

Seoul Welfare Foundation, eds. (2007). *International academic symposium 2007*. Seoul: Seoul Welfare Foundation.

Han, Chang-Keun. (2006). Asset-based policy and its implications for Korea. In *Challenges of economic and social policy in Korea*, pp. 446-453. Seoul: Korean Labor Institute (KLI). (in Korean).

Lee, Taejin, Shin Youngseok, Kim, Migon, & Noh Deamyung (2005). *Demonstration of asset-building policy for Low-income households* (policy report 2005-43). Seoul: Korea Institute for Health and Social Affairs.

Lee, Taesoo, Noh, DaeMyung, & Hwang, Duksoon (2004). *Policy briefing on a study on the public assistance system in Korea*. Seoul: Presidential Commission on Policy Planning. Retrieved on Feb 2, 2006 from [http://www.president.go.kr/cwd/kr/archive/archive\\_view.php?meta\\_id=policy5\\_1&list=4&id=1c19ce74b833622412df544](http://www.president.go.kr/cwd/kr/archive/archive_view.php?meta_id=policy5_1&list=4&id=1c19ce74b833622412df544)

## International Academic Symposium (Seoul 2007)

The following papers were presented at the International Academic Symposium in Seoul, sponsored by the Seoul Welfare Foundation:

Ahn, Sang-hoon. *Social investment theory: A compass for Korean welfare state?*

Cheng, Li-chen. *Building assets for the poor as a strategy for social inclusion.*

Kim, Yeon-myung. *Social investment strategy for Korea: Possibilities, issues, and prospects.*

Lee, Tai-jin. *The significance and assessment of Taiwan's asset building system.*

Sherraden, Michael, & Han, Chang-keun. *Social investment state and asset-based welfare: Implications for Korean social policy.*

Song, Sung-suk. *Seoul Family Development Account: An asset-building project for low-income families in Seoul.*

## Appendix: Selected Media Coverage

Ministry of Health, Welfare and Family Affairs (보건복지가족부), Press Release, December 26, 2008

“Ministry of Health, Welfare and Family Affairs announces a new brand name for CDA ‘Didim Seed Savings Account.’” <http://www.mw.go.kr/>

*The Ministry announced the new brand name for CDA, “Didim Seed Savings Account” which means saving is a stepping stone for children’s dream and hope. According to the Ministry, 34,000 children are currently participating in the CDA program with a total savings of \$28.7 million as of November 2008.*

CBS Nocut News, November 28, 2008  
“Seoul Metropolitan Government helps families at risk by implementing ‘Seoul, Hope Dream Project.’”  
<http://www.cbs.co.kr/Nocut/Show.asp?IDX=997953>

*Seoul Metropolitan Government will implement Seoul, Hope Dream Project to help low-income families escape from poverty and accomplish self-support through asset building and other supportive programs. The Government plans to invest \$38 million in 2009 and \$84 million by 2010.*

Joins News (중앙일보), November 22, 2007  
“Savings for CDAs exceed \$10 million.” [http://article.joins.com/article/article.asp?total\\_id=2955862](http://article.joins.com/article/article.asp?total_id=2955862)

*Savings in the CDA program exceeded \$ 10 million in November 2007. The CDA program targets disadvantaged children in the child welfare systems such as orphanage, foster care, group homes, and youth-headed families.*

E-Daily News, June 12, 2007  
“Shinhan Bank Offers Child Development Accounts (CDAs)” [http://www.edaily.co.kr/news/econo/newsRead.asp?sub\\_cd=DA22&newsid=02338646583161064&clkcode=00203&DirCode=0020304&curtype=read](http://www.edaily.co.kr/news/econo/newsRead.asp?sub_cd=DA22&newsid=02338646583161064&clkcode=00203&DirCode=0020304&curtype=read)

*Shinhan Bank announced that it supports the Child Development Accounts program launched by the government to support low-income children. The Bank will allocate 0.2% of total deposits to CDAs. Shinhan Bank has been selected as a partner bank by the government after a competitive selection process.*

New America Foundation, Mar 26, 2007  
“Learning from Korea: Innovative Social Investment Strategies for Future Generations”  
[http://www.newamerica.net/events/2007/learning\\_from\\_korea\\_innovative\\_social\\_investment\\_strategies\\_for\\_future\\_generations](http://www.newamerica.net/events/2007/learning_from_korea_innovative_social_investment_strategies_for_future_generations)

*Video of Minister of Health and Welfare Rhyu Simin discussing Korea’s CDA policy in a special guest forum with the New America Foundation.*

