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Addressing the Challenges of Population Ageing in the Republic of Korea : SESAP

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A B S T R A C T

- The Republic of Korea has a multi-layered social insurance and public assistance system, but it has many loopholes, and its provision of income security for older persons is weak. Introduced in 2004, the Senior Employment and Social Activity Support Programme (hereafter SESAP) has introduced a support service for older persons of low income. It acts to prevent persons from falling into severe financial need. It is also effective in supplementing the retirement income provided by the social security system. This report aims to examine the role of SESAP within the context of ageing in the Republic of Korea.

1. Introduction: Background

- ▷ SESAP: Senior Employment and Social Activity Support Programme
- ▷ This program could be seen as a concrete action in Korea pursuing the Madrid International Plan of Action on Aging (MIPAA). SESAP began in 2004 to address the falling fertility rate and aging society. Facing one of the fastest aging populations in the world, the Republic of Korea established three

pillars of welfare policy for older persons, which are SESAP, the Elderly Care Service, and the Long-term Care Insurance, established in 2004, 2007, and 2008 respectively. The purpose of SESAP is to improve the welfare of older persons by providing them various jobs and social activities in order for them to lead active and healthy lives. The programme performs two roles, guaranteeing income security and expanding participation in society, for older persons who are able to work or engage in social activities.¹⁾ In terms of guaranteeing income security, the programme is an important source of income for older persons in connection with the multi-layered social insurance system. In terms of expanding participation in society, the programme improves the quality of life for older persons by creating a base of activities for those who are socially isolated.

- ▷ The legal foundation for the project are articles 23, 23–2, and 24 of the Welfare of Senior Citizens Act, as well as article 11 and 14 of the Framework Act on Low Birth Rate in an Aging Society (table 2). Such legal foundations stipulate the responsibilities of the national and local governments to promote social activities, such as the development and distribution of jobs suitable for older persons, provision of preferential work opportunities for older persons, creation of environments in which older persons can work, promotion of leisure and cultural activities for older persons, and volunteer activities in relation to the operation of SESAP.

Table 1: Legal foundation for SESAP

| Category | Details |
|---|---|
| Welfare of Senior Citizens Act | <p>Article 23 assistance for social participation of senior citizens: In order to increase social participation of older persons, the state or local governments shall make efforts to expand the opportunities to engage in community service activities, to formulate policies to develop and disseminate the occupational categories suitable for them, and to provide job opportunities first and foremost to older persons who have the ability to work.</p> <p>Article 23–2 establishment and operation of dedicated employment agencies for older persons: The state or a local government may establish and operate a dedicated employment agency for older persons, or entrust the operation thereof, in whole or in part, to a corporation or an organization.</p> <p>Article 24 commissioning of community service counsellors and their duties: Where highly respected, experienced older persons desire to engage in community services, the state or local governments may commission them as community service counsellors.</p> |
| Framework Act on Low Birth Rate in an Aging Society | <p>Article 11 employment and guarantee of income: (a) The state and local governments shall create an environment where older persons with the desire and ability to work can do so to the maximum extent; (b) The state and local governments shall take necessary measures to ensure that citizens can lead an economically stable life in old age, such as the establishment of an old-age income security system, including the pension system, and the creation of jobs suitable for older persons.</p> <p>Article 14 encouragement of leisure, culture and social activities: (a) The state and local governments shall encourage leisure and cultural activities in old age and lay the groundwork therefor; (b) The state and local governments shall lay the social groundwork to promote the participation of older persons in social activities, such as volunteer work.</p> |

1) The MIPAA aims to link to the goals, objectives, and commitments of the UN system, in order to advance the “empowerment of older persons to fully and effectively participate in the economic, political and social lives of their societies, including through income-generating and voluntary work.” See the priority direction I, issue 7 and SDG 3.

