

# Supply Models and Efficiency of Social Services Provided by the Government

December 2013

Wonik Son  
Sengeun Choi  
Taekyu Park  
Hanjoon Lee  
Jin Kim

## **The Korea Institute of Public Finance**

28, Songpa-daero 28-gil, Songpa-gu, Seoul 138-774, Korea

Tel: 82-2-2186-2114 Fax: 82-2-2186-2179

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# I

## Introduction

The demand for social services provided through governmental financial support has been swelling due to the substantial growth in the need for social services that has accompanied rising incomes and the rapid aging of society. Social services in the broadest sense, including social welfare and cultural services ranging from education to medical care, childcare, elderly long-term care, and welfare for people with disabilities, are all funded out of the government budget, and the related scope is expected to expand. In the past, government financial support for the social service sector in Korea was mainly limited to social welfare based on the Social Welfare Services Act and its Enforcement Decree, but along with 2012's Act on the Use of Social Services and the Management of Vouchers and its Enforcement Decree, support has been granted across a much broader range, from social welfare to social security and educational administration. In addition, government expenditures directed at the social service sector under the more recent act are predicted to grow dramatically as the need for social services becomes stronger and more diversified with the development and aging of Korean society.

Accompanying the increase in the budget for the social services sector, there has been continual vigorous discussion over the efficiency of government spending. As unlawful receipt and overpayment of benefits have become more frequent and questions arise surrounding blind spots and underpayment, criticism over welfare expenditures are mainly being applied as political slogans, such as “over-generous benefits,” or “residual welfare”—which are in fact quite distant from actual conditions.

The concept of fiscal efficiency here includes not only cost reduction, but also the achievement of fiscal goals, enhancement of public approval, and accomplishment of the targeted provisions for necessary services.

One of the common methods for ameliorating fiscal efficiency in the social service sector is the liberalization of pricing: enhancing fiscal efficiency by vitalizing the market through the removal of regulations on prices, a common restriction in the social service sector. Given the realities of the Korean social service sector, however, fiscal efficiency cannot be enhanced by such methods. Since most social services in the country are not yet market-based, price liberalization is likely to lead instead to a lack of social services due to market failure.

Therefore, when considering only realistic shortcomings within the social service sector, an effective method for increasing fiscal efficiency is to seek desirable supply models for each social service considering the fiscal inefficiencies that arise through unlawful receipt and blind spots in the services.

According to a study by Isaacs (2008) which explored the social service sector of the U.S. federal government, any subfield of the social service sector with high administrative costs is also less likely to show low fiscal inefficiency due to improper provision and blind spots, while those with low administrative costs are more likely to feature high levels of unlawful receipt and numerous blind spots, which implies a trade-off between different goals. Targeted provision for people in need of a specific social service by minimizing blind spots can be enhanced by increasing related administrative costs and reinforcing management, as illustrated by the case of the Supplemental Nutrition Assistance Program (SNAP or 'food stamps'). Considering that the SNAP in the U.S., a typical voucher system, incurs high administrative expenses during the process of minimizing improper payments and blind spots, in-depth research on fiscal efficiency and administrative costs in the social service sector in Korea may be warranted. Isaacs' study (2008) is of significance even in terms of the correlation between fiscal efficiency and supply methods for social services. According to his investigation, compared with the voucher system used by the SNAP, those programs applied in the form of direct provision (medical support and school lunch programs) or cash assistance (Supplemental Security Income and Earned Income Tax Credit) require lower administrative costs, but show

high fiscal inefficiency due to overpayment, underpayment, improper payment, and the burden on recipients.

In the Korean social welfare service sector, a major subfield of social services, fiscal efficiency is very low, especially in the case of childcare, nursing, and cultural services that are provided through an electronic voucher system that results in improper provision and blind spots. In this regard, there appears to be a considerable need to pursue research on supply methods and fiscal efficiency in the social services. Compared with systems in the U.S. as described in the study by Isaacs (2008), it has been only a short period that the Korean social service sector has been funded by government fiscal investment, and accordingly its supply methods may be unstable or unsustainable. Therefore, it would be practical to first conduct research with a relatively high level of attention focused on social services provided through the voucher system model. Nevertheless, it remains essential to study the state of administrative inefficiency and devise solutions by identifying blind spots, improper provision, and burden on recipients.

This study aims to explore the supply models and related issues in the social service sector based on theoretical, empirical, and in-depth survey methodologies; select major subfields of social services and set the targeted provision of social services as the standard of fiscal efficiency in terms of blind spots and burden on recipients; examine the adequacy of supply models in terms of fiscal efficiency by reviewing the requirements for a voucher system and conducting in-depth surveys; and discover implications for improvement.

In accordance with the optimized supply method derived by Gasparini and Pinto (2006) from parameters based on the general equilibrium model taking into consideration the characteristics of social services, this study classifies supply models into three types: direct provision, private provision, and provision by vouchers. The direct provision model indicates social services delivered directly by government institutions. In South Korea, government institutions generally consign the management of social service provision to private organizations. In the private provision model, private organizations (private nonprofit or for-profit organizations) supply social services, and the government in turn offers full or selective financial support in a direct or indirect manner to consumers. In the voucher provision model, social services are supplied on the basis of a voucher system, allowing consumers greater options.

More specifically, diverse supply models have been applied in Korea depending on the related type of social service. Educational and medical services employ both direct and private provision models. Most national and public institutions adopt a direct provision model (including consigned services) while private organizations use the private provision model through cash assistance. A voucher system is widely applied for social welfare services, including childcare, elderly long-term care, and support for people with disabilities, as well as for cultural services for the underprivileged.

The purpose of this study is to identify the standard by which a specific supply model was selected for each type of social services and through what delivery system social services are being supplied; to measure whether or not the current supply models for social services are desirable according to the standard of fiscal efficiency; and to detect the elements that require improvement. Under the current circumstances in which government fiscal investment in the social service sector remains in its infancy and most services are being provided through vouchers, it would be fitting to utilize multiple methods to point out any drawbacks and crucial issues in the current social service sector supply models. In particular, this study will review the requirements for a voucher system and identify limits of the voucher provision model through in-depth surveys, and then present appropriate solutions.

Given the range of theoretical evidence for supply models and fiscal efficiency that differ according to social structures and economic levels, it is important to conduct detailed case studies for each specific subfield. In Korea, the direct provision method has been applied specifically to several social services that call for government intervention, whereas other subfields have employed the private provision model. The social service sector has only recently expanded into electronic voucher systems due to relevant policies or political decisions. Therefore, in order to analyze supply methods and fiscal efficiency in the social service sector, it is necessary to undertake case studies focusing on social services provided through an electronic or conventional voucher system.

The social service sector can be operated through respective methods according to the pertinent country, period and/or economic conditions. It is distinctly challenging to describe all aspects of the social service sector, identify a proper supply method for each service, and suggest solutions.

Therefore, this study will focus on supply models and fiscal efficiency (or inefficiency) in the social service sector by encompassing both its theoretical and empirical aspects. First, for the theoretical aspect, the concept of social services will be introduced and grounds for the analysis of the correlation between supply models and fiscal efficiency will be sought. Next, social service projects related to childcare, elderly nursing and care, and cultural services, which have major significance in the Korean social service sector and are all supported by considerable government investments, will be investigated in detail. Currently, childcare services are supported through an electronic voucher system with subsidies amounting to nearly six trillion won, the largest volume of support within Korea's social service sector. Support for the elderly is provided through a variety of methods, including the basic old-age pension (cash assistance), the elderly long-term care service (private provision), and the elderly care service (vouchers). Cultural services, one of the major lottery fund projects for the disadvantaged, are provided through an electronic voucher system. These services are delivered through diverse types of suppliers, and beneficiaries can choose among a range of options for culture and arts services depending on their preferences, unlike services for the elderly. Social services related to childcare, senior citizens, and culture are all part of welfare services.

Considering that almost no preceding studies have compared supply models for social services in terms of public finance, the comprehensive analysis in this study will present a general methodology to select and improve supply models for a specific social service in terms of fiscal efficiency. By reviewing the prerequisites for each social service, the results of this research can hopefully be used as a methodology to identify the proper supply method required for achieving the goal of efficient fiscal expenditures.

## II

# The Current Status of Social Services: Supply Models and Fiscal Efficiency

### 1 Definition of Social Service

The term ‘social services’ was first applied in South Korea in 2004, when pilot projects for social services were in progress, in order to generically refer to welfare policies that were providing support for a series of care services outside existing social welfare services as ‘social service policy.’ According to related reports, the term has been applied in the years since as social service policies were being implemented without a sufficient process of theorization or conceptualization of social services.

As a result, there have been mixed perceptions regarding the scope of social services. According to the Social Enterprise Promotion Act and the Act on the Use of Social Services and the Management of Vouchers, the legal definition of social service covers social welfare, health and medical, educational, and cultural services. Based on these two acts, a social service should be defined from the perspectives of suppliers and consumers.

