

# Pro-Work Reforms of the North Korean Defector Settlement Support System in South Korea: Changes in Benefit Levels and Differences across Groups

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This study investigates the extent to which the benefit levels of the North Korean Defector Settlement Support System (NKDSSS) have changed and differentially impacted the various groups of North Korean Defectors (NKDs). It employs a historical approach to policy analysis and uses datasets compiled, summarized, and converted with the Consumer Price Index by the author. Findings suggest a portion of Unconditional Cash Transfers decreased through the first pro-work reform period (2005-2014) and Conditional Cash Transfers conditioned on job preparation decreased through the second pro-work reform period (2015-2019). The changes may generate a blind spot of poverty and enhance inequality among the NKDs. For the NKDSSS to accomplish its goals of promoting socio-economic integration of NKDs in South Korea and preparing for a peaceful Korean unification, supplemental policies are required.

**Keywords** pro-work reforms, settlement support, North Korean defectors (refugees), unconditional cash transfers, conditional cash transfers

## Introduction

The welfare trend of the past two decades can be summarized by two features: pro-work reforms for the traditional public assistance programs and the introduction and increases of tax credit programs targeting working families and families in need (or almost in need), particularly those with children, in which benefit amounts depend on the earned income and the number of children of recipients (Cousins 2014). Along with the trend itself, the degree of success or failure of the pro-work welfare trend has been heavily debated (Moffitt 2015), which has led to another heated debate about which types of cash transfers are more effective: Unconditional Cash Transfers (UCTs) or Conditional Cash

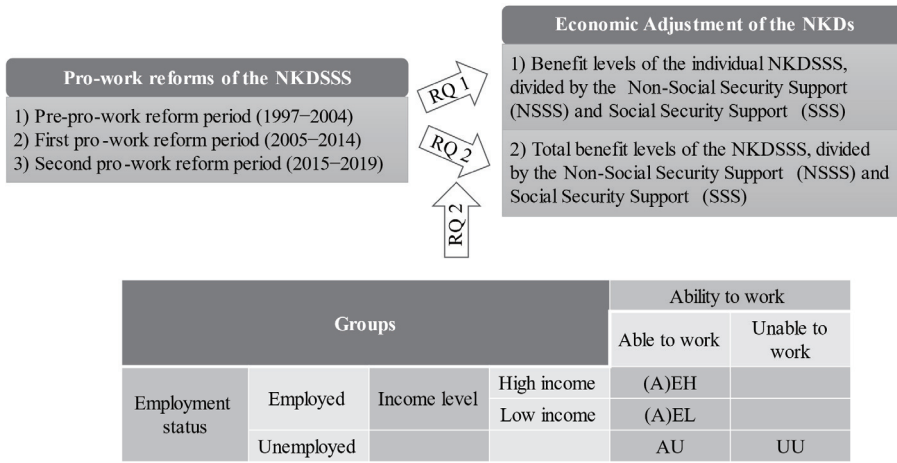
Transfers (CCTs). Means-tested cash transfers can be classified as UCTs or CCTs, whereby UCTs are means-tested cash transfers that do not require any particular behavior except for an income standard, while CCTs are means-tested cash transfers that require specific behaviors, such as school attendance (Gao 2017). UCTs work only through cash transfers while CCTs work through both cash transfer and conditioned behaviors (Forget, Peden, and Strobel 2013). UCTs have long existed in history and widely across countries, while CCTs have become popular during the past thirty years, especially in developing countries (Gao 2017). The two above debates are related because pro-work policy reforms change from UCTs (requiring only the means-tested standard) to CCTs (which attach certain conditions).

The pro-welfare trend in the world was initiated by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996 in the US. Welfare reforms in the US encouraged South Korea to have similar work-focused reforms for its national cash transfer programs: North Korean Defector Settlement Support System (NKDSSS), a public assistance program for North Korean Defectors (NKDs) (since 2005), and a public assistance program for general citizens called the National Basic Livelihood Security System (NBLSS) (since 2007).

This paper addresses the pro-work policy trend of the NKDSSS over the past two decades, which was also the beginning of the pro-work policy trend in South Korea. Specifically, aiming to clarify whether pro-work policy reforms to the NKDSSS enhanced the wellbeing of the entire NKD population and enabled greater equity within the NKDs, this study investigates the extent to which the types and levels of the individual NKDSSS benefits have changed and how the total benefit levels have changed across different groups within the NKDs.

For that purpose, the datasets of this study, which were compiled, summarized, and converted with the Consumer Price Index (CPI) by the author, are analyzed with a historical approach to policy analysis. For the analysis, the period studied is divided into three sub-periods: (1) the pre-pro-work reform period (1997-2004); (2) the first pro-work reform period (2005-2014); and (3) the second pro-work reform period (2015-2019). Benefit levels of the NKDSSS are estimated, in part, by dividing the benefit into two kinds: the Non-Social Security Support (NSSS) and the Social Security Support (SSS). The NSSS is settlement support ensured directly by the North Korean Refugees Protection and Settlement Support Act (NKRPSA), which includes temporary financial support, employment support, housing support, educational support, counseling support, and security support. The SSS is settlement support ensured indirectly by the NKRPSA, which includes livelihood, medical, and National Pension benefits. Livelihood benefits and National Pension benefits are UCTs, and the medical benefits are unconditional in-kind benefits that are open to all. The NSSS is further divided into two subsets: UCTs and CCTs. Using three criteria (ability

Figure 1. Conceptual Framework



Source: Author

to work, employment status, and income level), the NKDs are divided into four groups: (1) employed with high income (EH); (2) employed with low income (EL); (3) able to work and unemployed (AU); and (4) unable to work and unemployed (UU).

The primary findings are summarized as follows. The benefit levels of the NSSS and SSS drastically changed during the first pro-work reform period, according to the three criteria (ability to work, employment status, and income level). The results show that the special protections for the NKDs through the NKDSSS have been narrowed down from applying to all groups to just the EL group. Two significant concerns are noted with regard to the AU group, whose total benefit levels (of both NSSS and SSS) substantially decreased. Supplemental policies are required to support some individuals of the AU group who have fallen into a blind spot of poverty (i.e., the involuntarily unemployed) and who are unwittingly penalized twice by the pro-work reforms—by the market and the government—for having a low level of human capital.

The NKDSSS is probably the only public assistance program in the world that provides cash transfers to the entire population for their first five years in South Korea. Thus, information from the program will be able to show the outcomes of pro-work policy reforms more clearly and add invaluable evidence to the international body of knowledge. Further, a comprehensive understanding of the program’s theoretical changes and outcomes reveals policy implications for the NKDSSS (and other cash transfer programs in the world) and for Korean unification policies in the future.

