

**The reality of poverty and income inequality for  
people with disabilities**

**CHO Yunhwa**  
**[Chief, Policy Research Independent Living Support Team,**  
**Korea Disabled People's Development Institute]**

## **I . Income security structure for people with disabilities in Korea**

○ The Korean income security system for the disabled is operated as an income replacement benefits system for the primary to tertiary safety net against the risk of income loss for the disabled and an additional cost benefit system due to disability.

- The primary safety net is the social insurance system, which is a system to compensate for loss of income and insufficient income due to disability during the working period. If a worker becomes disabled while enrolled or working, he or she can receive the Disability Benefits in the National Pension System and Industrial Accident Compensation Insurance due to disability.

- A representative example of the secondary safety net is the Pension for Persons with Disabilities introduced in July 2010. By paying the basic benefit of the Pension for Persons with Disabilities to severely disabled people aged 18 or older who have difficulty making a living, it reduces blind spots in social insurance and plays a role in preserving income due to loss of work ability due to disability.

- The 3rd safety net guarantees the minimum standard of living for people with disabilities who have difficulty making a living through the National Basic Livelihood Security System, a public assistance system.

- With the introduction of the Pension for Persons with Disabilities in 2010, a multi-layered income security system for the disabled was established. Basic Old Age Pension introduced in 2007, Pension for Persons with Disabilities implemented in 2010

- It is a benefit to compensate for loss of income due to disability and consists of the disability pension and basic benefit, which have the characteristics of a basic disability pension, and the disability pension (income-proportional pension), which has the characteristics of a national pension.

- In 2014, the Basic Old Age Pension was reorganized into the basic pension, and the Pension for Persons with Disabilities was reorganized and expanded into the same system as the basic pension.

- The target benefit rate has been set at 70%, and the benefit level is also increased like the basic pension.

○ In particular, disabled people incur additional costs due to their disabilities, making their lives relatively more difficult than non-disabled people. To compensate this loss, additional benefits to the Pension for Persons with Disabilities, disability allowance, and disabled children's allowance are being operated.

- Composition of disability income loss replacement benefits – Basic benefit of the Pension for Persons with Disabilities, KRW 323,180 (as of 2023)

- Composition of disability additional cost replacement benefits – Supplementary benefit of the Pension for Persons with Disabilities, KRE 20,000 to KRW 80,000 (under 65 years old), KRW 40,000 to KRW 403,180 (65 years old or older)

3층	개인연금 및 저축 등			개인이 장애나 질병에 대비한 개인연금	
1차 안전망 (2층)	(산재보험) 장애급여			업무상의 사유로 부상을 당하거나 질병에 걸려 치유된 후 신체 등 장애가 있을 때 보상	
2차 안전망 (1층)	(국민연금) 장애연금			소득활동 중 발생한 장애로 인한 소득중단에 대한 보상	
3차 안전망 (0층)	[소득보전급여]		[추가비용급여]	공적연금 사각지대 해소 및 빈곤예방 최저생활보장	
	장애인연금(기초급여)		장애인연금(부가급여)		
	국민기초생활보장제도 (생계급여 등)		장애수당(장애아동수당)		
구분	산재장애 위험	일반장애위험			목적
	근로자	자영자	비경활인구 (15세 이상: 63%)		

## **II. Problems with current income security system in Korea**

○ Economic risks for the disabled are increasing, such as the continued gap in poverty rates between the disabled and non-disabled, increased additional cost due to disabilities, and widening differences in additional benefits by type and degree of disability.

- As of 2021, the poverty rate for people with disabilities is 39.4%, which is about 2.5 times higher than the poverty rate for non-disabled people at 14.1%, and this gap is becoming entrenched.

○ The poverty gap by degree of disability is deepening due to the structure of the income security system centered on the severely disabled.

- In other words, the representative public transfer benefit in the area of income security for the disabled that reduces the poverty rate of the disabled is the Pension for Persons with Disabilities, but currently, only the 1st, 2nd, and 3rd (overlapping) disabled people are eligible for the policy, and other disabled people are at risk of poverty.

○ The issue of whether the current benefit level is appropriate for the additional costs required by type of disability and age.

- The nature of a disabled people means that additional living costs are incurred that do not occur to non-disabled people, so the standard of living can be low even if the disabled and non-disabled people have the same income (Lee Seon-woo, 2009).