The authorities in charge of social service provision, on the other hand, refer to social services as services provided by society in order to enhance the welfare and quality of life of an individual or the entire society. Social services are currently offered through an electronic voucher system for social welfare services (childcare and protection for children, senior citizens, and people with

disabilities), health and medical services (nursing and care), educational services (afterschool activities and special education), and culture and arts services (operation of libraries and museums). In addition, there are other types of supply models, as public services related with the environment and security are also offered to those who are eligible for social services.

As explained above, social services are not public goods, but have high externality and significance in the social welfare sector, so these services can be considered interactive services that are supported or directly provided by the government. In addition, social services can be developed by reviewing their fiscal aspects through a comprehensive analysis of government support according to the life-cycle of beneficiaries.

## **2** Supply Models of Social Services

### **A. Public Provision of Social Services**

From the economic or fiscal point of view, social services may need to be granted through public provision, but these services are not technically within the range of public goods.

In economics, two requirements for public goods are non-rivalry and non-excludability, and neither of these conditions is satisfied by social services. On the contrary, according to the politico-social perspective the government should provide social services free of charge or at minimal cost in order to reduce the gap in social service consumption or the consequential imbalance of opportunities between members of society. The grounds for this concept of equal opportunity are related to the provision of universal programs, which indicates that every member of society should be entitled to high-quality social services.

In economics, particularly in the field of public finance, social services are analyzed by focusing on externalities that arise from the consumption of these services. When an individual's consumption of particular goods impacts the usefulness of the goods for other individuals without additional charge, it is

known as positive consumption externality. The social service market is recognized as having a strong consumption externality. In terms of medical treatment service for children with disabilities, for instance, consumers consider that social service provision to children other than their own will enhance the capability of future members of society and will thus have a positive effect on their own children's futures, thereby increasing the usefulness of that social service for themselves. In this case, a consumption externality of future generations becomes one for the current generation. In terms of the consumption externality of social services, future efficiency can emerge as equity for the current generation. Therefore, social services are generally analyzed by reflecting equity on the utility function for the current generation.

The social service quality model illustrates how social services can be delivered through the method of public provision by reflecting the consumption externality of the quality of social services. Therefore, the concept of social services should be established by considering whether or not a service contains consumption externality.

An optimum system of public provision, as discussed in the social service quality model, includes private provision (cash assistance), direct provision, and voucher provision. From a macroscopic point of view, efficiency can be enhanced when supply and demand for the entire social service industry is balanced with consideration for externalities. In general, when it is possible to measure levels of externality, taxation or subsidies are utilized to achieve equilibrium between supply and demand based on externality. In this case, these methods are called a Pigouvian tax or subsidy.

The social service market, in which positive externalities are exposed, needs to use Pigouvian subsidies, but given the asymmetry of information in the market, it is difficult to accomplish an ideal scenario simply by utilizing Pigouvian subsidies. Due to asymmetric information and externalities, it is generally expected to lead not to the first-best result but to the second-best, the most desirable situation among available scenarios, which can be achieved by selecting the proper policy means.

In reality, authorities choose a policy method or mechanism that consists of one or a combination of more than two options among the available methods, including direct provision, subsidies for suppliers, basic subsidies, subsidies for

consumers, cash assistance, lottery, and price ceiling systems. Then, they observe changes in the results of each social service and achieve the second-best option—essentially the best among available situations.

### B. Scope of Social Services

Social services are defined as personal services that need to be distributed through public provision and generate strong consumption externalities. In a broad sense, social services can be characterized as social policy projects with significance for the social welfare sector, mostly encompassing the fields of health, welfare, and education. In a narrow sense, they can be defined as social welfare services focusing on social welfare and health and medical services, and in the narrowest sense, they refer to social welfare services focusing on care services.

Based on this standard of social services, Kim Jin (2011) presents the scope of social services in the broad, narrow, and narrowest senses.

〈Table II-1〉 **Scope of Social Services**

Classification	Scope
Broad sense	Services related to education, health, medical treatment, social welfare, environment, culture, etc.
Narrow sense	Services related to health, medical treatment, and social welfare
Narrowest sense (social welfare services)	Services related to personal care, assistance for the elderly, health management, assistance for people with disabilities, care for children with disabilities, childcare, support for everyday life, support for household chores and nursing, support for cognitive and personality development, etc.

Source: Kim, Jin, “The Concept and Current Status of Social Services,” *Policy Issue and Direction for Social Service Provision*, Korea Development Institute, 2011, p.36.

### C. Supply Models of Social Services

Supply models for social services provided by the government can be classified into three types. In the direct provision model, government institutions directly offer social services, and in South Korea, public institutions supply

services by consigning the operation to private institutions. In the private provision model, private institutions (both non- and for-profit organizations) are commissioned to deliver social services. In the voucher model, social services are provided through a voucher system, increasing options available to consumers.

Supply models that enable consumers to enjoy social services can be divided into two types: first, the government directly purchases the services from private suppliers and offers them to beneficiaries; and second, services are provided based on a voucher system. The difference between the two methods is whether or not consumers are allowed options.

### 3 Cases Related to Fiscal Efficiency of Social Services

#### A. Comparative Fiscal Efficiency Analysis with Major Social Services in the U.S.

In this section, we will identify the policy implications of the calculation of administrative costs, based on delivery expense data for SNAP, by conducting a comparative analysis of related programs from the U.S. federal government.

In the U.S., administrative activities vary in definition depending on the type the social service program. In the case of SNAP, the expenses for the qualification process—the certification of beneficiaries, determination of the amount of benefits, and the recertification of households as beneficiaries —accounts for 59 percent of overall administrative costs. Other studies show that the proportion of qualification expenses out of administrative costs is also large even compared to other programs. <Table II-2> shows a comparative analysis of the targeted provision and administrative costs for each program.

According to the comparative analysis of social service programs, the higher the level of targeted provision, the lower are the administrative costs; whereas the lower the level of targeted provision, the higher are the administrative costs. Table II-2 illustrates this trade-off among goals, which emerges at some level during the progress of the implementation of policies. The correlation exists between administrative costs and overpayment, as it does between administrative costs and targeted provision. In addition, when administrative costs are low,

〈Table II-2〉 **Balance between Targeted Provision and Administrative Costs**

Program	Complexity of targeted provision and the program	Administrative costs	Overpayment	Burden on recipients	Participation rate (**indicates not an individual but households)
SNAP	High	15.8	4.5	Large	65 59**
Medical support	High	5.1	Probably considerable	Large	66–70
SSI	Intermediate	7.7	6.4	Large	68
School lunch program	Intermediate/ low	2–14	Probably considerable	Small	75
EITC	Low	1.5	23–28	Small	75–86**

Source: The authors organized this data drawing upon Isaacs (2008).

recipients assume large burdens in general. Still, the participation rate is consistently high for most programs, which implies that such findings may be attributed to historical and circumstantial factors of each program.

## 4 Voucher System and Customer Satisfaction Assessment

### A. Conditions of the Service Market for the Voucher System and its Efficiency

Since South Korea only introduced the electronic voucher system in 2007, the country shows a considerable distinction from European and North American countries that have employed the system for many years.

First, the current market structure of the social service sector in Korea is incapable of securing the rights of consumers to choose suppliers in a competitive market environment. Second, service users require information about the quality of suppliers and services, but there is a lack of channels for the collection of such information that have earned public confidence.<sup>1)</sup>

1) Kang, Hye-kyu, Su-ji Park, Nan-ju Yang, Tae-young Um, and Jeong-eun Lee, *Analyzing Research for Policy Effects of Social Service Voucher Programs*, Korea Institute for Health and Social Affairs, 2012, p. 6.

Consequently, consumers of social services do not possess sufficient options due to the restricted number of suppliers and are not being provided with necessary information even about this limited number of suppliers.

## **B. Assessment of Customer Satisfaction**

Considering previous research on the level of customer satisfaction with social services, such types of studies must first examine the market environment and conditions of service provision from the perspectives of beneficiaries before judging customer satisfaction with general social services based only on the results of customer satisfaction surveys.

Before discussing the childcare programs, the elderly long-term care programs, and the elderly care service programs, studies initially focus on social desirability bias, which is commonly found in customer satisfaction surveys related to social services. This bias refers to the tendency for respondents to offer answers that appear to be preferred by the survey conductors. Due to this tendency, social service beneficiaries may respond as being more satisfied than they actually are.

## **5 Subconclusion**

In order to examine the social service sector in its theoretical aspects, in this section we introduced types of social services, supply models, and the grounds for fiscal efficiency analysis. To this end, we addressed the definition, scope, and analysis framework of the social service sector. As discussed previously, once the concept and scope of social services have been established based on the definition, supply models, cases related to fiscal efficiency, and data on the voucher system and customer satisfaction surveys, the next step includes an analysis of supply models and fiscal efficiency, as well as an institutional analysis of the current state of affairs.