The NKDSSS, established as a product of regime competition under the

Cold War,<sup>1</sup> has and will have contributed to building peace in South Korea, on the Korean Peninsula, and in the greater Asian region. In detail, first, it has contributed to building peace in South Korea by helping NKDs successfully resettle in South Korea, which affects the socio-economic integration of NKDs in South Korea.<sup>2</sup> Second, it also contributes to promoting peace and stability on the Korean Peninsula and in East Asia. Such conditions are the prelude to a peaceful unification of the Peninsula, and as such, the NKDSSS represents the extended part of South Korea's unification policy (Kwon 2014), which is the socio-economic integration of the South and North Korean societies.<sup>3</sup> A series of pro-work reforms of the NKDSSS since 2005 is significant because the reforms represent different methods for accomplishing the program's goals, while also reflecting the evolving public perception about NKDs in South Korea. In the early days, most NKDs were North Korean elites who decided to leave the country for political reasons. However, since the mid-1990s when the severe famine in North Korea (Noland, Robinson, and Wang 2001; Spoorenberg and Schwekendiek 2012) led North Koreans to escaped en mass, the proportion of the *commoner class* with relatively low human capital has rapidly increased (Yoon 2003, as cited in Choi 2018). Changes in motivation for defection from political to economic, the increase in both the entry number of NKDs and proportion of female defectors (more than 60%), and the development of maladjustment problems among the NKDs changed the atmosphere of public opinion from positive (humanitarianism and brotherhood) to mixed (including negative opinions about the significant use of tax money). This less tolerant atmosphere led to the pro-work reforms of the NKDSSS (Kim, Hong, and Jung 2016). The aforementioned different methods have to be further examined to evaluate which are the more effective means for accomplishing the program's intended goals of promoting socio-economic integration and preparing for unification. Thus, engaging in a meticulous analysis of the changes brought by the pro-work reforms is essential. This, in turn, will contribute to the long-standing goal of sustaining and strengthening peace on the Korean Peninsula.

The remainder of this study consists of five main sections. First, a background section provides the theoretical context behind the pro-work policy reform trend of the NKDSSS, introducing the debates on pro-work policy reforms and UCTs versus CCTs, and the policy background of the trend. The literature review introduces the findings of previous research on the policy trend of the NKDSSS and situates this study in relation to existing scholarship. A subsequent methodology section details the research design, data, measures, and data analysis. The results section provides the empirical results, while the conclusion and discussion section presents a summary of the study, its implications for policies and future research, and the study's limitations.

## Background

### *Debates on Pro-Work Policy Reforms*

The pro-work policy trend in the world was initiated in the US. Specifically, it began in 1996 under the PRWORA, which replaced the traditional cash transfer program, Aid to Families with Dependent Children, with pro-work programs requiring work participation to obtain benefits (referred to as Temporary Assistance for Needy Families). In addition, the work incentive tax credit program, the Earned Income Tax Credit, dramatically expanded (Moffitt 2015). These welfare reforms in the US encouraged the United Kingdom and South Korea to make similar work-focused reforms in the late 1990s and 2000s; rates of in-work tax credit programs also increased in other member countries of the Organization for Economic Co-operation and Development.

The pro-work policy reform trend around the world brought a heated debate over its effectiveness. Supporters of pro-work reforms argued that pro-work reforms decrease poverty and alleviate inequality by (1) helping existing welfare recipients to become self-reliant and independent from welfare; (2) motivating people to work by helping the *deserving* poor who work but are near-poor, and not helping the *undeserving* poor who do not work; and (3) encouraging women with young children to have jobs rather than stay at home while taking care of her children. Critics of pro-work welfare reforms maintain that pro-work reforms do not decrease poverty effectively and actually increase inequality among the poor by (1) removing recipients from the welfare without offering any ultimate poverty solution; (2) treating involuntarily jobless people as *undeserving* poor; and (3) having prejudices on welfare recipients and children from out of wedlock birth and not acknowledging unpaid caregiving work (Moffitt 2015).

### *Debates on Unconditional Cash Transfers versus Conditional Cash Transfers*

The debate on the success of pro-work policy reforms can be closely associated with another heated debate on which types of cash transfers are more effective: UCTs (without any condition except for the means-tested standard) versus CCTs (with conditions). Because of the nature of the pro-work policy reforms, UCTs changed to CCTs conditioned on employment or job preparation activities.

CCT advocates argue that CCTs (1) help recipients to not choose suboptimal behaviors and instead choose optimal behaviors by conditioning them (Baird et al. 2014; Forget, Peden, and Strobel 2013); (2) lower tax resistance by enabling recipients to do socially desirable behaviors (Fiszbein and Schady 2009, as cited in Baird et al. 2014); (3) show more effective outcomes than UCTs to induce incentivized behaviors (Akresh, de Walque, and Kazianga 2016); and (4) are legitimized by empirical evidence that UCTs may cause adverse unintended or unexpected behavioral outcomes (Baird et al. 2014). Meanwhile, UCT advocates

argue that (1) recipients know and can choose optimal behaviors if they have enough money (Hanlon et al. 2010, as cited in Baird et al. 2014; Forget, Peden, and Strobel 2013); (2) CCTs can exclude specific populations who should be of equal concern as other vulnerable groups (Baird et al. 2014); (3) regardless of conditions, cash transfers increase behavioral outcomes (Forget, Peden, and Strobel 2013); and (4) UCTs can also increase disincentivized but desired behaviors (Akresh, de Walque, and Kazianga 2016; Forget, Peden, and Strobel 2013).

*North Korean Defector Settlement Support System and Pro-Work Policy Reform Trend*  
 Since the Korean Peninsula was divided into two countries in 1948, some people have escaped North Korea and defected to South Korea to avoid political repression, economic hardship, and/or religious persecution; as of September 2021, 33,850 NKDs were living in South Korea (0.065% of the entire South Korean population) (Ministry of Unification [MOU] n.d.). In 1997, in an effort to assist the waves of NKDs entering South Korea without any means to survive in a market-based society, the South Korean government established the NKRPSA. Under the NKRPSA, the NKDSSS has provided the following: (1) temporary financial support; (2) employment support; (3) housing support; (4) social security support (SSS); (5) educational support; (6) counseling support; and (7) security support for the first five years, called the “residence protection period” (see Table 1; Article 5 of the NKRPSA [MOU 2021a]).

Influenced by the international pro-work trend, domestic concerns in South Korea about the NKDSSS led to the initiation of pro-work reforms in 2005—namely, concerns that the NKDSSS discouraged self-reliance among NKDs. The critics pointed out that after participating in the settlement program for the first five years, most NKDs became overly dependent on the NBLSS. Indeed, the welfare receipt rate was 74.1% in 2005 (Korean Statistical Information Service 2021). To address this challenge, several pro-work reforms were made to the NKDSSS (MOU 2010-2019, 2014, 2016), starting with the 2005 reforms that introduced and increased benefits conditioned on participation in employment or job preparation and decreased the existing unconditional benefits (Park and Kim 2012).

## Literature Review on the Policy Trend of the NKDSSS

Previous studies on the policy trend of the NKDSSS can be divided into two approaches: one sees changes in the policies as policy outcomes and explores the determinants of the policy outcomes (Choi 2018; Kim, Hong, and Jung 2016), while the other analyzes the pro-work policy trend of the NKDSSS (Choi et al. 2010).

From the first approach, Choi (2018, 82-87) takes a historical approach and

shows how structural conditions (perception of NKDs, policy toward North Korea, and inter-Korean relations) have changed and how those changes have affected the settlement support policies for NKDs. For this historical analysis, Choi divides the period into three: (1) the Cold War and regime competition era (1962-1992), (2) the Post-Cold War and inter-Korean coexistence (1993-1996), (3) and the Sunshine and Post-Sunshine Policy era (1997-present). Focusing on the last two periods, significant changes made by the establishment of the current NKDSSS in 1997 are as follow: (1) the policy goal for NKDs was changed from ensuring a livelihood based on humanitarianism and brotherhood to preparing for unification; (2) the government agency in charge was altered from the Ministry of Health and Welfare to the Ministry of Unification (MOU); (3) the status of NKDs was changed from welfare recipients to residents from North Korea; and (4) the benefit level of the settlement support policy increased (Choi 2018). Kim, Hong, and Jung (2016) addresses the influencing factors—political, social, and economic contexts, and the types of policy networks—of policy outcomes (namely, the establishment of the current NKDSSS under the NKRPPSSA in 1997 and policy reforms in 2006, 2010, and 2013). These studies are interesting in that they provide the background of policy trends of the pre- and current NKDSSS. Unlike these studies that focus on explaining the background factors of policy trends, which encompass political, social, and economic contexts, this study aims to comprehensively investigate the extent of the pro-work policy reforms.