- The earned income (individual) of persons with disabilities decreased from an average of KRW 435,000 per month (2017) to KRW 407,000 (2020), while the additional cost caused by disability increased from an average of KRW 120,000 per month (2017) to KRW 150,000 (2020).

- However, the increase in the amount of additional cost due to disability is not high enough to show a significant difference since 2011, but the supplementary benefit, which is compensation for additional cost due to disability, is KRW 80,000, which currently covers only half of the additional cost (KRW 150,000) due to disability.

### III. Economic status of disabled households

#### 1. Household net assets

○ In 2022, the assets of disabled households are KRW 386.77 million, liabilities are KRW 50.24 million, and net assets minus liabilities are KRW 336.53 million.

- The net assets of disabled households are 71.8% of those of non-disabled households, and their assets are 68.5% of those of non-disabled households, which is relatively low compared to non-disabled households.

<Table> Household net assets

(unit: KRW 10,000)

Classification		Net assets <sup>2)</sup>	Assets	Liabilities
2022 <sup>1)</sup>	Total	45,602	54,772	9,170
	Disabled households	33,653	38,677	5,024
	Non-disabled households	46,843	56,442	9,600
2021 <sup>1)</sup>	Total households	41,452	50,253	8,801
	Disabled households	32,796	38,658	5,862
	Non-disabled households	42,425	51,557	9,132
2020 <sup>1)</sup>	Total households	36,287	44,543	8,256
	Disabled households	29,381	34,997	5,616
	Non-disabled households	37,071	45,627	8,556
2019 <sup>1)</sup>	Total	35,281	43,191	7,910
	Disabled households	27,830	32,671	4,841
	Non-disabled households	36,153	44,423	8,270

- Note: 1) This is the year of the survey, and the baseline survey for assets, liabilities, and net assets is the end of March. 2) Net assets = assets - liabilities

- Source: Cho Yun-hwa et al. (2023). Income and poverty inequality indicators for people with disabilities

## 2. Household income

○ The current income of households with disabilities in 2021 is KRW 45.46 million, which is relatively low at 68.8% of the KRW 66.08 million of non-disabled households.

<Table> Average current income, market income, and disposable income (by year)

(unit: KRW 10,000)

Classification		Current income	Market income <sup>1)</sup>	Disposable income <sup>2)</sup>
2021	Total	6,414	5,641	5,440
	Disabled households	4,546	3,433	4,024
	Non-disabled households	6,608	5,870	5,587
2020	Total	6,125	5,341	5,196
	Disabled households	4,557	3,455	4,029
	Non-disabled households	6,301	5,553	5,327
2019	Total	5,924	5,270	5,019
	Disabled households	4,246	3,280	3,732
	Non-disabled households	6,115	5,496	5,165
2018	Total	5,828	5,231	4,929
	Disabled households	4,153	3,294	3,650
	Non-disabled households	6,024	5,458	5,078

- Note: 1) Market income = earned income + business income + property income + private transfer income - private transfer expenditure
- 2) Disposable income = market income + public transfer income - public transfer expenditure
- 3) Negative numbers are calculated by replacing them with 0.
- Source: Cho Yun-hwa et al. (2023). Income and poverty inequality indicators for people with disabilities

○ By income source, the earned income of disabled households in 2021 was KRW 22.67 million, accounting for 49.9% of the total income of disabled households, while that of non-disabled households was KRW 43.18 million, or 67.3% of the total income of non-disabled households. The proportion of earned income of disabled households is 17.4%p lower than that of non-disabled households.

- On the other hand, the proportion of public transfer income for disabled households was 22.0%, which is more than three times higher than the 8.7% for non-disabled households, showing that the government's support for disabled households is quite high.