In order to explore supply models and fiscal efficiency in the social service sector, the grounds for the analysis should encompass targeted provision, program

complexity, administrative costs, unlawful payments to recipients, and participation rates. In terms of targeted provision of services, beneficiaries should be selected in a conventional and proper manner. Program complexity implies that the design of a program should meet the needs of its beneficiaries. Moreover, supply models should be carefully selected since in Korea the burden on beneficiaries and participation rates are generally low compared with those in other countries, although they vary depending on the type of policy.

Given the diversity of theoretical grounds for the analysis of supply models and fiscal efficiency, which also differ according to social structure and stage of economic growth, this study is expected to offer important policy implications with consideration of the characteristics of each field. In Korea, the direct provision method has been applied in a limited manner to those fields that require government intervention, whereas most other fields have employed the private provision method. Also, as the delivery of social services through vouchers is on the rise, case studies should be conducted in this regard.

### III

## The Current Status and Comparison of Social Services for Infants and Children

### 1 The State of Social Services for Infants and Children

#### A. Types and Supply Methods of Childcare and Educational Services

In South Korea, the social services available for infants and children aged 0-5 years are mostly related to daycare. Depending on the department in charge, services are classified into two types: childcare service for daycare centers and educational service for preschools. <Table III-1> illustrates the supply methods and the amount of budget for childcare and educational services targeting infants and children.

〈Table III-1〉 Supply Methods and Budget for Childcare and Educational Services for Infants and Children

(Unit: KRW 1 million)

Support for consumers			Support for providers		
Electronic vouchers	Supporting childcare costs for infants and children	2,589,346	Implied voucher benefit	Childcare and daycare services (supporting personnel expenses)	444,463
	Supporting daycare centers (from the Ministry of Education)	1,195,764		Support for daycare centers	150,445
	Supporting tuition fees for children	1,361,718		Support for preschools	424,630
	Subtotal	5,146,828		Support for daycare	66,618
Cash assistance	Child-rearing support allowance for households	880,950	Direct support	Support for workplace daycare centers	46,202
	Subtotal	880,950		Subtotal	1,132,358
Total		6,027,778			23,610
				Subtotal	23,610
					1,155,968

Source: Ministry of Health and Welfare, *Summary of the Ministry of Health and Welfare 2013 Budget and Fund Management Plans*, 2013, pp. 111–117.  
National Assembly Budget Office, *An In-depth Analysis of Budget Plan for 2013 III: Financial Status by Field*, 2012, pp. 201–222.  
Ministry of Gender Equality and Family, *Summary of the Ministry of Gender Equality and Family 2013 Budget and Fund Management Plans*, 2013, p. 13.

## B. Current Status of Support for Social Services Targeting Infants and Children

### 1) Current Status of Government Support for Childcare Service Providers by Type

According to the Infant Care Act, its Enforcement Decree and the Enforcement Rule on the establishment of daycare centers, existing childcare facilities (daycare centers) are classified into national or public childcare facilities, childcare facilities of social welfare corporations, childcare facilities of corporations/organizations, workplace childcare facilities, childcare homes, childcare facilities of guardians' associations (under Article 10 of the Infant Care Act), and private childcare facilities not falling under any of the above categories.

Government support varies in terms of amount of subsidy depending on the type of facilities, and an upper limit is applied to childcare costs in each area with consideration for the standard expenses promulgated by the government. The Ministry of Health and Welfare categorizes providers of each type of facility as beneficiaries of government subsidies as described in <Table III-2>.

<Table III-2> Support for Providers of Each Type of Childcare Facilities

Classification	Support for operation of facilities	
National or public childcare facilities	Personnel expenses	- Support for personnel expenses
	Facilities	- Establishing new national or public daycare centers, purchasing existing facilities, remodeling existing daycare centers - Expenses for extending or reconstructing facilities - Expenses for repairing facilities
	Equipment and materials	- Support for expenses for purchasing materials (newly established national or public facilities) - Equipment expenses
Childcare facilities of social welfare corporations	Personnel expenses	- Support for personnel expenses
	Facilities	- Expenses for extending or reconstructing facilities - Expenses for repairing facilities
	Equipment and materials	- Equipment expenses
Childcare facilities of corporations and organizations	Personnel expenses	- Support for personnel expenses
	Facilities	- Expenses for repairing facilities
	Equipment and materials	- Equipment expenses
Private childcare facilities	Personnel expenses	- Support for basic childcare expenses
	Equipment and materials	- Support for expenses for teaching materials and equipment (in case of maintaining accreditation)
Childcare facilities in homes	Personnel expenses	- Support for basic childcare expenses
	Equipment and materials	- Support for expenses for teaching materials and equipment (in case of maintaining accreditation)
Childcare facilities of guardians' associations	Personnel expenses	- Support for basic childcare expenses
	Equipment and materials	- Support for expenses for teaching materials and equipment (in case of maintaining accreditation)

〈Table III-2〉 Continue

Classification	Support for operation of facilities	
Childcare facilities in workplaces	Personnel expenses	– Support for basic childcare expenses (except for facilities provided with operating expenses by public institutions or through the Employment Insurance Fund)
	Equipment and materials	– Support for expenses for teaching materials and equipment (except for facilities provided with operating expenses by public institutions or through the Employment Insurance Fund)

Source: Ministry of Health and Welfare, *Annual Guide on Childcare Projects*, 2012, pp. 315–394.

## 2) Current Status of Government Support for Educational Service Targeting Infants and Children

In Korea, social services for infants and children have been separated into two types: the childcare service at daycare centers and the educational service at preschools. In recent years, however, a new concept of a common curriculum combining childcare and educational services has been introduced as free education for children has been expanded.

〈Table III-3〉 Amount of Subsidiaries for Children’s Tuition Fees

(Unit: KRW)

Classification	Age	Birth year	Amount of subsidy (monthly)		
			National or public preschools	Private preschools	Daycare centers
Tuition fees of children	3	Jan 1, 2009 – Feb 28, 2010	60,000	220,000	220,000
	4	Jan 1, 2008 – Dec 31, 2008			
	5	Jan 1, 2007 – Dec 31, 2007			
Expense for afterschool courses	3–5	Jan 1, 2007 – Feb 28, 2010	50,000	70,000	70,000

Source: Ministry of Education, Science and Technology, *2013 Assistance Plans for Tuition Fees of Children*, 2013, ([http://childdschool.mest.go.kr/portal/contents/cont\\_1.do?parentMenuCd=PT1000&menuCd=PT1100](http://childdschool.mest.go.kr/portal/contents/cont_1.do?parentMenuCd=PT1000&menuCd=PT1100)).

### 3) Current Status of Government Support for Daycare Services

In addition to childcare and educational services, the government offers in-home daycare service through which babysitters provide care service to the children under 12 years of age of working single parents or double-income families.

〈Table III-4〉 The State of Support for Daycare Service by Type

Type	Income standards (2013) National average household income (per household of four people)	Part-time (1,000won/hour)		Full-time (10,000won/month)	
		Government support	Burden on recipients	Government support	Burden on recipients
A	Lower than 50% (2.37 million won per month)	4,000	1,000	700,000	300,000
B	50~70% (3.32 million won per month)	2,000	3,000	600,000	400,000
C	70~100% (4.74 million won per month)	1,000	4,000	500,000	500,000
D	Over 100%	—	5,000	400,000	600,000

Source: Ministry of Gender Equality and Family, *Guide to the 2013 Childcare Assistance Projects*, 2013, p. 12.

#### C. Supply Methods and Delivery System of Childcare (Educational) Services: Electronic Voucher System

Childcare service at daycare centers and educational service at preschools are provided through a voucher system by issuing the ‘I-Love Card’ and ‘I-Joyful Card.’ In terms of childcare service, the voucher system of I-Love Cards has been implemented since 2009 across the country. I-Love cardholders can benefit from full-time childcare service, overtime childcare service, nighttime childcare service, and 24-hour childcare service, as well as general childcare service, infant childcare service, the Nuri Curriculum (combination of childcare and education services) for children aged 5, afterschool childcare service, and childcare services for children with disabilities and children of multicultural families. The I-Joyful Card is also issued to beneficiaries to support tuition fees of children who attend preschools.

## 2 Foreign Cases of Social Services for Infants and Children

The OECD classifies childcare and educational services into three types depending on whether or not the services are customized by age and whether or not the departments in charge are separated into two parts. In the first type,

〈Table III-5〉 Type of Childcare Facilities for Infants by Age in Major OECD Countries

Age	0	1	2	3	4	5
US	Center-based care and family daycare [private] – Childcare centers and family daycare			Family day care and preschool [private/public] – Educational programs including preschool, private/public preschools, Head Start Program, etc.		
Sweden	Center-based care, Family day care [public] – Forskola (Preschool): Full-time (30 hours weekly) – Familiedaghem (family day care): Implemented in some part of the country					
UK	Center-based care, family day care [private] – Nurseries, child minders, playgroups		Family day care [public] – Playgroups, nurseries, early years education centers <sup>1)</sup>	Preschool [public] – 1 <sup>st</sup> grade of preschool class at primary schools	Compulsory Schooling [compulsory education]	
Australia	Center-based care, family day care [private] – Accredited centers, family day care: Part-time (20 hours weekly), full-time (maximum 50 hours weekly)			Preschool [public] – 1 <sup>st</sup> grade of the preschool class at primary schools/ Preschool: Full-time, afterschool childcare service		
France	Center-based care, family day care [public] – Crèche (preschool), Assistant maternelles (family day care), etc.		Preschool [public] – Ecole maternelles (Preschool)			
Japan	Center-based care [private/public] – Accredited centers (private/public), non-accredited centers (private)					
	Family day care [private]		Preschool [private] – Kindergartens			
Korea	Center-based care [private/public] – Day care centers (private/public)					
	Preschool [private/public] – Kindergartens, private educational institute					

Note: 1. The term “private” indicates centers mainly operated by the private sector, including for-profit and nonprofit organizations with public and private funds.