Choi et al's (2010) study representing the second approach provides the pro-work reform trend and comprehensive information on employment support programs of the NKDSSS. This study divides the period into two: employment support centered on public assistance (2000-2004) and employment support centered on a work incentive system (2005-2009).

Additionally, there are two more useful studies (Ha 2016; Park et al. 2011). Ha (2016) is a report from the National Assembly Budget Office, while Park et al. (2011) is a report from the Ministry of Employment and Labor. These studies do not address the policy trend of the NKDSSS. Specifically, Park et al. evaluates the effects of the individual employment support programs, and Ha evaluates the effects of the NKDSSS in 2015. These studies focus on evaluating specific policies or policies in a particular timeframe, which is different from the current study's focus that addresses a longitudinal pattern of a program, namely the NKDSSS. However, considering that these studies are government reports and have a significant amount of detailed information (provided in Han 2022, 20-21), I use them in this study to find figures that are not provided in the NKRPPSSA (1997-2019) at the Korean Law Information Center and the MOU (2010-2019).

Compared to previous literature on policy trends of the NKDSSS, this study is unique for two reasons. First, it analyzes the pro-work reforms of the NKDSSS and seeks policy implications based on theoretical background and interpretation.



Through this effort, this study contributes valuable evidence for policy debates related to pro-work reforms and the UCTs versus CCTs dispute, which is one of the most hotly debated topics about policy choices in the world—especially, in and regarding developing countries. Second, this study estimates changes in the benefit levels of the NSSS from the beneficiary’s point of view, which reflects the CPI. These estimates include calculations of the total benefit levels of the NSSS per household, not merely changes in benefit levels of the individual NSSS payments (i.e., in 2007, benefit levels of the basic settlement money changed from KRW10 million to KRW6 million). Third, this study comprehensively details the pro-work policy trend by including changes in benefit levels of the SSS. Fourth, it analyzes changes in benefit levels of the NKDSSS according to the four aforementioned groups, into which the NKD population is classified using the three criteria that the government employed (ability to work, employment status, and income level). No prior study closely tracks the disparities of benefit levels within the NKD population through policy reforms. Finally, included in the analysis of this article is the era initiated by the late-2014 reform (2015 to present). Previous literature (mostly government reports) analyzing the policies after the NKRPSA described the characteristics and policy outcomes of the 2005 reform. However, no prior study includes the era initiated by the late-2014 reform in their analysis.

## Methods

This study reviews the NKDSSS policy trend by employing a historical approach to policy analysis (Hoefler 2011), which involves exploring past and present policies in the context of the present condition, thus enabling us to consider and offer alternative policies for current issues and problems.

### *Data*

For evaluating the policy trend of the NKDSSS, I compiled and summarized the datasets (see Appendices 1, 2, and 3) collected from multiple data sources, including a variety of documents and articles (see Han 2022, 21-22). Most figures and information were drawn from the government, which possesses information about all NKDs; thus, the authenticity, credibility, and representativeness of sources are ensured with a high degree of confidence (Hoefler 2011).

As for the data (Appendix 1), there are two considerations to note. First, in the case of the benefit levels of additional settlement money, no data was available before 2010. Thus, I assumed that benefit levels of additional settlement money in absolute terms between 1997 and 2004 were 80 percent relative to those in 2010, taking into account that the benefit level of additional settlement money had been forty times the minimum cost of living (MCL) before 2005 and fifty times



the monthly MCL since 2005. The benefit level in absolute terms between 2005 and 2009 was, therefore, assumed to be the same as that in 2010, considering that there was no change between 2010 and 2019. Also, there has been no comment on a benefit level change in relevant literature, including government reports, which implies the absence of any significant changes. Second, among the vulnerable population receiving additional settlement money, I excluded households having children born overseas from the analysis, considering that additional settlement money for such households has been paid after 2017.

## Measures

### *Benefit Levels*

To examine changes in benefit levels of the NKDSSS, the NKDSSS benefits are divided into two: the NSSS and the SSS. To investigate changes in benefit levels by the type of cash transfers, the NSSS payments are categorized as UCTs and CCTs.

The NSSS includes temporary financial support, employment support, housing support, educational support, counseling support, and security support (Table 1). Temporary financial support consists of settlement money (and goods) (MOU 2021a, Article 21-1; MOU 2021b, Article 39) and due compensation (MOU 2021a, Article 21-2; MOU 2021b, Article 40).<sup>4</sup> Settlement money includes basic settlement money (UCT), additional settlement money (UCT), and settlement incentives (CCT). Basic settlement money is a UCT provided to all NKDs. Additional settlement money is a UCT only provided to groups with certain criteria (i.e., over the age of sixty, existence and level of disability [levels 1-3 in decreasing order of severity], having a chronic disease, or children born in a single-parent family or a foreign country). Settlement incentives refer to employment incentives and local residence incentives. Housing support includes rental deposits (unconditional, in-kind [occasionally cash] benefits) and local residence incentives (CCT).

Employment incentives (CCTs) are divided into two: one for employers hiring NKD employees and the other for the NKD employees. Employment incentives for employers hiring NKDs are employment subsidies. Employment incentives for the NKD employees are divided into two: one conditioned on job preparation activities (job training incentives and license acquisition incentives) and the other conditioned on employment (employment encouragement incentives and savings incentives).

The SSS includes livelihood, medical, and National Pension benefits. Livelihood benefits and National Pension benefits are UCTs, and the medical benefits are unconditional in-kind benefits that are open to all (see Table 1). These benefits are designed for the welfare of all South Korean residents. During the residency protection period, the government gives more generous SSS for

Table 1. Settlement Support Provided in the Residence Protection Period (First Five Years), 1997-2019

		Support categories		Types	Conditions	Competent authority	
Non-Social Security Support	Temporary financial support	Settlement money (and goods)	Basic settlement money	Cash	U	Ministry of Unification	
			Additional settlement money	Cash	U		
		Due compensation	Settlement incentives		Cash	C	
					Cash	C	
	Housing support	Rental deposits		In-kind (occasionally cash)	U	Ministry of Health and Welfare	
		Local residence incentives		Cash	C		
	Employment support	Employment incentives	Cash	Employment subsidies	Cash	C	Ministry of Employment and Labor
				Job training incentives	Cash	C	
			Cash	License acquisition incentives	Cash	C	
			Cash	Employment encouragement incentives	Cash	C	
Savings incentives			Cash	C			
Education support	Tuition and school fees		In-kinds	U to C	Ministry of Unification		
	Special admission system for colleges		In-kinds	C			
Counseling support	Youth Social Safety Net (multicultural background migrant youth support)		In-kinds	U	Ministry of Gender Equality and Family		
	Support Project for Violent Migrant Women (preventing violence against North Korean women and supporting North Korean women)		In-kinds	U			
Security support	Personal protection services		In-kinds	U	Police		
Social Security Support	Livelihood benefits		Cash	U	Ministry of Health and Welfare		
	Medical benefits		In-kind	U			
	National Pension benefits		Cash	U			

Notes: The benefits in the gray-colored boxes are included in the analysis. Settlement incentives include local residence incentives and employment incentives. U denotes unconditional, and C indicates conditional.