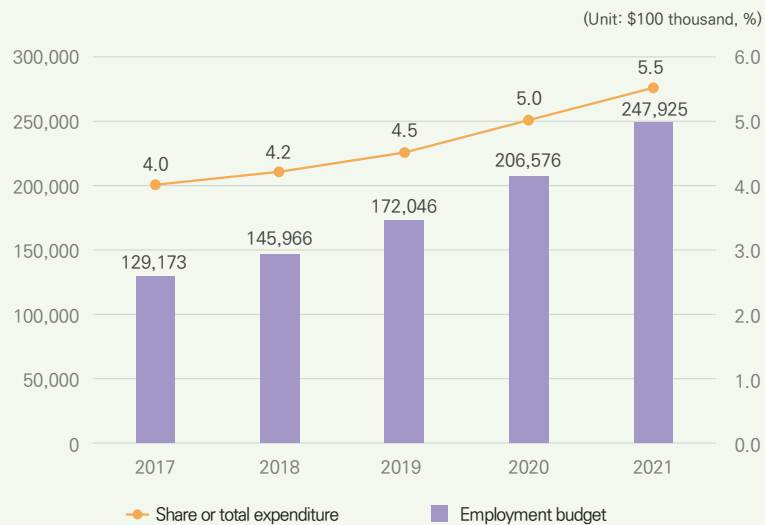
2. History of SESAP

1) Major changes of SESAP

- ▷ SESAP has undergone changes such as fragmentation and new development according to changes in the policy environment. The specific project types within SESAP are categorized and explained in various ways according to each classification standard. First, the projects are categorized as either public or private according to whether or not the main purpose of the project is of public interest; second, as either volunteer or work based according to the nature of the project; and third, as either local government subsidized or private subsidized according to the type of budget support.
- ▷ Since its introduction in 2004 to 2021, SESAP developed by flexibly changing the contents of its activities according to policy demands. The project began with just four types of activities: public participation, public interest lecture, market participation, and worker dispatch activities. As of 2021, there are seven types of activities: public interest, talent sharing, social services, market, job placement, senior internship, and senior-friendly company activities.
- ▷ Characteristic changes include start-up models newly established in 2007, market independence activities in 2011, talent sharing activities in 2014, connections with companies in 2017, and social service activities in 2019. In particular, the social service activities, which were established in 2019 and have been continuously expanding since, have the characteristics of work but are public activities that provide high-quality jobs to older persons with expertise in the social service sector.

2) Funding and outcomes

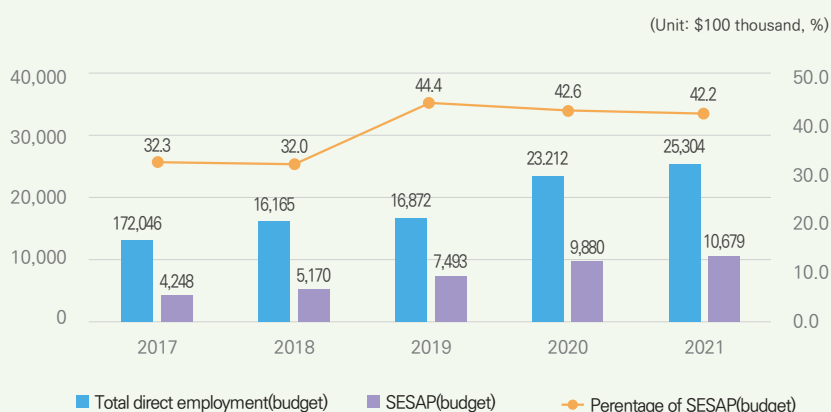
- ▷ SESAP is operated as part of the government-funded employment programme of the Republic of Korea. In 2021, the government's overall budget for the projects were about \$24.8 billion (figure 1). Government-funded employment refers to projects directly and indirectly funded by the national and local governments to create and provide stable jobs for the employment-disadvantaged classes. The budget for government-funded employment projects was \$12.9 billion in 2017, \$14.6 billion in 2018 (13.0 per cent increase from the previous year), \$17.2 billion in 2019 (17.9 per cent increase), \$20.7 billion in 2020 (20.1 per cent increase), and \$24.8 billion in 2021 (20.0 per cent increase), and the budget is expected to continuously increase. Also, the percentage of employment projects funding in the government's overall budget was 4.0 per cent in 2017, 4.2 per cent in 2018, 4.5 per cent in 2019, 5.0 per cent in 2020, and 5.5 per cent in 2021.



Data: Re-written based on data from the National Assembly Budget Office (2021)

Figure 1: National government's employment budget trend (based on the main budget)