2. The term “public” indicates centers mostly operated by the public sector with public funds.

1) Children aged 3–4 are entitled to 12.5 hours per week of free education.

Source: OECD Family Database, 2010, <<http://www.oecd.org/els/family/41927983.pdf>>.

childcare service is targeted at infants aged 0-2 and educational service at children aged 3-5. In the second type, the two services are integrated and target infants aged 0-5, and in this case, the departments in charge are also integrated. This type is found in Sweden, Denmark, Finland, Norway, New Zealand, and Australia. In the third type, the two services and departments in charge all overlap. This type of structure is found in Korea, the U.S., Canada, and Japan (Kwon Mee Kyoung et al., 2012; OECD, 2006).

### **3 Evaluation of Conditions of Voucher Systems for Social Services Targeting Infants and Children**

In Korea, social services for infants and children are provided through four methods: an electronic voucher system for consumers, implicit vouchers for providers, direct provision from the government through national or public facilities, and cash assistance. Given the limitations on finance and management, a portion of social services is provided in kind. In such cases, what needs to be determined is the identification of a proper provision method for such services between explicit vouchers for beneficiaries or implied vouchers for providers.

The provision method of social services for infants and children has been shifted from an implicit voucher for providers to electronic voucher provision to consumers. Thanks to this shift in the method of supply, the authorities have successfully reduced issues of moral hazard arising among providers and enhanced the efficiency of social services for infants and children.

The conditions that must be secured for the efficient operation of a voucher system include a competitive market, a broad array of options for consumers, direct connection with enhanced service categories, prevention of moral hazard among providers, and resolution of asymmetry of information.

Compared to the implicit voucher for providers and the direct provision system, the electronic voucher system was more effective in reducing moral hazard among providers and raising the satisfaction levels of consumers. Nevertheless, childcare and educational services are only barely effective and efficient compared to their related budgets. Relevant issues include excessively

generous support for full-time housewives (compared with working mothers who find it difficult to satisfy their needs for childcare service), structural inefficiency in the non-competitive childcare market, an excessive preference for national or public facilities, as well as a lack of safe childcare facilities. This implies that current conditions are insufficient for securing the efficiency and effectiveness of the voucher system.

#### **4 Customer Satisfaction Survey of Social Services for Infants and Children**

The beneficiaries of social services for infants and children are both the infants and their parents. With this in mind, a consumer satisfaction survey was conducted among parents of infants, and the results showed that they collected information about social services by visiting the related centers in person (39.9 percent of respondents) or via acquaintances (25.3 percent). Only a mere 1.3 percent of the respondents used the I-Love Childcare Portal maintained by the government.

Moreover, it turned out that rather than the service itself, consumers prioritize the proximity of childcare facilities from their home and the fact of whether they are operated by the government or public institutions. This implies that there is a lack of communication between beneficiaries with specific needs and the government as a provider of these services.

#### **5 Policy Implications**

First, in order to improve the delivery framework for social services to infants and children, the childcare service for infants aged 0-2 and the educational service for children aged 3-5 can remain segregated by age as they currently are, whereas the management of social services for infants and children should be either partially integrated (with the Ministry of Health and Welfare responsible for

the childcare service and the Ministry of Education managing the educational service) or fully integrated under a single organization in charge of social services targeting infants and children.

Second, in order to address structural issues in the non-competitive childcare market, the authorities should tighten the accreditation process for new facilities and reinforce the support provided to public daycare centers. In addition, they should review the price cap regulations on childcare expenses in order to prevent any deterioration in service quality or increase in additional expenses resulting from the pursuit of profit on the part of private facilities.

Third, the authorities should improve the quality of services and strengthen the public information system. An enhanced public information system and expanded options for consumers would accelerate competition in the childcare market by bulwarking the quality of services and enhancing the support system and related institutions, thereby establishing conditions under which the market may function more smoothly. This will eventually contribute to increasing the fiscal efficiency of the current system of service provision and childcare expense support.

Fourth, the home childcare allowance for children aged 3-5 needs to be reduced or abolished, while that for infants aged 0-2 should be expanded.

Last, but also importantly, in order to strengthen support for double-income households, the authorities should provide working couples with solutions, including part-time childcare services, by placing a priority on the needs of consumers.

# IV

## The Current Status of Supply and Analysis of Social Services for the Elderly

### 1 Supply Methods and the Current Status of Social Services for the Elderly

#### A. Supply Methods and the Current Status of Social Services for the Elderly

In Korea, social services provided to senior citizens include the basic old-age pension, the elderly care service, the elderly long-term care service, and the elderly protection service. Three types of supply methods are used for these services: private provision, voucher or near-cash provision, and direct or public provision. The Basic Old-age Pension and the National Basic Livelihood Security Program, delivered through the cash assistance method, guarantee a minimum condition for beneficiaries to support a basic livelihood and necessary expenses. The elderly care service is provided through an explicit electronic voucher system, and the elderly long-term care service uses an implicit voucher system since it is funded in the form of insurance.

<Table IV-1> **Supply Methods and Budgets for Social Services for the Elderly**

(Unit: KRW 1 million)

Supply method	Project names of social services	Details	Budget	
			2012	2013
Electronic voucher	Elderly care service supported by local governments	<ul style="list-style-type: none"> <li>- Basic elderly care service</li> <li>- U-care system for the elderly living alone</li> <li>- Integrated the elderly care service</li> </ul>	102,733	118,162
Voucher (implicit)	Elderly long-term care service	Supporting the elderly long-term care insurance	487,875	541,210
Voucher (implicit)	Care service for the elderly living alone	Supporting protection service for the elderly living alone: supporting the elderly care service	281	281
Direct provision/ provision of support	Elderly care service	Supporting elderly security centers	3,558	3,877
	Protection service for the elderly living alone	Supporting protection service for the elderly living alone: Integrated support center for the elderly living alone	657	1,000
	Expanding nursing facilities for the elderly		50,194	52,679
	Expanding funeral facilities		57,926	62,196

Source: Ministry of Health and Welfare, *Summary of the Ministry of Health and Welfare 2013 Budget and Fund Management Plans*, 2013.

## B. Elderly Long-term Care Insurance Service

According to Article 1 of the Act on Long-term Care Insurance for the Aged, the purpose of this program is to pursue the improvement of the health of elderly citizens and the stabilization of their livelihoods during post-retirement life, relieve family members from the burden of support, and enhance the quality of life of citizens by providing for matters concerning long-term care benefits, such as aid for physical activities and household chores to elderly citizens who have difficulties in carrying on with daily life on their own due to old age or senility.<sup>2)</sup>

2) "The Act on Long-term Care Insurance for the Aged," Article 1.

### C. Elderly Care Service

The elderly care service is aimed to provide senior citizens who are incapable of independently performing their daily life tasks with assistance in housework and other activities or with daytime care service, thereby securing stable post-retirement lives and establishing a foundation for the social and economic activities of their families. Beneficiaries of the elderly care service are selected from among those aged over 65 through consideration of household income and health status.

Main services for the elderly include home-care services and daytime care service. Under the Act on the Use of Social Services and the Management of Vouchers, organizations registered as providers with the local governments in each city, county and district are entitled to provide related services. In-home visit service encompasses assistance with eating, washing, changing clothes, changing positions, managing and improving physical functions, using the bathroom, accompaniment when going out, purchasing daily necessities, cleaning up, and laundry. The daytime care service includes recovery of physical and mental health (leisure, functional training including physical treatment, occupational treatment, and linguistic treatment), assistance with eating and bathing, education and counseling for families.

## 2 International Cases of Nursing Services for the Elderly

Since the introduction of the Long-term Care Insurance in 2000 and the Assistance Benefit Supply System in 2003 in Japan, the number of beneficiaries and service providers has been on the rise across all social service sectors in which for-profit corporations are allowed to enter.

However, an increasing number of drawbacks have become apparent, caused by the marketization of the elderly nursing sector in Japan. In terms of the so-called “cream-skimming” issue, care managers at each service center, as an agent in the market, preferentially pursue profitable customers first while excluding unprofitable clients. When introduced to unprofitable customers, they

refuse to make contact, considering these customers to be unremunerative—which is known as adverse selection.