<Table> Household income and composition ratio by income source (by year)

(unit: KRW 10,000, %)

Classification		Average			Composition ratio		
		2021	2020	2019	2021	2020	2019
Total households	Household income	6,414	6,125	5,924	100.0	100.0	100.0
	Earned income	4,125	3,855	3,791	64.3	62.9	64.0
	Business income	1,160	1,135	1,151	18.1	18.5	19.4
	Property income	426	432	417	6.6	7.1	7.0
	Public transfer income	600	602	457	9.4	9.8	7.7
	Private transfer	103	101	107	1.6	1.6	1.8

		income					
		Median value	5,022	4,836	4,652	-	-
Disabled households		Household income	4,546	4,557	4,246	100.0	100.0
		Earned income	2,267	2,266	2,091	49.9	49.7
		Business income	794	781	794	17.5	17.1
		Property income	337	394	379	7.4	8.6
		Public transfer income	999	984	831	22.0	21.6
		Private transfer income	148	133	150	3.3	2.9
		Median value	3,330	3,177	2,910	-	-
Non-disabled households		Household income	6,608	6,301	6,115	100.0	100.0
		Earned income	4,318	4,033	3,984	67.3	64.0
		Business income	1,198	1,175	1,192	18.7	18.6
		Property income	435	437	422	6.8	6.9
		Public transfer income	559	559	415	8.7	8.9
		Private transfer income	98	97	103	1.5	1.5
		Median value	5,221	5,001	4,871	-	-

- Note: 1) Household income is current income. 2) Public transfer income refers to public pension, basic pension, disability allowance, basic livelihood security subsidy,



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work/child incentive, childcare allowance, etc.

- Source: Cho Yun-hwa et al. (2023). Income and poverty inequality indicators for people with disabilities

#### IV. The reality of poverty and income inequality for people with disabilities

##### 1. Poverty level

###### ☐ Overall status

○ The poverty rate for the disabled in 2021 (based on equivalized disposable income) is 39.4%, which is approximately 2.8 times higher than the poverty rate for the non-disabled, which is 14.1%.

- The poverty rate of the disabled (based on equivalized disposable income) decreased by 2.1 percentage points from 41.5% in 2018 to 39.4% in 2021, while that of the non-disabled decreased by about 1.5 percentage points from 15.6% in 2018 to 14.1% in 2020.

<Table III -1-1> Relative poverty rate and poverty gap ratio

(unit: KRW 10,000, %)

Classification		Equivalized market income			Equivalized disposable income		
		Median income	Poverty rate	Poverty gap ratio	Median income	Poverty rate	Poverty gap ratio
2021	Total	3,207	21.1	10.7	3,171	15.1	4.9
	The disabled	1,281	56.1	37.0	1,940	39.4	13.3
	The non-disabled	3,278	19.6	9.6	3,223	14.1	4.5
2020	Total	3,018	21.5	10.7	2,998	15.3	4.6
	The disabled	1,278	54.8	36.4	1,871	39.7	12.2
	The non-disabled	3,081	20.1	9.6	3,038	14.3	4.3
2019	Total	2,970	21.4	10.9	2,875	16.3	5.4

	The disabled	1,175	56.0	36.4	1,715	42.2	14.0
	The non-disabled	3,024	19.9	9.8	2,920	15.2	5.0
2018	Total	2,875	21.0	10.4	2,756	16.7	5.7
	The disabled	1,245	54.6	35.1	1,674	41.5	15.2
	The non-disabled	2,923	19.6	9.4	2,798	15.6	5.3

- Note: 1) As this data was prepared using the public MD of the survey of household finances and living conditions, there are some differences from the published results of the survey of household finances and living conditions (whether or not interest expenses are subtracted from property income).

2) Market income = earned income + business income + property income + private transfer income - private transfer expenditure

3) Disposable income = market income + public transfer income - public transfer expenditure

4) The poverty line is 50% of the median income, and the poverty line is rounded-off to three decimal places.

5) Income means equalized income.

- Source: Cho Yun-hwa et al. (2023). Income and poverty inequality indicators for people with disabilities

○ Looking at the poverty rate by age group, the poverty rate for people aged 65 and older is higher than that for the working age group for both disabled and non-disabled groups.

- The poverty rate (based on disposable income) for people with disabilities in the working age group (18 to 65 years old) is 30.1%, and for people without disabilities, it is 9.9%, which is about three times higher for people with disabilities.

- For those aged 65 or older, the poverty rate for people with disabilities is 50.0%, which is approximately 1.4 times higher than the 36.2% for non-disabled people.

○ On the other hand, when looking at the improvement effect due to the income security system, the improvement effect is greater in the group aged 65 years or older than in the working age group (18-65 years old) in both groups.

- The poverty improvement effect for the working age group (18-65 years old) is 12.0%p for the disabled, which is more than 6 times higher than 2%p for the non-disabled, and for those aged 65 years or older, it is similar at 21.4% for the disabled and 22.0% for the non-disabled.