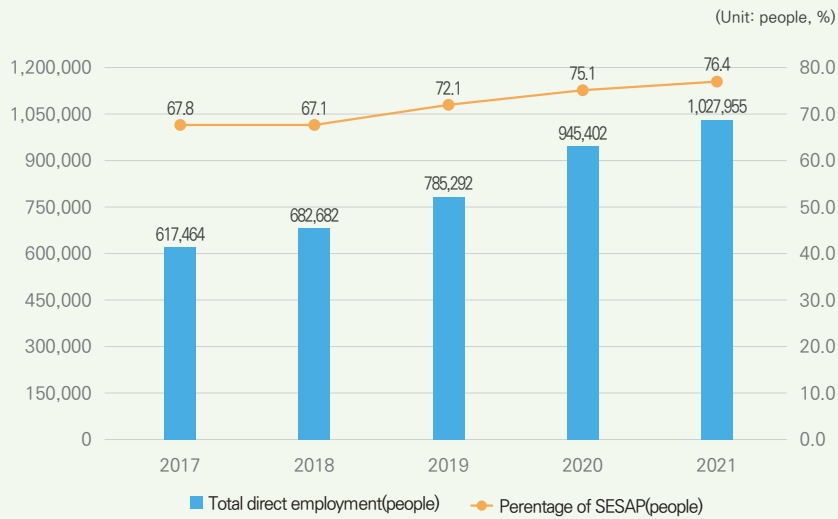
- ▷ Government-funded projects in the Republic of Korea are classified into six types, alongside the standards of the OECD: (a) direct job creation, (b) vocational abilities development and training, (c) employment services, (d) employment incentives, (e) start-up support, and (f) maintenance and support for unemployment income. SESAP falls under the classification of direct job creation, as it provides temporary jobs and work experience to people who are employment-disadvantaged in order to help them find jobs in private companies. The government directly supports the majority of these wages. In 2021, the direct job creation project accounted for 10.2 per cent (\$2.53 billion) of the total budget for the government-funded employment projects. Of these, SESAP is \$1.07 billion, accounting for 42.2 per cent of the total direct job creation project budget. The proportion of the SESAP budget in the total direct job project budget increased from 32.3 per cent in 2017 to 42.2 per cent in 2021.



Data: Re-written based on data from the National Assembly Budget Office (2021)

Figure 2: Budget trend by the direct job creation project and SESAP

- ▷ As of 2021, about 1,028,000 people were provided support through direct job creation, and among them, SESAP accounted for the highest percentage of jobs created at 76.4 per cent (785,000). The percentage of total jobs created under SESAP was 72.1 per cent in 2019, 75.1 per cent in 2020, and 76.4 per cent in 2021, and the number is expected to continuously increase (figure 3).



Data: Re-written based on data from the National Assembly Budget Office (2021)

Figure 3: Number of people supported by the direct job creation project and SESAP

3) Key programming of SESAP

▷ SESAP has been composed of various specific projects that reflect the needs of the policy targets of each time period. As of 2022, SESAP is divided into seven types of activities: public service, social service, social service leading model, marketable project group, job placement, senior internship, and senior-friendly company.

Table 2: Types of SESAP projects

| Type | Targets | Main Content | Nature of the activity |
|------------------------------|--|--|------------------------|
| Public service | Income allowance beneficiaries (65 or older) | Volunteer activities that older persons participate in to improve their sense of self and accomplishment, and also to promote the public interests of their local communities | Social activities |
| Social service | 65 or older (some 60 or older) | Jobs that utilize the experiences and capabilities of older persons to provide services in areas that need social assistance | Job |
| Social service leading model | 60 or older | Jobs tailored to the new senior generation in the social service sector using external resources (human, material resources) | |
| Marketable project group | 60 or older | Employment for older persons for which part of the labour costs is supplemented and year-round operation is conducted with additional business revenue | |
| Employment placement | | Employment that can receive a fixed wage throughout a working period by connecting those who have completed certain training or have the related work capabilities of the demand sources | |
| Senior internship | | Project that encourages continued employment and promotes the employment of those 60 or older by supporting companies with labour costs | |
| Senior-friendly company | | Support for the establishment of companies that employ a large number of older persons in various occupations where they may have a competitive edge | |

Source: Ministry of Health and Welfare (2022). 2022 Guide to the Senior Employment and Social Activity Support Programme. Recomposed.

3. Achievements of SESAP

1) Income improvement

- ▷ Participation in SESAP resulted in an increase in monthly earned household income. Estimated income improvement varied from study to study ranging from \$80 to \$160 with an average monthly income increase of approximately \$140 per month.

2) Poverty alleviation

- ▷ The poverty rate for older households participating in SESAP reduced by 10.2 per cent in 2020 (Park et al., 2022). The effect of SESAP on overall poverty alleviation for older persons is small, because the per cent of those participating is small compared to the total number of older people. However, the effect can be quite large when households with business debt are considered alone (Son et al., 2018; Park et al., 2022). Furthermore, it effectively eases the poverty gap – the degree of poverty intensity. SESAP reduced the poverty gap for the participating older households by 8.9 per cent. SESAP's achievement in poverty gap reduction is attributable to program's target participants. A large portion of SESAP participants is in the mid- to low-income bracket. Thus, SESAP participation could have brought down poverty gap by enhancing income among older persons in the mid- to low-income brackets (Park et al., 2022).