The case of Japan provides certain implications. Within the market system for the elderly nursing service sector, service providers are likely to apply the principle of reduced eligibility through adverse selection rather than contribute to the fair provision of services for beneficiaries. Accordingly, the sector is in need of appropriate control measures. What calls for particular attention regarding the Japanese elderly service sector is the diversification of providers. Fairness in service provision can be maintained only when providers establish a range of spectra between public-interest and for-profit corporations and ensure a diversity of services available to users.

The Netherlands, Germany, and Korea also operate nursing services for senior citizens through the social insurance method, similar to in Japan. The German government has diversified insurance providers: low-income households are granted public health insurance while high-income households can select between public and private insurance. As the long-term care insurance fund is operated independently, consigned organizations conduct an evaluation to measure beneficiaries' qualifications for carrying insurance, and then the fund carries out the final grading process. It is also noteworthy that in terms of insurance benefits, home care is provided in kind or through cash assistance, and mixed benefits are designed by level and type of service.

### **3 Evaluation of Voucher System Conditions for Social Services Targeted at the Elderly**

In order to select a voucher system as a supply method in the social service sector, it is necessary to ascertain whether a method satisfies certain conditions—including the right of consumers to choose their providers through competition and the provision of information about providers. Therefore, a supply method should be decided by identifying whether there is sufficient diversity of providers of social services for the elderly to allow a range of options to consumers, as well as if consumers who are granted vouchers can access detailed

and timely information about the conditions and quality of services from providers.

According to the *Long-term Care Insurance Statistical Yearbook* released by the Ministry of Health and Welfare, as of the late of 2011, the number of long-term nursing centers had reached 14,918, consisting of 10,857 home-care centers and 4,061 nursing facilities. These figures had increased by 0.9 and 1.5 times compared to 2009, respectively.

In terms of the elderly integrated care service, since the introduction of the electronic voucher system the number of providers significantly increased over the period of 2007 to 2011, while competition in the market has not been sufficiently developed. This trend is expected to continue in the future, considering that the beneficiaries of this service are senior citizens.

Given the current circumstances, it turns out that it is in practical terms impossible to enhance efficiency through market competition, a major purpose of the electronic voucher system applied for the elderly integrated care service. If the authorities devise more diversified political measures to boost competition, the competition in the market will become somewhat vitalized. Still, considering the consumption characteristic of senior citizens of being unaccustomed to change, the authorities should revisit the question of whether competition is actually desirable in this market. In terms of the electronic voucher system for the elderly integrated care service, it may be more rational to put greater efforts into enhancing the efficiency of service management system and cost-efficiency, rather than improving efficiency through market functions.

#### **4** FGI Analysis of Social Services for the Elderly

This study analyzed the empirical results of a survey on the elderly care service by utilizing policy reports from the Korea Institute for Health and Social Affairs (2012) and the Health Insurance Policy Research Institute (2009), and conducting a focus group interview (FGI) with care workers. The findings show a gap between the various social services for the elderly offered through the voucher system.

First, beneficiaries of these services are aged and suffer physical and/or mental difficulties. In many cases, they are incapable of or not in a position for selecting certain services. In this case, a guardian of the beneficiary must exercise right to choose a service. The role of the beneficiary may be limited, even when they are supposed to decide whether or not to resubscribe to a service according to their level of satisfaction with a service they have used.

Second, beneficiaries and their guardians may possess differing perspectives from each other regarding the benefits of services.

Third, social services for the elderly are fundamentally aimed at satisfying the primary desires of human beings. Therefore, the greatest issue for these services is not simple satisfaction levels regarding the services, but revolves around whether or not such fundamental desires are in fact being resolved.

Fourth, the level of desire among senior citizens for social services is unclear, and their minimum expectations for these services may be quite low. Satisfaction originally refers to a state without deficiency, but elderly beneficiaries are likely to respond that they are satisfied when they actually do find a service to be deficient.

Lastly, beneficiaries may lack the cognitive capacity to ascertain how satisfied they are with services, and even if they can do so, they may not wish to use that capability or feel the necessity to use it.

Due to these particular characteristics, the authorities should establish new standards for customer satisfaction with social services for the aged, and also develop a proper method for conducting surveys on customer satisfaction.

## 5 Policy Implications

In this section, the study outlined the results of overall analysis of social services for senior citizens based on the current status of these services, foreign cases, supply method analysis, and survey results. Based on the findings of this analysis, we drew policy implications as follows.

First, it is necessary to employ a comprehensive perspective regarding policies for the elderly. The responsible parties should classify social services

subject to government intervention into pension, allowance, long-term care service, care service, and public assistance in order to implement comprehensive senior policies. To this end, welfare philosophy should be established to encompass the financing, method of supply, and delivery framework management for each service. The responsible parties should continuously collect opinions from members of society, maintain the sustainability of finance and service provision, and provide comprehensive services.

Second, the supply models for social services targeting senior citizens need to be reviewed. The elderly care service is currently subsidized through matching funds from local governments, and thus the central and local governments should reach an agreement over the utilization of finance. This is a highly complex process, but given the rapid aging of society and increasing number of senior citizens falling into blind spots, these services should be provided with extraordinary financial support, essentially equivalent to emergency support. Therefore, the authorities should conduct an overhaul of the financial resources of local governments and reinforce the supplementary system for the utilization of related finance.

Lastly, there should be improvement plans put in place for the delivery systems, service monitoring, and performance evaluation management of social services for the aged. Once they have made a decision, senior citizens tend not to change. Therefore, they need to be provided with a greater array of options within the voucher system in order to select from among a variety of providers. No matter whether or not the financing of the elderly long-term care service and of the elderly care service are integrated, the government should make efforts to eliminate barriers between services for the diversification of providers of elderly long-term care service. As we can see from the example of Japan, a diversity of providers will contribute to enhancing the fiscal efficiency of social services in the mid-term future.

# V

## Supply Models and Current Status of Culture and Arts Services

### 1 Current Status of the Culture and Arts Services

#### A. Change in Cultural Policy and Cultural Welfare Policy

Korean society witnessed a shift in cultural policy from enhancing culture through the establishment of cultural facilities and improving the cultural environment for the general public, to improving the cultural welfare of the culturally disadvantaged. Full-scale implementation of cultural welfare policy at the governmental level began during the Kim Young-sam administration (1993-1997), when the Cultural Welfare Planning Group founded in 1996 announced the Medium- and Long-Term Development Plans for Cultural Welfare in order to set a policy direction for guaranteeing cultural rights as one aspect of fundamental human rights.

During the Kim Dae-jung administration (1998-2002), cultural welfare focused on the dynamics of a national economy based on creativity, rather than on individuals as consumers of culture and arts services. This is attributed to the concept that amidst the difficult economic conditions that followed the Asian financial crisis of 1997, creativity was considered to play an important role in establishing a cultural welfare state.<sup>3)</sup>

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3) Yang, Hye-won, *The Socioeconomic Value Estimation of Cultural Welfare Policy and Policy Direction*, Korea Culture and Tourism Institute, 2012, p. 23.

The Roh Moo-hyun government (2003~2007) continued to operate enterprises including cultural volunteering programs and culture and arts education. In the face of the grim social issue of economic polarization, however, the expansion of opportunities for the socially disadvantaged to enjoy the arts emerged as the central aspect of cultural welfare. While traditional cultural welfare was based on enhancing artistic sensitivity and creativity, the Roh government placed greater attention on vulnerable members of society, including those with disabilities, seniors, low-income families, jobseekers, and immigrants. Against this background, the policy direction swung toward expanding the opportunities for these groups to enjoy cultural and arts programs. One representative program for the culturally disadvantaged was the Lottery Fund Culture Sharing Project-an alternative financial source for the Culture and Arts Promotion Fund.<sup>4)</sup>

The Lee Myung-bak government (2008~2012) focused on connecting cultural programs with daily life while retaining the policy of expanding opportunities for the socially disadvantaged to enjoy the arts. In addition, as a means to erode the cultural divide, its cultural welfare policy focused on offering greater opportunities for the socially disadvantaged and residents of remote areas to enjoy arts and culture programs. Such projects include the Nationwide Cultural Empathy Project; the Cultural Activities Support for the Challenged; the Education/Culture and Arts Experience Support for Multicultural Families; the Farming and Fishing Village Culture Seeding Project; and the Lottery Fund Cultural Empowerment Project for the Socially Disadvantaged (Culture Sharing Project).<sup>5)</sup> In particular, the Cultural Voucher Project was significantly expanded, a core project designed to broaden the cultural options of socially vulnerable groups, which was first implemented in 2008 and expanded in 2011.

As described, governmental policies relating to culture and arts services were shifted from general policies designed to enhance the overall cultural levels within general society to cultural welfare policy intended to offer assistance with

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4) Yang, *ibid.*

5) Yang, *ibid.*

cultural consumption to the socially disadvantaged. In particular, in the mid-2000s Korea's cultural policies were converted from a supplier-oriented stance to a consumer-oriented one.<sup>6)</sup> The former refers to indirect assistance for the culturally disadvantaged by supporting providers of culture and arts services, while the latter indicates more direct forms of assistance which enable consumers to select the service to be enjoyed. Both supply types are included in cultural welfare policy.