<Table> Relative poverty rate for working age group and retired age group

(unit: %)

Classification	Total				Working age group (18-65 years old)				Retired age group (65 years or older)			
	Total	The disabled	The non-disabled	Gap	Total	The disabled	The non-disabled	Gap	Total	The disabled	The non-disabled	Gap
Market income	21.1	56.1	19.6	36.5	13.4	42.1	12.5	29.6	57.9	71.4	56.2	15.2
Disposable income	15.1	39.4	14.1	25.3	10.4	30.1	9.9	20.2	37.7	50.0	36.2	13.8
Improvement effect	6.0	16.7	5.5	11.2	3.0	12.0	2.6	9.4	20.2	21.4	20.0	1.4

- Note: Improvement effect: market income – disposable income

- Source: Cho Yun-hwa et al. (2023). Income and poverty inequality indicators for people with disabilities

○ In particular, when analyzing the working age group, the poverty rate for people with disabilities in their 30s and 40s, when they are most active in the labor market, is 27.6% to 30.3%, which is very high compared to 8.7% to 9.4 for non-disabled people.

- In addition, people with disabilities show high poverty rates even in their 50s and 70s, and tend to fall into poverty with a higher gap than non-disabled people after their 50s, while non-disabled people tend to fall into poverty relatively rapidly as they enter their 70s.

<Table> Relative poverty rate by age group (based on disposable income in 2021)

(unit: %)

Classification	18-29	In their 30s	In their 40s	In their 50s	In their 60s	In their 70s
Total	8.8	9.0	9.8	11.2	17.7	45.4
The disabled	17.6	27.6	30.3	28.9	37.8	53.2
The non-disabled	8.7	8.7	9.4	10.6	16.2	44.3
Gap	8.9	18.9	20.9	18.3	21.6	8.9
Note: Re-analysis of the 2022 survey of household finances and living conditions						

#### □ Current status by disability characteristics

○ Looking at the poverty rate by degree of disability, the poverty rate for people with a mild disability is found to be about 3.3% points higher than for those with a severe disability.

- Looking at the poverty rate through market income in the labor market where the national income security policy is not supported, people with a severe disability showed a poverty rate of 59.0%, while people with a mild disability had a poverty rate of 56.0%, which was 3%p lower than that of severely disabled people.

- However, after introduction of the income security policy, the poverty rate of people with a mild disability was relatively higher than that of people with a severe disability.

- This result is presumed to be because Korea's Pension for Persons with Disabilities is provided to people with a severe disability (1st, 2nd, and 3rd (overlapping)).

<Table> Relative poverty rate by degree of disability and by age

(unit: %)

Classification	Total				Working age group (18-65 years old)				Retired age group (65 years or older)			
	Total	Severe	Mild	Gap	Total	Severe	Mild	Gap	Total	Severe	Mild	Gap
Market income	32.6	59.0	56.0	3.0	45.0	55.9	36.9	19.0	70.5	70.0	70.7	-0.7
Disposable income	27.1	40.3	43.6	-3.3	32.9	36.6	30.2	6.4	52.8	49.4	53.8	-4.4
Improvement effect	5.5	18.8	12.5	-	12.1	19.3	6.7	-	17.8	20.5	16.9	-

Note: This data is the result of re-analysis of the Social Security Committee's social security administrative data (as of 2020).

○ Looking at the poverty rate by disability type, the poverty rate of people with mental disabilities is 57.2%, showing the highest poverty rate among the 15 disability types, followed by epilepsy at 54.9% and hearing at 49.8%.

- In particular, the employment rate of the mentally disabled (aged 15 or older, as of the first half of 2022) is 13.2%, the lowest among the 15 disability types, which can predict the hardships of life for the mentally disabled.

- In addition, approximately 70% of mentally disabled people are included in 3rd level, so they are excluded from receiving Pension for Persons with Disabilities (1st, 2nd, and 3rd (overlapping)) and are therefore judged to be in the blind spot of public benefits.