3) Health and medical care cost reduction

- ▷ Health and medical care cost is one of the most representative indicators in the cost-benefit analysis of SESAP.²⁾ When comparing the yearly medical care costs among the participants of SESAP to XXXX, an average monthly reduction in medical care cost (based on 12 months) was \$60 per person (Kang et al., 2017; Kim et al., 2022). In 2020, when the annual medical care cost reduction was calculated based on the standards of older persons participating in SESAP (737,594 people), there was a reduction of about \$4.220 million each year.

Table 3: Average medical care costs according to participation in SESAP

| Category | 2020 | 2021 ¹ | Difference (yearly) | Difference (Monthly) |
|--------------------------------|-----------|-------------------|---------------------|----------------------|
| Total older people group (65+) | 4,958,796 | 3,044,931 | 1,913,865 | 159,489 |
| Non-participating group | 3,695,770 | 2,733,228 | 962,542 | 80,212 |
| Participating group | 3,581,367 | 2,028,235 | 1,553,132 | 129,428 |
| Difference | 114,403 | 704,993 | – | – |

Note: 1) Value from 2021 include 10

2) Total medical care costs: Sum of insurance contribution and co-payment

Data: Internal material of the National Health Insurance Service

2) MIPAA priority direction II, states that "older persons are fully entitled to have access to preventive and curative care, including rehabilitation and sexual health care. Full access for older persons to health care and services, which include disease prevention, involves recognition that health promotion and disease prevention activities throughout life need to focus on maintaining independence, prevention and delay of disease and disability treatment, as well as on improving the quality of life of older persons who already have disabilities." Also see issue 1, 2, and SDG 3.

4) Physical health improvement

- ▷ Participants perceived themselves to be in better health than non-participants. Although the difference between the two groups was not statistically significant, the SESAP participants reported more positive perception on their physical health. SESAP also appears to reduce the number of medical institution visits. SESAP can help older persons become physically more active by reducing the time spent watching television and resting, and increasing activities outside the home. These changes can result in better physical health and reduced number of visits to hospitals or clinics due to illnesses (Kang et al., 2017).

Table 4: Physical activity levels of participating older persons in SESAP

| Category | Participating group(B) | Non-participating group (A) | Difference (B-A) |
|---------------------------------------|------------------------|-----------------------------|------------------|
| Subjective perception (points) | 3.40 | 3.31 | 0.09 |
| Visits to medical institutions (days) | 1.90 | 2.38 | 0.48 |
| Television and rest time (minutes) | 297.14 | 388.30 | 91.16 |

Source: Kang et al. (2017). Study on the policy effects of SESAP

5) Psychological health improvement

- ▷ Depression relief is one of the most representative non-economic effects of participating in SESAP.³⁾ If psycho-emotional instability continues due to social isolation, exclusion, and poverty in old age, the risk of depression increases significantly, but it was found that participating in SESAP relieves depression. When comparing the risk of depression before and after participating in SESAP, there was a 25 per cent reduction in the risk of depression among programme participants. Levels of depression became lower after participating in the SESAP programme.

6) Social relations improvement

- ▷ Looking at the qualitative and quantitative levels of social relations, SESAP is more effective in strengthening the quality of networks than expanding the social networks. Results reveal higher satisfaction with social relationships with family members, relatives, neighbours, and acquaintances for participating older persons than non-participants.

Table 5: Satisfaction with social relationships

(Unit: Points)

| Category | Participating group (B) | Non-participating group (A) | Difference (B-A) |
|------------------------------|-------------------------|-----------------------------|------------------|
| Total satisfaction | 11.96 | 11.27 | 0.08 |
| Satisfaction with family | 4.07 | 3.77 | 0.30 |
| Satisfaction with friends | 4.00 | 3.82 | 0.17 |
| Satisfaction with neighbours | 3.88 | 3.67 | 0.21 |

Note: Satisfaction with social relationship was investigated using a 5-point Likert scale from "1 = very dissatisfied" to "5 = very satisfied"

Source: Kim et al. (2022). Study on the policy effects of SESAP 2021

3) Article 14 of the political declaration states that "we commit ourselves to providing older persons with universal and equal access to health care and services, including physical and mental health services, and we recognize that the growing needs of an ageing population require additional policies, in particular care and treatment, the promotion of healthy lifestyles and supportive environments." Also see, MIPAA priority direction II, issue 1 and 5, as well as SDG 3.