Ministry of Health and Welfare (보건복지부), Press Release, Mar 9, 2007

“ [The Korean] government announced the launch of the Child Development Accounts (CDA) in April 2007.” <http://www.mohw.go.kr/>  
*Minister of Health and Welfare, Rhyu Simin announced that the Ministry will implement the CDA policy in April of 2007. The government will match the savings deposited by low-income children and their parents and sponsors in order to help them build assets to prepare for their young adulthood. Minister Rhyu emphasized that the CDA program is a new model for social investment policies in Korea in that it was designed based on the principle of government-private sector collaboration. CDAs will be operated by three partners: the government, Shinhan Bank, and the Korea Welfare Foundation.*

Hankyoreh newspaper (한겨레신문), Nov 24, 2006.  
“Income maintenance may not be enough in breaking intergenerational transmission of poverty”  
[www.hani.co.kr/arti/society/society\\_general/174069.html](http://www.hani.co.kr/arti/society/society_general/174069.html)

*Despite continued increase in the government budget for public assistance programs since 2000, the number of welfare recipients has not declined. Even among able-bodied welfare recipients, only 4.5 percent exited from welfare in 2005. The high number of recipients may indicate the ineffectiveness of the current welfare program that focuses solely on income maintenance. It has been argued that the country needs an asset-building policy to help welfare recipients escape poverty and become economically independent. The only asset-building policy under consideration is the CDA (Child Development Accounts) program that will be implemented in 2007.*

Hankyoreh newspaper, November 24, 2006  
“Asset Building Policy Promotes Work Incentives for the Poor.” [http://www.hani.co.kr/arti/society/society\\_general/174085.html](http://www.hani.co.kr/arti/society/society_general/174085.html)

*An interview with Michael Sherraden was featured in this article. Key questions center around the theory of asset building, its adaptation to the Korean context, and its impact on Korean anti-poverty efforts.*

The Korea Herald, August 22, 2006  
“Government expands welfare investment for needy children.” [http://www.koreaherald.co.kr/SITE/data/html\\_dir/2006/08/22/200608220041.asp](http://www.koreaherald.co.kr/SITE/data/html_dir/2006/08/22/200608220041.asp)

*The Ministry of Health and Welfare announces a proposal for a CDA program beginning in 2007. The project centers on expanding investment for children.*

Hankyoreh newspaper (한겨레신문), Feb 5, 2006.  
“Cash support available for the working poor”  
<http://www.hani.co.kr/arti/society/rights/100023.html>

*The Ministry of Finance and Economy announces that the government will start its IDA program in 2007 and start its EITC in 2008. The goal of these programs is to narrow the extreme economic disparity. Both programs will target working poor households with earned income. Matched savings for the poor in the IDA program will be supported by both government and private funds.*

Hankyoreh newspaper (한겨레신문), June 3, 2005.  
“The number of welfare recipients will increase by 60,000.” <http://www.hani.co.kr/>

*The Minister of Finance and Economy announced its “current economic disparity and policy agenda” at the national vision workshop. According to the announcement, the government will increase the number of welfare recipients by 60,000, expand the self-support program from 20,000 to 50,000 of the working poor, and implement an asset-building demonstration program in 2006.*

Hankyoreh newspaper (한겨레신문), Nov 10, 2004.  
“Government supplements for savings for the poor likely to double for 3 years.”  
<http://www.hani.co.kr/>

*At the 56th National Meeting, the Korean government announced several anti-poverty approaches that are expected to be implemented starting from 2006. Asset building for the poor and an EITC are included as new alternatives for poverty alleviation. The demonstration of the asset-building program is planned to start in 2006 and last for 3 years.*

Hankyoreh newspaper (한겨레신문), Nov 10, 2004.  
“Encouraging the poor to work and save.”  
<http://www.hani.co.kr/>

*The Korean government proposed an EITC program, an asset-building program, and a job creation program for the poor. The 2006 anti-poverty plans will serve the purpose of attracting the poor to the labor market. EITC and asset-building programs for the poor have made a significant impact in the US and some European countries.*

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## Authors

Youngmi Kim, Research Associate  
ykim@gwbmail.wustl.edu

Eunlye Lee, Research Assistant  
ellee@gwbmail.wustl.edu

Yunju Nam, Associate Professor  
ynam@wustl.edu

Michael Sherraden, Director  
sherrad@wustl.edu

Li Zou, International Director  
lzou@wustl.edu

## Contact Us

Li Zou  
lzou@wustl.edu  
(314) 935-3469

Center for Social Development  
George Warrern Brown School of Social Work  
Washington University in St. Louis  
Campus Box 1196  
One Brookings Drive  
St. Louis, MO 63130

[csd.wustl.edu](http://csd.wustl.edu)



### CENTER FOR SOCIAL DEVELOPMENT

George Warren Brown School of Social Work  
Campus Box 1196  
One Brookings Drive  
St. Louis, Missouri 63130-4899