<Table> Relative poverty rate by type and degree of disability

(unit: %)

Classification	Total				Working age group (18-65 years old)				Retired age group (65 years or older)			
	Total	Severe	Mild	Gap	Total	Severe	Mild	Gap	Total	Severe	Mild	Gap
Liver	33.1	44.8	32.5	12.3	32.2	45.1	31.5	13.6	36.6	42.9	36.2	6.7
Brain lesion	44.9	41.5	48.9	-7.4	40.0	37.5	43.0	-5.5	50.6	46.6	54.9	-8.3
Epilepsy	54.9	48.2	57.2	-9.0	54.9	48.6	56.9	-8.3	66.5	70.3	65.4	4.9
Vision	41.4	43.4	41.0	2.4	30.0	33.8	29.2	4.6	52.6	51.6	52.8	-1.2
Kidney	37.2	39.2	31.9	7.3	31.3	32.5	29.2	3.3	47.3	47.6	45.1	2.4
Heart	31.8	33.1	27.0	6.1	27.3	27.9	25.9	1.9	39.1	39.9	32.6	7.3
Face	32.5	32.2	32.8	-0.7	28.3	28.9	27.7	1.1	44.5	42.0	47.4	-5.3
Language	38.2	41.9	34.9	7.0	36.8	39.7	34.3	5.4	49.5	48.5	51.2	-2.8
Autism	22.5	22.5			20.3	20.3						
Intestinal fistula, urorrhea	48.2	49.3	48.1	1.2	36.8	41.4	36.3	5.1	53.2	53.5	53.2	0.3
Mental	57.4	57.4			57.2	57.2			59.6	59.6		
Intellectual	33.8	33.8			33.8	33.8			53.5	53.5		
Retard	41.1	33.9	41.4	-7.5	29.9	33.4	29.0	4.4	52.0	48.5	52.7	-4.2

Hearing	49.8	41.7	52.2	-10.5	29.3	27.7	30.5	-2.8	55.9	52.2	56.6	-4.4
Respiratory system	46.4	46.8	33.5	13.2	41.8	42.2	33.3	8.9	48.7	48.9	34.0	14.9

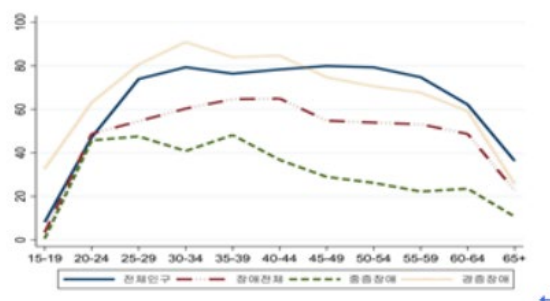
Note: This data is the result of re-analysis of the Social Security Committee's social security administrative data (as of 2020).

□ Relationship between poverty level and employment rate for persons with disabilities

○ The economically active population ratio and employment rate of the total population show a gradual decline after the 50s, while the disabled population shows a sharp decline after the 40s (Seung Hoon, CHOI et al., 2022)

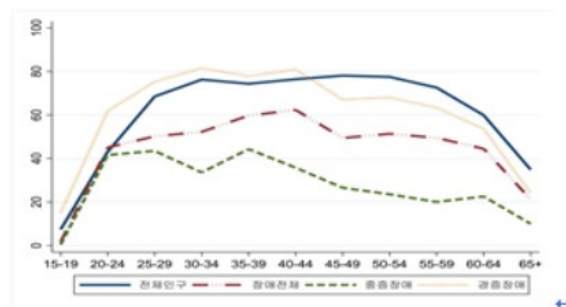
- In particular, the economically active population ratio and employment rate of the middle-aged disabled population are significantly lower than those of the entire population, and in the case of the severely disabled, they are showing an early decline after the age of 35, which is earlier than that of the disabled population.

- These results can be seen as the main basis for the rapid increase in the poverty rate in those in their 40s and 50s compared to the overall population.



<Figure 1> Economically active population ratio by age

Source: Reprocess of 2021 National Survey on Economic Activities of Persons with Disabilities



<Figure 2> Employment rate by age

2021 Source: Reprocess of 2021 National Survey on Economic Activities of Persons with Disabilities

## 2. Level of income inequality

☐ Overall status

○ Among the disabled population, 68.7% are in the 1st to 4th low-income deciles, while 38.8% of the non-disabled population is included in the deciles. It can be seen that more than half of the disabled population is in the low income deciles.

&lt;Table&gt; Level of income inequality

(unit: %)

[illegible]

☐ Current status by degree of disability

○ By degree of disability, 59.6% of people with severe disabilities were in the 1st to 4th low-income deciles, while the figure for people with mild disabilities was similar at 57.8%.