### B. Current Status of Cultural Welfare Policy

Efforts to resolve cultural divides by income bracket and region resulted in the expansion of cultural welfare policy. Since support projects designed to enable the culturally disadvantaged to enjoy culture and arts services had become a pivotal part of cultural policy, an endeavor was made to classify objective factors contributing to the cultural divide into economic, social, geographical, and special factors.<sup>7)</sup>

The term economically disadvantaged is used to refer to income brackets that receive governmental economic support, including National Basic Livelihood Act recipients, those in the legally near-poverty bracket, and public rental housing residents. The socially disadvantaged include people with disabilities, seniors, users of social welfare facilities (rehabilitation facilities, orphanages) and inmates in correctional institutions, soldiers, multicultural families, North Korean defectors, and immigrant workers. The geographically disadvantaged include those who reside in areas with limited access to culture and arts services, such as farming and fishing villages, islands, and remote areas.

Culture and leisure projects to support culturally disadvantaged groups focusing on respective contributing factors have been increasingly expanded. As of 2012, the culturally disadvantaged have been classified into economic, social, geographical, and multiple groups, with a total of 27 related projects

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6) Yong, Ho-seong, "Issues Regarding the Cultural Voucher Policy in Korea," *The Journal of Cultural Policy*, Vol. 26-1, pp. 99-124, 2012.

7) Ministry of Culture, Sports and Tourism, *The Cultural Policy White Paper*, 2003.

in operation.<sup>8)</sup> Among these, four projects are included as part of cultural welfare policy: 1) establishment of cultural environments; 2) culture and arts education policy; 3) culture and arts program provision assistance; and 4) construction of a culture welfare delivery system and a fostering project of cultural welfare-related professional human resources, which is an infrastructure-building project considered fundamental to the implementation of the aforementioned other policies.<sup>9)</sup>

### C. Supply Types of Culture Assistance Projects

The provision of culture and arts services are generally divided into three types: 1) direct governmental provision; 2) support for private culture and arts communities consigned with such services; and 3) distribution of vouchers that enable consumers to select services according to their preferences. These three types are all used within Korean society in order to promote culture and arts services.

First of all, the government is engaged in direct supply of culture and arts services through institutions such as the National Ballet Company, the National Opera of Korea, and the National Museum of Arts. In addition, the government commissions related services from private culture and arts organizations through support from the Culture and Arts Promotion Fund, which essentially means the provision of services to end beneficiaries by funding the creative activities of such cultural organizations.<sup>10)</sup> Along with direct supply and assistance for culture and arts groups, governmental cultural vouchers are used to allow consumers to choose services by themselves.

Three categories of cultural support projects are operated in line with cultural welfare policy: 1) beneficiary-based; 2) policy goal-based; and 3)

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8) Projects for the culturally disadvantaged are not limited to the cultural sector, but include a more comprehensive range, such as travel, while physical training and cultural policy projects for the culturally disadvantaged are included in the category of culture and leisure assistance projects. (Korea Development Institute in the Public and Private Infrastructure Investment Management *The In-depth Assessment of the Culture and Leisure Projects*, 2012).

9) Yang, *ibid.*

10) Son, Wonik and Taekyu Park, *Policy Proposal to Improve the Efficiency of Government Expenditures through Non-profit Organizations in the Culture and Arts Sector*, Korea Institute of Public Finance, 2012.

supply-model based.

Financial resources for subsidizing culture and arts services include the Lottery Fund (for the Cultural Sharing Project) and the general account (for the Culture and Arts Education Assistance Project). Financial resources from the Lottery Fund (through culture and arts funding) are distributed both through the voucher system and by means of support to culture and arts organization. In contrast, financial resources from the general account are mainly utilized for group (individual) assistance and direct provision.

## 2 International Cases of Cultural Vouchers

Countries offering examples of cultural voucher systems include Germany, the U.S., and the U.K. This discussion of overseas cases will offer policy implications for improving Korea's cultural voucher system, although there are gaps in terms of operator, content, and scope of application.

First of all, in Germany each local government implements the 'Kulturrepass (Culture Pass)' program for discounted or free entrance to cultural events in order to support cultural expenditures. The Culture Pass is generally provided in the form of free tickets, and cultural vouchers are offered only in Berlin and Frankfurt.

〈Table V-1〉 Germany's Culture Pass Program by Region

City	Operator	Use of public financial resources	Support	Starting year	Number of Beneficiaries
Allmersbach im Tal	Department of social welfare under the local council	3,000 euro	Free tickets, culture and arts education support, approx. 37 euro per person	2009	81 (as of 2009)
Aschaffenburg	Department of social welfare under the local council (Co.) Untermain Association of Jobseekers	100,000 euro	Free tickets, culture and arts education support, approx. 75 euro per person	2006	1,333 (as of 2009)

〈Table V-1〉 Continue

City	Operator	Use of public financial resources	Support	Starting year	Number of Beneficiaries
Berlin	Department of social welfare under the local council	None	Three-euro culture tickets	2005	22,205 (as of 2008)
Darmstadt	(Co.) Doing Together	None	Free tickets	2011	500 (as of 2011)
Essen	Department of Educational Administration under the local council, Essen Cultural Hub Center 2010 Project Team	As part of Essen Cultural Hub Center 2010 Project Team	Free culture tickets (a total of 8 events available for 6 years) and public transportation support	2010	All elementary school students in Essen (as of 2010)
Frankfurt	(Co.) Culture For Everyone	None	Adult: 1euro Under 13: 50 cents (fixed rate scheme)	2008	2,500 (as of 2009)
Hamburg	(Co.) Hamburg Culture Key (Co.) Life of the Challenged in Hamburg	To be backed by the federal government starting in 2011	Free tickets, a service of accompanying the challenged for cultural events	2009	120 (as of 2010)
Jena	(Co.) Busy Jobseekers: Cooperation & Independence	None	Free tickets	2008	600-700 per year
Stuttgart	(Co.) The Foundation of Citizens (Co.) Culture for Everyone, Department of Social Welfare under the local council	None	Free tickets	2010	approx. 63,000 (as of October 2010)

Source: Seo Elisa, "Cases of Applying the Kulturepass in Germany," 2010, p.748, Table 3.

Other than Germany's Culture Pass, other examples include cultural vouchers (New York) and the I-Card Program (Iowa) in the U.S., and the U.K.'s Passport to Leisure Card which offers four pounds per year to students, seniors, the handicapped, and children of low-income families. Also, Australia is implementing its Concession Card program which offers benefits for medical services, living and household costs, cultural programs, and leisure.<sup>11)</sup>

11) Korea Culture and Tourism Institute, "The Discount and Voucher System for Culture, Tourism, and Sports," *Foreign Trends Analysis*, No.22, 2010, p.751.

〈Table V-2〉 Cultural Voucher Systems of Foreign Countries

Country	Voucher	Details
U.S.	Cultural Voucher (New York)	· Started in 1974 with the aim of expanding the audience of culture and arts organizations and the range of culture-related services.
	I-CARD (Iowa)	· Supporting low-income families through culture and arts programs; as a result around 1,200 low-income earners participate in culture and leisure activities using free or discounted tickets.
U.K.	Passport to Leisure Card	· Offering four pounds per year to students, seniors, people with disabilities, and children of low-income families.
Japan	Regional Shopping Coupon	· Issued by local governments and distributed to Japanese families with children and to the elderly to purchase any goods available in the region with free Regional Shopping Coupon.
Australia	Pensioner Concession Card	· Support for culture/leisure activities, education expenses assistance, reduced fares on public transport, etc.
	Concession and Health Care Card	· Support for culture/leisure activities, vocational training programs, reduced fares on public transport, tax benefit, etc.
	Seniors Card	· Free or discounted access to cultural performances and physical training facilities.

Source: Public and Private Infrastructure Investment Management Center of the Korea Development Institute, *An In-depth Assessment of the Culture and Leisure Projects*, 2012, p.107, (Table III-2).

### 3 Analysis of Conditions of the Cultural Voucher System

#### A. General Definitions and Characteristics of the Voucher System

The voucher system enables beneficiaries to choose goods or services according to their preferences from a range of suppliers subsidized through funding from voucher projects. Vouchers come in paper, smart card, or electronic card forms, all of which refer to examples of the explicit voucher scheme.

Methods to supply social services for the consumption of social services are generally classified into two groups. In the first, the government directly purchases social services from private providers and supplies them to beneficiaries. However, the government does not necessarily directly buy social

services; it can provide designated private suppliers with the funds required to offer such services to the intended beneficiaries. In this case, beneficiaries are not entitled to select the providers of social services. In contrast, when using the voucher system to offer social services, consumers are entitled to the right to choose service providers from among multiple designated sources.