Sources: In preparing this table, I summarized information compiled and extrapolated from multiple data sources and categorized the data by types and conditions (see Han 2022, 21-22).

NKDs than ordinary South Korean welfare recipients through various preference mechanisms. This is achieved by either relaxing the eligibility criteria or increasing benefit levels of the national social security programs for NKDs. Thus, changes in benefit levels of the SSS can be assessed by examining both the gap in benefit levels between the general recipients and NKDs and the changes of each SSS in terms of the degree of preference for NKD recipients (details provided in Han 2022, 14-16).

The CPI is applied to all the benefit levels in order to not disregard the effects of inflation. Finally, to control for the effects of household size and region, all benefit levels are estimated based on a single NKD household living in Seoul.

### *Pro-Work Reforms*

Changes in benefit levels of the individual NSSS and SSS payments are estimated by three pro-work periods: (1) the pre-pro-work reform period (1997-2004); (2) the first pro-work reform period (2005-2014); and (3) the second pro-work reform period (2015-2019).

### *Groups*

For the analysis, I divided the NKD population into four groups using the three criteria—ability to work, employment status, and income level—that the government used to determine the benefit levels:

- 1) Able to work, employed with high income ([A]EH): Households having a person(s) employed with above-average income;
- 2) Able to work, employed with low income ([A]EL): Households having a person(s) employed with below-average income;
- 3) Able to work and unemployed (AU): Households having a person(s) able to work and unemployed;
- 4) Unable to work and unemployed (UU): Households composed only of a person(s) unable to work and unemployed.

Since it is implied that the employed have the ability to work, the AEH and AEL groups are simplified as the EH and EL groups. Also, because income level was not used as a criterion for calculating NSSS benefit levels, I collectively refer to the EH and EL groups as the “able to work and employed” (AE) group. It is important to note that these groups are not fixed, meaning that people in each group can change group membership, possibly as a response to policy changes at the margins.

**Table 2.** Benefits Included in Calculating Total Benefit Levels of the Non-Social Security Support across Groups

	Rental deposits	Basic settlement money	Additional settlement money	Employment subsidies and employment incentives
Able to work and employed (AE)	×	×		×
Able to work and unemployed (AU)	×	×		
Unable to work and unemployed (UU)	×	×	×	

Notes: AE group includes the employed with high income (EH) group and employed with low income (EL) group.

Source: Author

## Data Analysis

In order to determine whether pro-work policy reforms to the NKDSSS enhanced equity within the society at large (the first research question), I estimated changes in benefit levels of the individual NSSS and SSS payments by three pro-work reform periods. Specifically, I calculated the differences between the benefit levels of the year preceding the commencement of the reform period and the final year of the reform period. For example, the changes in benefit levels of the basic settlement money during the first pro-work reform period (2005-2014) were calculated by subtracting benefit levels of 2004 from the 2014 benefit levels. As for the NSSS, I calculated the changes in the benefit levels while dividing it into two types: UCTs and CCTs.

To examine whether the pro-work policy reforms to the NKDSSS increased equity within the marginalized populations (the second research question), I calculated and compared changes in total benefit levels of the NSSS and SSS by three pro-work reform periods across the four groups. The total benefit levels for the four groups were calculated by adding the amount of all the benefits that each group can receive (see Table 2).

## Results

*Interpreting the Pro-Work Policy Trend of the NKDSSS by Types of Cash Transfers*  
 Non-Social Security Support: The NKDSSS has changed in three phases: (1) the pre-pro-work reform period (1997-2004) with no conditions on receiving settlement supports except for employment subsidies; (2) the first pro-work

reform period (2005-2014) with UCTs and CCTs conditioned on job preparation and employment; and (3) the second pro-work reform period (2015-present) with UCTs and CCTs conditioned on employment.

During the first pro-work reform period, there were several pro-work reforms. First, the 2005 pro-work reform introduced employment incentives, which are CCTs conditioned on job preparation activities (job training and license acquisition incentives) or employment retention (employment encouragement incentives). Second, the 2007 pro-work reform increased the proportion of CCTs in the settlement money and the employment protection period. Third, the 2010 reform added the employment exception system, which strengthened the protection of those who are employed and imposed penalties on *ghost* employees—this refers to NKDs who pretend to be employed after conspiring with employers to take advantage of the fact that the government subsidizes half of an NKD's salary (employment subsidies)—and introduced the local residence incentives (one of the settlement incentives). Fourth, the 2013 reform increased the employment protection period. Although the 2013 reforms slightly increased the UCT ratio and the increasing projection of the CCT ratio was halted, it was not a conspicuous turnaround as the UCT increase was only marginal. Finally, the early 2014 reform excluded NKD households above the average income from the employment exception system for medical assistance (Appendix 1).

The second pro-work reform period begins with the late 2014 reform, which abolished two employment incentives conditioned on job preparation and employment subsidies conditioned on employment, and introduced the savings incentives conditioned on employment whose benefit levels are determined by the amount of savings. As a result of this reform, the only benefits that remained in place were employment subsidies and employment incentives conditioned on employment. There had been no further major changes until the 2019 reform, which only slightly increased benefit levels of the UCTs (basic settlement money and rental deposits) (see Appendix 1).

**Social Security Support:** Appendix 2 presents changes in benefit levels of the individual SSS payments. Through the pro-work reforms, the exemptions for NKD households were eliminated or eased according to the ability to work (in the case of livelihood benefits) and employment status with above-average income (in the case of medical benefits). Changes in benefit levels of the SSS occurred only during the first pro-work reform period.

Reviewing the livelihood benefits first reveals that, through the pro-work reforms, exemptions to livelihood benefits for NKD households were abolished or alleviated. Specifically, the 2005 pro-work reform removed Exemptions 1.1 and 4 and reduced the application period of Exemption 3 from five years to one year. The 2007 pro-work reform further reduced the application period of Exemption 3 from one year to six months for the households having one or more persons with

the ability to work. Also, the exemption period for all exemptions was reduced from five years to three years for households with the ability to work.

Regarding the medical benefits, through the pro-work reforms, exemptions to medical benefits for NKD households were eradicated or decreased. First, the 2010 reform reduced Exemption 1.1 by setting an income cap. Specifically, this reform protects existing NKD beneficiaries from losing their right to receive medical benefits within the five-year residence protection period, as long as household income is less than 400 percent of the MCL. In 2013, the government started to support half of the insurance payments for the National Health Insurance (NHI), except for persons with more than the average monthly household income of urban workers in the previous year.<sup>5</sup> Regarding the National Pension benefits, there was no change throughout the NKRPSA.

#### *Changes in Benefit Levels of the Individual NKDSSS Payments*

Changes in Benefit Levels of the Individual NSSS Payments: Table 3 presents changes in benefit levels of the individual NSSS payments. To summarize, it shows that during the pre-pro-work reform period, all the UCTs decreased slightly. During the first pro-work reform period, benefit levels of most UCTs decreased significantly while those of the CCTs increased dramatically. During the second pro-work reform period, benefit levels of the UCTs increased slightly while those of the CCTs had moderately decreased.

In detail, during the pre-pro-work reform period, basic and additional settlement money and rental deposits decreased by 21.4%. Inflation appears to be the only cause of these changes. If inflation was not the sole cause of the changes to the benefit levels, further discussion would be warranted. During the first pro-work reform period, benefit levels of the UCTs decreased (basic settlement money by 80.8%, additional settlement money by 3.9%) except for rental deposits, which increased by 33.3%. On the contrary, benefit levels of the CCTs increased dramatically (total employment support by 195.4%, employment subsidies alone by 53.8%). During the second pro-work reform period (2014-2019), benefit levels of the UCTs increased slightly (basic settlement money by 8%, rental deposits by 17%) except for additional settlement money, which decreased by 5.3%. Benefit levels of the CCTs, however, had moderately decreased (total employment support by 16.8%; employment subsidies by 100.0%; job training incentives by 100.0%; license acquisition incentives by 100.0%; and employment encouragement incentives by 5.3%).