<Table> Level of income inequality

(unit: %)

[illegible]



○ By disability type, 75% of people with mental disabilities are included in the 1st to 4th low-income deciles, followed by epilepsy at 68.6%.

<Table> Income inequality level by disability type

(unit: %)

Classification	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
	decile	decile	decile	decile	decile	decile	decile	decile	decile	decile
Liver	9.4	13.5	13.7	10.3	9.6	9.0	8.4	8.1	8.1	9.9
Brain lesion	8.9	20.4	20.6	11.6	9.1	7.3	6.6	5.6	5.1	4.8
Epilepsy	8.8	24.4	26.0	9.4	8.5	7.8	4.7	4.3	3.5	2.6
Vision	9.8	18.9	17.0	11.1	9.5	8.2	7.5	6.8	6.1	5.1
Kidney	7.3	14.9	22.6	12.5	9.1	8.4	6.8	6.4	6.2	5.9
Heart	7.6	14.8	14.9	13.7	11.4	8.5	6.5	8.8	6.5	7.3
Face	8.3	13.7	15.3	11.2	10.6	9.2	9.1	8.5	7.8	6.4
Language	8.0	17.1	18.5	11.8	10.5	8.4	8.7	7.5	5.2	4.4
Autism	7.1	7.1	12.4	11.2	10.4	10.1	10.0	10.5	10.5	10.6
Intestinal fistula, urorrhea	11.3	22.6	17.4	10.9	9.7	6.7	6.6	5.4	5.0	4.6
Mental	6.9	26.0	30.6	11.6	7.7	5.7	4.3	3.5	2.3	1.5
Intellectual	6.0	11.4	23.5	16.1	11.2	8.7	7.6	6.3	5.3	3.9
Retard	10.1	18.9	16.0	10.9	9.3	8.2	7.4	6.9	6.5	5.8
Hearing	11.6	24.5	18.0	10.5	8.4	6.9	6.2	5.4	4.7	3.7
Respiratory system	7.9	20.9	24.3	11.6	7.9	5.9	6.1	5.1	4.5	5.7

Note: This data is the result of re-analysis of the Social Security Committee's social security administrative data (as of 2020).

## **V. Policy tasks for income security for people with disabilities**

○ There is a need for a gradual expansion from an income replacement system centered on severely disabled people to an income replacement system that provides support to all disabled people who have difficulty earning income.

- It is necessary to expand the criteria for level of 1st, 2nd, and 3rd overlapping, which are the current criteria for selecting recipients of the Pension for Persons with Disabilities, to severely disabled people, and gradually expand them to mildly disabled people as well.

- In particular, in the case of the mentally disabled, 70% of registered mentally disabled people are included in the third level, and most of them are recipients of the National Basic Livelihood Security System and are receiving disability allowances. The expansion of policy beneficiaries for the Pension for Persons with Disabilities is expected to have an impact on alleviating the poverty rate.

- It is necessary to select beneficiaries based on criteria for judging income-earning activities of persons with disabilities, rather than disability level.

○ There is a need to realize the additional costs due to disabilities, and social services need to be expanded to cover the additional costs that are insufficient for each type of disability.

- Currently, the supplementary benefit of the Pension for Persons with Disabilities is KRW 80,000, and it needs to be gradually expanded to a benefit level equivalent to the additional allowance due to disability of 1KRW 50,000 according to the National Survey on Persons with Disabilities (2020).

- However, additional costs due to additional disabilities by disability type and age need to be provided as customized services.

○ There is a need to connect ‘on-site’ employment support services.

- Currently, when disabled people visit community centers and wish to get a job, they are connected to Korea Employment Agency for Persons with Disabilities, etc., but active employment is not taking place due to problems such as lack of local jobs, transportation problems, and dropout issue from recipients.

- Active employment support services need to be linked to severely disabled people who do not receive Pension for Persons with Disabilities and wish to find employment, and in particular, a customized on-site job support system is needed.

○ There is a need to reorganize benefits for income security purposes and additional expenditure allowances.

- Pension for Persons with Disabilities needs to be divided and reorganized into basic benefit, disabled children's allowance, disability allowance, and supplementary benefit system, and restructuring of the composition is necessary.

- In the long term, there is a need for reorganization into categorical disability income security system.

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