7) Quality of life improvement

- ▷ Participants in SESAP have higher self-esteem than non-participants. Self-esteem was 2.99 points for the public service participants, and 3.02 points for the marketable project group participants, compared with 2.76 and 2.79 points for non-participant groups. Self-esteem was higher for all participating groups than non-participating groups, and the self-esteem score was highest among the marketable project group among the programme participants.

Table 6: Self-esteem and life satisfaction of older persons participating in SESAP (compared to all older persons)

(Unit: Points)

| Category | Public service | | Marketable project group | |
|-------------------|--------------------|-----------------------|--------------------------|-----------------------|
| | Participants group | Non-participant group | Participants group | Non-participant group |
| Self-esteem | 2.99 | 2.76 | 3.02 | 2.79 |
| Life satisfaction | 4.03 | 3.52 | 3.89 | 3.46 |

Source: Kang et al. (2017). Study on the policy effects of SESAP

8) Gender equality improvement

- ▷ SESAP creates income and provides opportunities to participate in the society for women whose income is usually SESAP less stable than men in old age. As of 2021, 67 per cent of all participants in SESAP were women. also has a policy improvement and feedback system for gender equality throughout its operational guidelines, budget plans, and project details and methods. SESAP and its contribution to the improvement of social status of women and reducing gender inequality were acknowledged as an exemplary programme for contributing to gender equality (Gangwon-do Women and Family Research Institute (2019), 2019 Gender impact assessment manual).

9) Improving adaptability of the fourth industrial revolution

- ▷ SESAP has been thinking about the future society in which older persons will live and ways to support older persons to thrive in such rapidly changing social environment. Thus, SESAP has been helping older persons adapt to the 4th industrial revolution. SESAP promoted related projects to improve older adults' ability to use ICT, and older persons who participated in the program showed improvement in their ICT abilities. For example, ICT training was required for participating in SESAP. Thus, older persons participating in SESAP were trained to use computers and electronic devices such as kiosks. In addition, there is a programme where older adults provide ICT trainings to other older adults. In this programme, not only did the beneficiaries learn how to use electronic devices but also programme participants (as service providers) had opportunities to strengthen their ICT abilities.

10) Participate in climate change response

- ▶ Climate change is also a big issue in Republic of Korea, and the Korean government has made commitment to deal with climate change. SESAP developed and operated the Green New Deal program in line with the Korean government's response to climate change. This project was developed based on the notion one of the main causes of climate change is greenhouse gas. As environmentally friendly jobs for older persons, this project attempts to prevent air pollution by distributing eco-friendly plants to purify it. This project was promoted with the ultimate goal of reducing fine dust to respond to climate change. In 2020, purifying plants were installed and managed in 60 senior centres in Seoul. In addition, SESAP has contributed to raising the recycling rate of discarded plastics to 70% by promoting a plastic recycling project. Discarded plastic bottle caps are easy to collect, but they tend to have low recycling rates. In this project called Plastic bottle cap reuse project, older persons participated in the recycling work of plastic bottle caps and took the lead in environmental preservation activities. As such, SESAP develops and provides eco-friendly projects to actively respond to climate change.

4. Conclusion

- ▶ For the past 120 years, SESAP has continued to expand rapidly in quantitative terms, while striving for stability by discovering and developing new approaches to employing older persons. Nearly 800,000 people have participated in SESAP, with plans to increase to 10 million people. As a result, SESAP has become one of the major welfare policies in the Republic of Korea, contributing to poverty alleviation in old age and enhancing social participation. However, the number of implementing agencies has increased only slightly compared to the expansion of business, leading to concerns of chronic overload of work and deterioration of quality service. Nevertheless, SESAP plans to create 1 million jobs for older persons and expand to 10 million in the future.
- ▶ For the past 20 years, KORDI has created jobs and supported social activities for older persons in both the public and private sectors. As a result, networks were built with government agencies and cooperative relationships were formed with private companies. The knowledge accumulated by KORDI can serve as a learning model for ministries in the Republic of Korea and other Asia-Pacific countries moving toward a super-aged society. The successful operation of SESAP is linked to the existence of KORDI. With this in mind, other countries can promote similar operations based on the expertise of institutions like KORDI.

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