### **B. Korean Cultural Voucher System**

The Cultural Voucher System in Korea is subsidized through the Lottery Fund (70 percent) and by local governments (30 percent), for the purpose of cultural empowerment of the underprivileged. Cultural voucher projects are commonly divided into two classes: 1) the Cultural Voucher Project targeting those who are at a disadvantage in terms of enjoying culture and arts programs due to economic factors, such as recipients of the National Basic Livelihood Act and those in the near-poverty bracket; and 2) the Planning Voucher Project for senior citizens who live alone and homebound people with disabilities. The first was designed to offer assistance in the order of application to those who meet the criteria until exhausting its budget, while the latter organizes and subsidizes programs.

### **C. Criteria of Cultural Voucher Projects**

The aims of implementing the voucher system include: 1) enhancing the efficiency of production of social services by stimulating competition among related providers; 2) boosting the efficiency of distribution by expanding options for consumers; 3) increasing the income redistributive effect for the economically disadvantaged; and 4) reducing the administrative and transaction costs required for supplying social services.<sup>12)</sup>

In order to assess whether cultural voucher projects meet such goals, the following criteria should be satisfied: competition among service providers to

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12) Martin Cave, "Voucher Programmes and their Role in Distributing Social Services," OECD, 2001, pp. 63–64.

boost production efficiency; a sufficient number of providers and relevant information sharing as needed to determine distribution efficiency in order to guarantee a wider range of options for consumers; funding and expenditure requirements to increase the income redistributive effect; and conditions for administrative expenses dedicated to operating cultural voucher projects.

〈Table V-3〉 Cultural Voucher Projects and Conditions for Cultural Service Improvement

	General Cultural Voucher Project	Planning Voucher Project
Beneficiary	The economically disadvantaged (National Basic Livelihood Act recipients, those in the near-poverty bracket, etc.)	Senior citizens who live alone, homebound people with disabilities, and 'super-aged' seniors
Number of providers	Consumers are offered a wide range of options as there are a sufficient number of providers from which to select various culture and arts services, such as performances, exhibitions, films, books, and recorded music.	The number of providers of customized cultural services is limited because voluntary application for the card is difficult or because even when beneficiaries are issued a card, their mobility is limited or there are no cultural facilities nearby.  Beneficiaries are entitled to choose from only a limited number of providers since voucher users are invited to programs or offered them through home services.
Beneficiaries' access to information	<ol style="list-style-type: none"> <li>1) Beneficiaries must not find it difficult to access information on the culture and arts services of their choice since they are required directly choose the service.</li> <li>2) However, beneficiaries may have limited access to information depending upon their understanding of culture and arts services.</li> <li>3) When residents of welfare facilities are National Basic Livelihood Act recipients or fall into the near-poverty bracket, individual cards are provided to residents of welfare facilities, women's welfare facilities, or homeless shelter facilities. (Among residents of welfare facilities, access to information on culture and arts services can be limited.)</li> </ol>	Beneficiaries' access to information is limited since services are customized to circumstances under which voluntary application for the card is difficult, their mobility is limited, or there are no cultural facilities nearby.

〈Table V-3〉 Continue

	General Cultural Voucher Project	Planning Voucher Project
Eligibility	<p>1) National Basic Livelihood Act recipients, those in the near-poverty income bracket, etc. (households with children aged 10–19 are offered an additional voucher worth 50,000 won)</p> <p>2) The use of vouchers can be limited to beneficiaries because the voucher comes as a designated card, but there is a likelihood that family members may also use it.</p>	Eligibility for a planning voucher is restricted to people who are entitled to cultural vouchers but find it difficult to voluntarily apply for a card, or even though they are issued with the card their mobility is limited or there are no cultural facilities nearby (such as in remote rural locations).
Ease of management	Cultural vouchers are easy to manage since they are provided in the form of cards.	Unlike general cultural vouchers, planning vouchers offer customized services, so it is necessary to manage the provision of culture and arts services rather than managing vouchers.
Beneficiary satisfaction	<p>1) Consumer satisfaction can be high because the beneficiary is entitled to choose culture-related services or providers.</p> <p>2) In the case of residents of welfare facilities, their satisfaction may be only partially reflected as social workers usually select culture and arts services.</p>	Consumer satisfaction can be limited because beneficiaries are not capable of directly choosing services, the range of options is limited due to regional factors, or they are provided with services selected by others.
Encashment inducement effect	The encashment inducement effect is low since the voucher is used in the form of cards.	There is no inducement effect as it is not easy to convert vouchers into cash.

Note: 1. The Cultural Voucher Project (cultural voucher cards): Eligible households are entitled to a card worth 50,000 won per year (children aged 10–19 are entitled to an individual card worth 50,000 won), along with support for performances, exhibitions, films, books, and recorded music.

2. The Planning Voucher Project: Visiting/invited services, home services, regional services, and 'Plus' services (voucher cardholders) (those who find it difficult to use cultural cards because voluntary application for the card is challenging, or even though they are issued with a card their mobility is limited or there are no cultural facilities nearby in remote rural locations).

## 4 Achievements and Evaluation of the Cultural Voucher Project<sup>13)</sup>

### A. Achievements of the Cultural Voucher Project

In order to evaluate the achievements of the Cultural Voucher Project, this paper will consider the number of beneficiaries and the take-up rate. The number of beneficiaries of the Cultural Voucher Project stood at 217,898 in 2008 and increased to 966,733 in 2011 when the project was expanded. The number was 792,754 in 2012 and is expected to reach 960,000 in 2013.

Take-up rates of the Cultural Voucher Project vary by age and region. A comparison of take-up rates by age between 2006 and 2010 shows that children and youth accounted for the highest rate with 50.6 percent, followed by people with disabilities (14.8 percent) and seniors (9.5 percent), demonstrating a significant gap between the rates. As for satisfaction levels, seniors showed a relatively low level of satisfaction compared with youth and young adults.<sup>14)</sup>

In addition, take-up rates vary according to region. In places with broad access to culture and arts facilities, such as Seoul and other metropolitan cities, rates of using the cultural card were relatively high, while regions with limited access to culture and arts programs demonstrated low utilization rates, resulting in a low take-up rate.

Within the culture and arts fields, books and films showed the highest rates of utilization among beneficiaries. According to data from *The In-depth*

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13) This paper did not carry out additional FGI and beneficiary satisfaction surveys in order to evaluate the achievements of the Cultural Voucher Project. It referred to "The Evaluation of Cultural Events Backed by the Culture and Arts Promotion Fund: An Investigation and Evaluation Report on Audience Satisfaction" (Korean Culture and Arts Committee, 2012) to determine satisfaction levels with culture and arts services provided by existing organizations funded by the government. As for the cultural voucher project, this paper referred to FGI and beneficiary satisfaction surveys as indicated in *The In-depth Assessment of the Culture and Leisure Projects* by Public and Private Infrastructure Investment Management of the Korea Development Institute in 2012.

14) Public and Private Infrastructure Investment Management of the Korea Development Institute, *In-depth Assessment of the Culture and Leisure Projects*, 2012, p. 203.

*Assessment of the Culture and Leisure Projects* (for 2011 and for 2012), 55.2 percent of cultural voucher holders used the voucher to buy books, and 32.9 percent to attend movies. Such a trend is contrary to the intention of the Cultural Voucher Project, which is designed to guarantee diversity of consumer preferences for culture and arts services.

The cultural voucher system maintains an aim of increasing access to culture and arts services by offering government support to those who are economically disadvantaged or may have a poor understanding of the services. Statistical analysis of the project's achievement, however, shows that it has failed to boost utilization rates of such services among low-income or low-educated groups.

## B. Evaluation of the Cultural Voucher Project

As previously discussed, it can be observed that the Cultural Voucher Project (cultural cards) has only to a limited extent achieved its goal of increasing satisfaction levels with culture and arts services by broadening consumer options. In other words, the voucher project's initial aim can be fulfilled only when conditions related to region, age, interest, and access to information on culture and the arts have been satisfied. When these criteria cannot be met, however, voucher holders have proved less likely to use the services and express satisfaction with them compared with using directly supplied services from subsidized culture and arts organizations, thereby failing to demonstrate significant progress toward the system's goal. The government has already addressed this issue by implementing the Planning Voucher Project. However, the scale of this project is limited and incidental expenses are being generated as it is being realized.

Therefore, the effect on improving supply efficiency is considered to be strongly restricted since the budget of the Cultural Voucher Project is relatively small compared to the size of the culture industry and, furthermore, it should be distributed across a host of fields.

## 5 Policy Implications

Based on the aforementioned achievements and evaluations of the cultural voucher project, certain policy implications can be drawn. First, the Cultural Voucher Project was expanded by more than four times by 2011 in order to achieve its current scale and is currently being operated in tandem with the Planning Voucher Project out of consideration for the limitations of the General Cultural Voucher Project. Only when conditions for best using vouchers can be satisfied is it possible to heighten the advantages of the system and the efficiency of public finance in funding the culture and arts sector. The current voucher system is intended to achieve its target by serving as a consumer-oriented policy means for beneficiaries who are able to satisfy conditions in terms of geographical access, age, and information access. However, the system is problematic in that it is also applied to those who do not meet these base conditions.

