Suggestions to improve Korean public-private social safety nets

This research is the follow-up study of “Public-private Partnership to enhance Korean social safety net” (2014). The preceded study addressed various issues related to aging problem and welfare, such as macroeconomic welfare expenditure, national pension, national health insurance, private pension, private health insurance etc.

This study began with reviewing the preceded report and discussing recent developments in related topics. Through this discussion, it raises five issues for improving Korea’s public-private social safety nets. First, is Korea’s macroeconomic capacity enough to cover welfare cost in the future? Second, why do we need to start the gradual increase of national pension premium rate from the current labor generation? Third, how will we improve the national health insurance premium system? Forth, how can we improve the security of retirement pensions? Fifth, what is the possible cooperation scheme with National health insurance?

This paper answers for the five questions above, after various discussions where simulations, estimation, and case studies are performed. First, Korean economy has macroeconomic capacity enough to pay for future welfare cost as long as Korean people can afford the tax and social security contribution burdens, just as OECD countries currently do. Second, since current labor generation is more profitable than both past and future generations, it is necessary to start raising the National pension premium rate for current generation. Third, the ultimate goal of improving the National health insurance premium system should be the unified income-based premium system. Forth, effective use of the deposit protection system is required to secure payment of DC plan. Fifth, we can find a more effective way of ensuring medical cost by exchanging information between public and private health insurers,