Changes in Benefit Levels of the Individual SSS Payments: Table 4 indicates changes in benefit levels of the individual SSS payments. Benefit levels of the individual SSS payments changed only during the first pro-work reform period. Specifically, the livelihood benefits decreased for households having the ability to work by removing Exemptions 1.1, 3, and 4 and reducing the exemption

**Table 3.** Changes in Benefit Levels of the Individual Non-Social Security Support for an NKD Household Living in Seoul, 1997-2019 (Unit: %)

		Δ 1997-2004	Δ 2005-2014	Δ 2015-2019
Basic settlement money		-21.4%	-80.8%	8%
Additional settlement money		-21.4%	-3.9%	-5.3%
Over 60		-21.4%	-3.9%	-5.3%
Disabled (Level 1-3 in decreasing order of severity)	1	-21.3%	-3.9%	-5.3%
	2	-21.4%	-3.9%	-5.3%
	3	-21.5%	-3.8%	-5.3%
Long-term care patients		-21.4%	-3.8%	-5.3%
Children of single parent		-21.5%	-3.8%	-5.3%
Rental deposits		-21.4%	33.3%	16.5%
Employment support		-	195.4%	-16.8%
Employment subsidies		-	53.8%	-100.0%
Job training incentives		-	-	-100.0%
License acquisition incentives		-	-	-100.0%
Employment encouragement Incentives		-	-	-5.3%
Savings incentives		-	-	0%

Notes: These are real benefits adjusted for inflation, estimated in 2019 CPI-KRW (unit: million).  
Sources: I calculated the changes in benefit levels of the individual NSSS within the periods, using multiple data sources, including a variety of documents and articles (see Han 2022, 21-22).

period. Through the reform, benefit levels of NKD households changed from significantly higher to slightly higher than the other South Korean recipient households. Regarding medical benefits, income eligibility was increased from 120 percent to 400 percent (Exemption 1.1), enabling more NKD households to be able to receive the medical benefits. However, the exemption period was reduced from no limit to five years. Additionally, in 2013, the NHI support was introduced. The NHI support was available to those whose average monthly household income was less than that of the urban workers of the preceding year. This measure is interpreted as a safeguard for the working poor, after reducing or eliminating exemptions for medical benefits.

#### *Changes in Total Benefit Levels of the NKDSSS across Groups*

Table 5 illustrates the changes in total benefit levels of the NSSS across groups. In detail, during the pre-pro-work reform period, total benefit levels of the NSSS changed across groups as follows (preference shown in descending order): AE



**Table 4.** Changes in Benefit Levels of the Individual Social Security Support for an NKD Household Living in Seoul, 1997-2019

	$\Delta$ 1997-2004	$\Delta$ 2005-2014	$\Delta$ 2015-2019
Livelihood benefits	0	Changes in existing benefits for households with the ability to work: 1) Waiver of Ex.1.1 (income eligibility), $MCL_{x+1} \Rightarrow MCL_x$ 2) Reduction of Ex. 3 (condition): Work requirement 5 years $\Rightarrow$ 6 months 3) Waiver of Ex. 4 (benefit levels), $(MCL_{x+1}\text{-pre-income}) \Rightarrow (MCL_x\text{-pre-income})$ 4) Reduction of the ex. period, 5 years $\Rightarrow$ 3 years	0
Medical benefits	0	Changes in existing benefits for employed households: 1) Increases of Ex. 1.1 (income eligibility), $MCL_{x+1} \times 120\% \Rightarrow MCL_x \times 400\%$ 2) Reduction of the ex. period, no limit $\Rightarrow$ 5 years Introduction of the NHI support 3) Income eligibility: Below the average monthly household income for urban workers 4) Benefit levels: Half of the insurance payments	0
National Pension benefits	0	0	0

Sources: In preparing this table, I summarized information compiled and extrapolated from multiple data sources (see Han 2022, 21-22).

(+5.2%), AU (-21.4%), and UU (-21.4%). A gap between the AE and AU groups, classified by employment status, was 26.6%; no gap was found between the AU and UU groups, classified by the ability to work.

During the first pro-work reform period, benefit levels that changed across groups are as follows (in descending order): AE (+7.0%), UU (-48.6%), and AU (-56.7%). A gap between the AE and AU groups, classified by employment status was 63.7%; a gap between the AU and UU groups, classified by the ability to work, was 7.4%.

During the second pro-work reform period, benefit levels that changed across groups are as follows (in descending order): AU (+13.6%), UU (+8.4%), and AE (-7.6%). A gap between the AE and AU groups, classified by employment status, was 21.2%; a gap between the AU and UU groups, classified by the ability to work, was 5.0%.

Overall, benefit levels that changed across groups are as follows (in descending order): AE (+4.6%), UU (-61.6%), and AU (-64.5%). Through the pro-work reforms, a noticeable gap in changes in total benefit levels in the NSSS (69.1%) was created between the AE and AU groups, classified by employment

**Table 5.** Changes in Total Benefit Levels of the Non-Social Security Support for an NKD Household Living in Seoul by Groups, 1997-2019 (Unit: %)

	Δ 1997-2004	Δ 2005-2014	Δ 2015-2019
Able to work and employed (AE)	5.2%	7.0%	-7.6%
Able to work and unemployed (AU)	-21.4%	-56.7%	13.6%
Unable to work and unemployed (UU)	-21.4%	-48.6%	8.4%
- Over 60	-21.4%	-49.3%	8.6%
- Disabled 1	-21.4%	-43.1%	5.4%
- Disabled 2	-21.4%	-46.3%	7.0%
- Disabled 3	-21.4%	-52.7%	10.8%
- Long-term care patients	-21.4%	-47.3%	7.5%
- Children of single parent	-21.4%	-52.7%	10.8%

Notes: These are real benefits adjusted for inflation, estimated in the 2019 CPI-KRW (unit: million). AE group includes the employed with high income (EH) and employed with low income (EL) group. The total benefit levels were calculated by summing the amount of all the benefits that each group can receive (see Table 2).

Sources: I calculated the changes in total benefit levels of the NSSS within the periods, using multiple data sources, including a variety of documents and articles (see Han 2022, 21-22).

status; a very small gap in changes of total benefit levels in the NSSS (2.4%) was created between the AU and UU groups, classified by the ability to work.

#### *Changes in Total Benefit Levels of Social Security Support across Groups*

Table 6 suggests the changes in total benefit levels of the SSS across groups. Benefit levels of the individual SSS payments changed only during the first pro-work reform period. In detail, during the first pro-work reform period, regarding the livelihood benefits, all groups with the ability to work (EH, EL, and AU) experienced decreases of around 20.2% in the livelihood benefits, while the UU group experienced no changes. Regarding medical benefits, the EL group experienced increases in medical benefits in total (transfer to Level 1 [almost free], half of the NHI payment support). The calculation process for changes in the livelihood and medical benefits is provided in Appendices 3 and 4.

Overall, total benefit levels of the SSS changed across groups as follows (preference shown in descending order): UU (no change), EL (decreases in livelihood benefits and increases in medical benefits), and AU and EH (decreases in livelihood benefits). Through the pro-work reforms, a gap in the changes of total benefit levels in the SSS is found between one of the AE and AU groups, classified by the employment status (no gap is noted between the AU and EH groups, and a gap in the medical benefits between the AU and EL groups is

**Table 6.** Changes in Total Benefit Levels of the Social Security Support for an NKD Household Living in Seoul across Groups, 1997-2019

	$\Delta$ 1997-2004	$\Delta$ 2005-2014	$\Delta$ 2015-2019
Employed with high income (EH)	0	Livelihood benefits $\downarrow$ ( $\approx$ -20.2%*)	0
Employed with high income (EL)	0	Livelihood benefits $\downarrow$ ( $\approx$ -20.2%) Medical benefits $\uparrow$ ** (Level 1 (almost free) x 5 years, half of the insurance payments)	0
Able to work and unemployed (AU)	0	Livelihood benefits $\downarrow$ ( $\approx$ -20.2%)	0
Unable to work and unemployed (UU)	0	0	0

Notes:  $\downarrow$  denotes decreases,  $\uparrow$  denotes increases. \*The calculation process is provided in Appendix 3. \*\*Most of the EL group experiences increases in the medical benefits. However, it is hard to suggest changes in the rate because benefit levels were 0 for most of the EL group prior to the reform. Details are provided in Appendix 4.

Sources: I calculated the changes in total benefit levels of the SSS within the periods, using multiple data sources, including a variety of documents and articles (see Han 2022, 21-22).

observed). A gap in the livelihood benefits has been created between the AU and UU groups (classified by the ability to work), while a gap in the medical benefits has been created between the EH and EL groups, classified by the ability to work.

## Conclusion and Discussion

Aiming to improve the NKDSSS to be able to further promote socio-economic integration currently in South Korea and peacebuilding on the Korean Peninsula in the future, this study investigates the extent of changes in the benefit levels of the NKDSSS made by pro-work policy reforms. Specifically, it reviews changes in benefit levels of the individual NSSS payments and SSS over the three sub-periods: (1) the pre-pro-work reform period (1997-2004); (2) the first pro-work reform period (2005-2014); and (3) the second pro-work reform period (2015-2019). It also evaluates how changes in total benefit levels of the NSSS and SSS vary across four groups (EH, EL, AU, and UU groups), classified by the ability to work, employment status, and income level. Methodologically, this was achieved by employing a historical approach to policy analysis and analyzing datasets that I compiled, summarized, and converted with the CPI.

The following integrates the findings of the changes in benefit levels of individual settlement support by reform period. The pre-pro-work reform period (1997-2004) saw moderate decreases in the UCT portion of the NSSS (21.4%),

which were only caused by inflation, while benefit levels of the SSS were unchanged. During the first pro-work reform period (2005-2014), NSSS benefit levels of the UCTs decreased (notably, basic settlement money decreased drastically by 80.8%), except for rental deposits. whereas, benefit levels of the CCTs increased dramatically (by 195.4%). In terms of the SSS during this period, benefit levels of the livelihood benefits decreased by one condition: the ability to work. Benefit levels of the medical benefits increased by meeting two conditions: being employed and having a low income. During the second pro-work reform period (2014-2019), the NSSS benefit levels of the UCTs increased slightly (by 8%), except for additional settlement money, which decreased slightly (by 5.3%). The NSSS benefit levels of the CCTs, however, significantly decreased (from 5.3% to 100.0%). Regarding the SSS, there were no changes in benefit levels during this period.

To compare the changes in total benefit levels across groups, no group (except for the EL group) seems to have experienced increases in total benefits levels of the NKDSSS. The AU group experienced a great reduction in both the NSSS and SSS. This means that the government almost removed special protections for NKDs in this group. The UU group experienced a drastic reduction in the NSSS, with no changes in the SSS. This suggests that the government adjusted the benefit levels of this group from special protection to levels that are barely higher than national benefit levels for low-income families in South Korea. The EH group experienced an increase in the NSSS; the increases, however, were considerably offset by the decreases in the SSS. This means that the government changed the way it supported this group, shifting from the SSS (UCTs or unconditional in-kinds) to the NSSS (CCTs). Only the EL group did not experience a reduction in both the NSSS and SSS (increased in the NSSS and outcomes were mixed in the SSS). The trends show that the government wound down its special protection from all NKDs to focusing on the EL group.

Here, some concerns arise about these trends in terms of equity. Currently, the NKDSSS has only CCTs conditioned on employment and amount of savings. Considering that most NKDs enter South Korea in their productive years and that the upward projection is anticipated in the entry number, it is justifiable to encourage NKDs to work. However, it may deepen inequality within the NKD population by preferring the employed with a modest income enough to save and not considering differences in human capital among the NKDs. The human capital level is varied by qualifications and personal attributes; if not taken under consideration, it may discriminate against NKDs with a low level of human capital.

In particular, two significant concerns arise regarding the great reduction in benefit levels of the AU group—that is, the pro-work reforms may create a blind spot of poverty and may also exacerbate inequality within the NKD population. First, the pro-work reforms may create a blind spot in the settlement support

for NKDs who are categorized in the AU group, but who are, in reality, closer aligned to the UU group (involuntarily unemployed group). For example, females with young children may have the ability to work, but in practice their ability to work can be hindered by their childcare needs; unlike most females in South Korea who have extended family support networks to assist with childcare, North Korean females lack such assistance. The harmful impact of this precarity was demonstrated in 2019 when a single mother NKD and her six-year-old son starved to death in South Korea (MOU 2019). To avoid such outcomes, there should be a supplementary policy in the form of either of these two options: (1) as an interim measure, re-classify NKDs who are in blind spots of poverty (and currently categorized as the AU group) into the UU group for a certain period of time; or (2) keep them in the AU group, but provide sufficient support.

Second, the pro-work reforms may exacerbate inequality within the NKD population. Notwithstanding the aforementioned group (i.e., single parents) who demonstrate clear factors that prevent employment, there is another subset of the involuntarily employed in the AU group resulting from low human capital. To illustrate, most NKDs enter South Korea with little human capital. In South Korea, even South Korean people struggle to find jobs due to technological advancement and economic stagnation. The grim realities for NKDs are much harsher, and NKDs are, therefore, more likely to become involuntarily unemployed. Supplementary policies are needed for NKDs who are involuntarily unemployed or non-economically active during the grace period. That is, the NKDSSS needs to ensure that benefit levels of the UCTs serve as a basic means of survival and help the involuntarily jobless NKDs to successfully enter the South Korean labor market.

Limitations of this study mostly come from the data. Benefit levels presented in this paper are estimated by the maximum amount that NKDs are eligible to receive; the actual amount that NKDs have received might be different and such information is not open to the public. If this raw data were made publicly available, it would be interesting to review changes in the benefit levels that NKDs actually received and compare those with the changes in benefit levels suggested in this study. However, using the maximum amounts presented in the NKRSSA and NKDSSS handbooks was the optimal way to figure out changes in benefit levels of the NKDSSS that resulted from the pro-work reforms. An additional limitation of the data is that I had to use estimated figures for the additional basic settlement money prior to 2010 because no data is available for the time frame.

Due to the unavailability of data, yet despite the significance of research in this area, only a few qualitative studies and government reports exist that provide simple summary statistics. As such, while there are several studies that address the effects of the NBLSS in totality, there is no study that addresses the effects of the pro-work reforms of the NKDSSS, specifically. Future research is needed that investigates the relationship between pro-work reforms and their socio-

economic integration outcomes (e.g., NKD employment changes, educational outcomes, etc.). The tables in this study were created with significant time and effort by gathering extensive information from all available sources and analyzing it thoroughly in order to illustrate the annual policy outcomes (Appendices 1 and 2). I hope that this effort enables researchers to further interpret the findings, which examine the economic adjustment outcomes of pro-work reforms to the NKDSSS.

## Notes

1. Since 1948, Korea, which was one nation before, has been divided into South Korea and North Korea and the free passage of people between the two sides was banned; the two governments (both dictatorships) began to compete for superiority (Choi 2018). In 1962 in South Korea, President Park Chung-hee (5th-9th President, 1962-1979) established the Special Relief Act for Patriots and Heroes Who Returned to the State (*gukgayugongja mit wolnamgwisunja teukbyeolwonhobeop*) and treated NKDs as patriots/ heroes and provided special treatment and generous financial assistance and benefits. By rewarding NKDs, the Park government wanted to prove the superiority of capitalism and stir up anti-communism and nationalist sentiment in South Korea to justify its dictatorship (Choi 2018; Park et al. 2011).
2. Since its establishment in 1962 under the Special Relief Act for Patriots and Heroes Who Returned to the State, the NKDSSS has contributed to maintaining peace in South Korea by helping NKDs adapt to the capitalist system after years trapped in the communist system. As the number of NKDs in South Korea continues to increase, the success or failure of NKDs' socio-economic integration is an important factor for peace in South Korea.
3. Since 1997 under the NKRPSA (*bukhanitaljuminui boho mit jeongchakjiwone gwanhan beopryul*), the NKDSSS has also served in the preparation for the peaceful unification of the Korean Peninsula, as the extended part of the unification policy of South Korea (Kwon 2014). The policy experience gained through the NKDSSS will be of great help when formulating effective unification policies for (former) North Korean citizens, who share common experiences (human rights violations and absolute poverty) and characteristics (lack of material capital and human capital), adjust to a capitalist society. The success or failure of socio-economic integration between the two Koreas will be a significant factor for peacebuilding in a unified Korea. Further, it will affect stability in Asia, considering that peace on the Korean Peninsula is directly related to peace in Asia (Kang et al. 2014), as evidenced by the influence of German unification on the rest of Europe.
4. Due compensation is offered if NKDs (mostly North Korean elites or soldiers) provide valuable information for national security and/or about warships, fighter-bombers, tanks, (guided) weapons, other airplanes, and goods (MOU 2021b, Article 40). Due compensation is not included in the analysis because North Korean elites and soldiers do not represent the overwhelming majority of NKDs, and it may distort or skew the study outcomes (Table 1).

5. In 2014, the income criterion was changed from 120 percent of the MCL to 50 percent of median income (for newly employed households from 400 percent of the MCL to 160 percent of median income) (MOU 2010-2019). However, these changes were caused by an adjustment to how the poverty line was measured, and the absolute amount of the income criterion and benefit levels were similar.



## Appendices

Appendix 1 (related to Table 5). Changes in Total Benefit Levels of the Non-Social Security Support for an NKD Household Living in Seoul by Groups, 1997–2019

	Prior to Pro-Work Reforms			1st Wave of Pro-Work Reforms						2nd Wave of Pro-Work Reforms	
	1997	2000		2005	2007	2009	2010	2013	2014 (2015*)	2019	
Characteristics - Unconditional Cash Transfer (UCT)? - Conditional Cash Transfers (CCT)? - If CCT, what kind of conditions?	Basic settlement money (UCT) + emp. subsidies			Basic settlement money (UCT) + settlement incentives (CCT) conditioned on employment or participation in vocational training programs or job license acquisition + emp. subsidies						Basic settlement money (UCT) + new settlement incentives (new CCT) conditioned on employment and the amount of savings	
Settlement money	Basic settlement money (1)	Introduced, 28	->	10	6	->	->	7	->	8	
	Additional settlement moneyb	Over 60	(5.76)	(5.76)	->	->	7.2	->	7.2	->	
		Disabled	(6.16)	(6.16)	(15.4)	->	->	15.4	->	15.4	->
			(4.32)	(4.32)	(10.8)	->	->	10.8	->	10.8	->
	Long-term care patients	(1.44)	(1.44)	(3.6)	->	->	3.6	->	3.6	->	
	Children of single-parent	(0.64/m)	(0.64/m)	(0.8/m)	->	->	0.8/m	->	0.8/m	->	
Children born overseas	(2.88)	(2.88)	(3.6)	->	->	3.6	->	3.6	->		
Housing support	Basic rental deposits (2)	Introduced, Apt. <= 50m <sup>2</sup> or 7.5	7.5	Apt. <= or 85m <sup>2</sup> or 10	13	->	->	->	->	16	
		.	.	Introduced, 1.3/2.6	.	->	->	->	->	->	
	Aggregate Housing support	7.5	->	10	13	13/14.3/15.6	->	->	->	16/17.3/18.6	

Appendix I (related to Table 5). (continued)

	Prior to Pro-Work Reforms		1st Wave of Pro-Work Reforms					2nd Wave of Pro-Work Reforms	
	1997	2000	2005	2007	2009	2010	2013	2014 (2015*)	2019
Emp. support	.	Introduced, 2year, up to 12 (=0.5 * 24 month)	->	2+1 years, up to 18 (=0.5* 36 month)	->	->	3+1 years, up to 24 (=0.5 * 48 month)	Abolished	.
Emp. subsidies (for employers)	.	.	Introduced, 4.4	->	->	Divided into basic- / additional-, 2.4/2	Basic-, 1.6	Abolished	.
Job training incentives	.	.	Introduced, 2	->	->	->	->	Abolished	.
License acquisition incentives	.	.	Introduced, 9	->	->	18	Divided by urban-/rural-, 16.5/19.5	->	->
Employment encouragement Incentives	.	.	.	.	.	.	.	Introduced, 2+1+1 years, up to 24M (=0.5 * 48 month),	->
Savings incentives	.	.	.	.	.	.	.	Restriction on the payment of emp. subsidies or return order of emp. subsidies if helping "their employers to receive emp. subsidies by fraud or other improper means."	->
Limits on emp. protection periods (=Limits on the receipt of emp. subsidies)	.	6 months if failed to work for a period, one year if dismissed "due to neglect of duties, delinquency of duties, any illegal activities, etc."	->	->	Deleted "6 months of restriction if failed to work for a period."	Suspension or termination of emp. protection if helping "their employers to receive emp. subsidies by fraud or other improper means."	->	->	->
Aggregate Employment support (4)	0	12	27.4	39.4	39.4	40.4-42.4	44.9-49.9	20.9-25.9	20.9-25.9

Notes: All cash benefits are measured in KRW (unit: million); “->” denotes that there was no change. <sup>a</sup> Settlement Money includes basic settlement money, additional settlement money, settlement incentives, and due compensation. For Settlement incentives, please see employment incentives in emp. support column and local residence incentives in the housing support column. Due compensation was excluded from the benefit level calculation. <sup>b</sup> Regarding the benefit level of the additional settlement money, no data was available before 2010. Thus, I assumed that the benefit level of additional settlement money in absolute terms between 1997 and 2004 was 80 percent relative to 2010, considering that the benefit level of additional settlement money has been 50 times of the monthly minimum cost of living since 2005 (this has been 40 times of the monthly minimum cost of living before 2005). I assumed that the benefit level in absolute terms between 2005 and 2009 was as same as 2010, considering that there was no change between 2010 and 2019; there has been no comment on its change in the previous literature including government reports, which analyzed the policy trend. Also, among the vulnerable population receiving the additional settlement money, I excluded households having children born overseas from the analysis, considering that additional settlement money has been paid to them since 2017.

Sources: In preparing this table, I summarized information compiled and extrapolated from multiple data sources (see Han 2022, 21-22).

Appendix 2 (related to Table 6). Changes in Benefit Levels of Social Security Support for Households Having X Family Members Prior to the Pro-Work Reforms: General vs. NKDs, 1997-2019

Eligibility	Livelihood Benefits				Medical Benefits			
	General	Before 2005	2005	2007	General	Before 2010.11.1	After 2010.11.1	NKDs
	1. Income	1.1 Household income must be less than the Minimum Cost of Living (MCL) for households having the threshold of X family members (Household income < MCLX).	Exemption 1.1. Household income must be less than the MCL for households having one additional family member, relative to the SK family members (Household income < MCLX+1).	Waiver of Exemption 1.1 for households having a family member with the ability to work.	2007	1.1 Same as the livelihood benefits	Exemption 1.1. Household income must be less than the MCL for households having one additional family member, relative to the SK family members (i.e., household income < MCLX+1 X 120%).	Increases of Exemption 1.1., to 400% for the first five years for the newly-employed households.
2. Obligatory provider	2. There must be no obligatory provider (i.e., high-income adult child)	Exemption 1.2. Settlement money, settlement incentives, and rental deposits are exempted when estimating household income (However, earned income, Job training incentives, and other income are not exempted).			1.2 Same as the livelihood benefits	Exemption 1.2. Settlement money (basic and additional settlement money), settlement incentives, and rental deposits are NOT counted as household income. (However, earned income, Job training incentives, and other income are counted).		
		Exemption 2. The NKDs can become recipients regardless of the existence of an obligatory provider. (i.e., irrespective of the existence of a high-income adult child)			2. Same as the livelihood benefits	Exemption 2. The NKDs can become recipients regardless of the existence of an obligatory provider. (i.e., irrespective of the existence of a high-income adult child)		

Appendix 2 (related to Table 6). (continued)

	Livelihood Benefits				Medical Benefits			
	General	NKDs		General	NKDs			
		Before 2005	2005		2007	Before 2010.11.1	After 2010.11.1	2014
Conditions	3. Recipients need to participate in government-sponsored work programs known as "self-support programs"	Exemption 3. The NKD recipients are exempt from all work-required conditions for the first five years. Upon the expiration of the five-year exemption, NKDs must participate in government-sponsored work programs.	Reduction of Exemption 3, from the first five years to one year for households having a family member with the ability to work.	Reduction of Exemption 3, to six months for households having a family member with the ability to work.	3. Same as the livelihood benefits	Exemption 3. The NKDs are exempt from all work-required conditions for the first five years. Upon the expiration of the five-year exemption, NKDs must participate in a government-sponsored work program.		
Benefit levels	4. Calculated by the household income less the required MCL of X family members (i.e., Benefits = Household income - MCLX).	Exemption 4. Calculated by the household income less the required MCL of X, plus one additional family member (i.e., Benefits = Household income - MCLX+1).	Waiver of Exemption 4 for households having a family member with the ability to work.	Waiver of Exemption 4 for households having a family member with the ability to work.	4. Medical benefit level 1 (almost free) is provided for households not having a family member with the ability to work; medical benefit level 2 (co-pay) is provided for households having a family member with the ability to work.	Exemption 4. Medical benefit level 1 (almost free) is provided for all NKD households.		Half of the insurance payments
Exemption period		First five years		Reduction of the Exemption period, five → three years for households having a family member with the ability to work.		No limit	Limit to the first five years for the new employed households	

Sources: In preparing this table, I summarized information compiled and extrapolated from multiple data sources (see Han 2022, 21-22).

Appendix 3 (related to Table 6). Changes in the Livelihood Benefit Levels of the NKD Households through Pro-Work Reforms

Household size (persons)	General households <sup>a</sup>	NKD households		Change rate <sup>b</sup>
		Before 2005	After 2005	
1	401,466	668,504	401,466	-39.9%
2	668,504	907,929	668,504	-26.4%
3	907,929	1,136,332	907,929	-20.1%
4	1,136,332	1,302,918	1,136,332	-12.8%
5	1,302,918	1,477,800	1,302,918	-11.8%
6	1,477,800	n.d. <sup>c</sup>	1,477,800	n.d. (-10% <sup>d</sup> )
Avg.				(-20.2% <sup>e</sup> )

Notes: <sup>a</sup> Below are benefit levels of the livelihood benefits by household size as of 2005 (Yeo et al., 2005). <sup>b</sup> The change rate is calculated by the formula:  $[1 - (\text{benefit levels of } \Delta 1997\text{-}2004 / \text{benefit levels of } \Delta 2005\text{-}2014)] \times 100$ . <sup>c</sup> There is no data for the livelihood benefits for households with a size greater than six persons. Therefore, I am unable to calculate the exact change rate; <sup>d</sup> I use -10% as a change rate for households having six persons, considering that the change rate decreases as the household size increases. <sup>e</sup> Using the change rate by household sizes, I estimated the average change rate.

Sources: I calculated the change rates, using multiple data sources, including a variety of documents and articles (see Han 2022, 21-22).

**Appendix 4 (related to Table 6).** Changes in the Medical Benefit Levels of the NKD Households through Pro-Work Reforms

	Based on household size 2 (as of 2010)	Group	Before 2010	After 2010	Changes
$0 <= HHI^a <= MCL_{X,t+1} \times 120\%$	$0 <= HHI <= 1,030,496^b$	UU	Level 1 (almost free) x lifetime	Level 1 (almost free) x lifetime Half of NHI	(-) <sup>e</sup>
		AU	Level 1 (almost free) x lifetime	Level 1 (almost free) x 5 years <sup>d</sup> Half of NHI	- <sup>f</sup>
		EL	Level 1 (almost free) x lifetime	Level 1 (almost free) x 5 years <sup>d</sup> Half of NHI	-
$MCL_{X,t+1} \times 120\% < HHI$ < Avg. income of urban workers	$1,030,496 < HHI <= 3,045,686^c$	EL	-	Level 1 (almost free) x 5 years Half of NHI	↑↑
Avg. income of urban workers < HHI <= $MCL_{X,t+1} \times 400\%$	$3,045,686 < HHI <= 3,434,988$	EL	-	Level 1 (almost free) x 5 years	↑
$HHI > MCL_{X,t+1} \times 400\%$	$HHI > 3,434,988$	EH	-	-	-

Notes: All monetary values are measured in KRW (unit: one). <sup>a</sup> HHI denotes household income. <sup>b</sup> As of 2010, the MCL for the household size of two is KRW 858,747 (Yang, 2009) and 120% of it is KRW 1,030,496. <sup>c</sup> As of 2010, the average income of urban workers for the household size of two is KRW 3,045,686 (KOSIS, n.d.). <sup>d</sup> After five years, it will be changed to Level 2 (copay) if their household income is less than 100% of the MCL and none if their household income is 100% of the MCL or more. <sup>e</sup> Although half of the NHI payment is provided in addition to the existing medical benefits, the actual amount of support is expected to be small since the medical fee is almost free for the UU group. <sup>f</sup> Considering the sum of the changes (the period in which medical care is free decreased from lifetime to 5 years, the possibility of being transferred to level 2 (co-pay), and the introduction of support in the form of half of the NHI payment), the level of this group's medical benefits does not appear to have changed significantly.

Sources: In preparing this table, I summarized information compiled and extrapolated from multiple data sources (see Han 2022, 21-22)

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