Therefore, it is essential to prepare a new plan that limits the system only to those groups satisfying the conditions for appropriate use of the vouchers. Specifically, those who are eligible for the voucher system should be limited to youth and young adults able to meet minimum conditions, including 1) residing in places with easy access to culture and arts services, including metropolitan cities, and 2) being able to exercise the right to choose services thanks to broad access to information on culture and arts and a relatively high understanding of culture. After defining the proper scope of beneficiaries, the system can then be expanded.

Second, it is imperative to devise improvement plans tailored to those who are ineligible for the General Cultural Voucher System by utilizing planning vouchers. In other words, the applicable scope of the Planning Voucher Project should be widened as a means to heighten voucher efficiency, even though incidental expenses may occur in organizing and providing appropriate programs according to a beneficiary's preferences. The project should be expanded because it enhances the cultural empowerment of beneficiaries, albeit at the expense of additional costs. In the case of planning vouchers, a certain portion of the vouchers can be used for regions with limited access to culture and arts services

by inviting services from outside the region, thereby compensating for some of the shortcomings of the initial cultural voucher system. One such example would be ‘Exciting Art Trips’, a form of cultural tours for the underprivileged sponsored by the Korean Cultural and Arts Centers Association that has been receiving a favorable response.<sup>15)</sup> This program can be utilized as part of the Planning Voucher Project, as performing arts organizations can select regions for their creative performances. In addition, performing arts organizations selected by cultural voucher holders can receive additional funding (through culture vouchers and direct government support), and this is expected to enhance efficiency in terms of supply and public finance.

Third, the Cultural Voucher Project has limited delivery efficiency because it is operated in partnership with local governments, aside from the sponsoring organization. To address this problem, one alternative is for central government funds to be distributed to local governments, which can then serve as sponsors to customize voucher projects suited to the characteristics of each region.<sup>16)</sup> When local governments are engaged in sponsorship, they can implement voucher projects by identifying groups with similar conditions, such as access to culture and arts services. This is because in order to raise the effectiveness of the cultural voucher project, it is more effective to target groups experiencing similar conditions within a relatively small region (for example, a certain age bracket), rather than apply the current system of targeting a broad area.

As mentioned above, when culture and arts services are selected by consumers, the Cultural Voucher Project can achieve its initial goal of more efficiently supplying services to beneficiaries. When this goal is achieved, the voucher system is expected to contribute to the financial efficiency of cultural welfare policy.

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15) Son, Wonik and Taekyu Park, *Policy Proposal to Improve the Efficiency of Government Expenditures through Non-profit Organizations in the Culture and Arts Sector*, Korea Institute of Public Finance, 2012, p.102.

16) Yang, Hye-won, “Improvement Directions for Cultural Welfare Policy Projects by the Central Government and Local Governments,” *2011 Seminar Material in Commemoration of the Opening the Korea Culture and Tourism Institute*, Korea Culture and Tourism Institute, pp. 59–84, 2011, p.78.

# VI

## Summary and Conclusion

This paper examined the current status and challenges of different supply models for social services based on general theories of social services and then reviewed theories on the evaluation of satisfaction levels in order to draw objective data on the satisfaction levels of service beneficiaries.

Among Korea's social services, those for infants and children, those for seniors, and those for the culture and arts sector were considered preeminent and were examined in terms of current status, foreign cases, evaluation of supply models, in-depth surveys, and improvement plans. Through this analysis, policy implications can be drawn for each field of social services as follows.

### 1 Social Services for Infants and Children

Current social services available for infants and children (aged 0-5) in South Korea are centered on care services by age group. These services are divided into childcare services for those aged 0-4 (based on daycare centers) and educational services for those aged 3-5 (based on preschools), depending on the related authority. Supply models for these services are classified into electronic vouchers, implicit vouchers to suppliers, direct government provision, and cash assistance. Among the supply models, e-vouchers and cash assistance are considered support for consumers, while implicit vouchers are classified as support for suppliers. As for direct government provision, this includes the

construction and remodeling of national or public childcare facilities and purchase of private facilities. E-vouchers are offered for projects that assist with the costs of childcare services for infants and children aged under five years of age, along with projects that support education expenses (preschool tuition). For those who do not make use of childcare facilities for their children under five, cash assistance is offered as a child home care allowance differentiated by age.

From the viewpoint of economics, the primary goal of providing vouchers lies in stimulating the consumption of certain goods and services—or government paternalism. Taking this goal into account, if vouchers are provided rather than cash support, consumption is boosted among consumers who do not find themselves constrained in consuming, and assistance through vouchers can earn validity as a more efficient policy means than cash assistance, although the use of vouchers reduces consumer utility. The policy goals for childcare services set when e-vouchers were introduced include (1) providing consumer-oriented assistance and childcare services, (2) improving the quality of services by enhancing competition; and (3) raising utilization rates for childcare services. However, Korea's rate of using childcare services is relatively high compared with that of other countries, and the expansion of free childcare is likely to boost fictitious demand for childcare, thereby reducing the validity of assistance with childcare services through vouchers. Under these circumstances, it is considered desirable to introduce an alternative childcare allowance as a more effective policy means.

The introduction of explicit vouchers is considered valid because it can bring about a number of advantages: strengthening consumers' right to choose services; revitalizing competition among suppliers; preventing moral hazard among providers; and resolving asymmetrical information. However, given that consumer options are limited since the childcare market faces short supplies compared with demand and each region's national or public facilities and their relatively high-quality services are in exceptionally high demand, the introduction of e-vouchers falls short of the goal of strengthening consumer options and fostering quality improvement in services through competition. Still, e-vouchers were considered to be more effective in reducing suppliers' moral hazard and enhancing consumer satisfaction levels compared to assistance for traditional supply facilities.

Childcare services offered through electronic vouchers failed to broaden consumer options largely due to the current conditions in the childcare service market in which supply is unable to meet demand. The major feature of this market is that facility accessibility has a tremendous influence over demand. In other words, local demand and supply are important because ease of access is a major factor in selecting childcare facilities, and in reality consumers find it difficult to opt for a daycare center outside of their neighborhood (with the exception of workplace childcare facilities). Against this backdrop, each local government is responsible for ascertaining demand for childcare, and the supply is determined accordingly, such as scale of national or public childcare facilities and private facilities (including their authorization) within the region. What makes this possible is that most national or public childcare facilities and other daycare centers are subsidized by the central government and local governments.

Care services for infants and children vary in terms of characteristics between those targeting the ages of 0-2 and those for 3-year-olds, which highlights the need to distinguish childcare and educational services according to age group. Scholars share the opinion that home care is the ideal option for infants aged 0-2, while childcare facilities are recommended for those aged 3-5 in order to support social development and early childhood learning. Still, there has been a demand for daycare centers for infants aged 0-2, largely because working mothers have found it difficult to seek an alternative means to care for their children. Therefore, it is necessary to ensure that eligibility criteria for childcare services for this age group pay attention to vulnerable working mothers. To do this, it is desirable to transfer all-day programs to part-time ones and to induce homemakers to use part-time daycare programs. As for parents who care for their children themselves at home rather than using childcare assistance or daycare center services, they are offered cash support, with parents with an infant in its first year entitled to 200,000 won per month, parents with an infant aged 1-2 to 150,000 won, and those with an infant aged 2-5 to 100,000 won. This seems to be desirable for promoting the provision of care for infants aged 0-2 by their parents at home.

In the case of children aged 3-5, a child home care allowance can serve as an inducement for low-income families to care for their children at home. In addition, it is vital to integrate assistance and management systems, which

are currently being implemented in a two-track approach of daycare centers and preschools—although there are a host of challenges related to the treatment and standards of daycare and preschool teachers. As the *Nuri* curriculum is to be implemented, their financial resources will be integrated with educational finances, but assistance and delivery systems are still separated, which is a cause of concern.

There are issues surrounding the current methods of provision of childcare and educational services for infants and children. In term of suppliers, concerns include moral hazard, poor service quality, lack of quality childcare facilities, and an absence of legal measures to prevent inferior facilities from entering the market. When it comes to consumers, the expansion of free childcare has generated fictitious demand, rather than real, thereby contributing to the scarcity of facilities for those who are in desperate need of such services, such as working couples. Also, price gap regulations on childcare tuition have been pointed to as a contributing factor in making the structure of the childcare market ineffective. It seems desirable for high-quality childcare facilities to be expanded by improving the current structure of the supply of service, assistance systems, and financial resource allocation, rather than pursuing the construction of additional national or public facilities at enormous cost. For instance, strengthening authorization and evaluation can better regulate new facilities seeking to enter the market, and an expansion of assistance for national or public facilities can lead to an enhancement of the services provided by their private counterparts. Also, increasing support for workplace daycare centers can resolve supply problems as part of improving new and traditional forms of childcare services. Along with addressing problems in terms of supply, a consumer-oriented policy should be put into place, including making use of part-time programs which prioritize those in desperate need, such as double-income families. Over the long run, consideration should be given to sharing the burden of expenses with consumers and boosting service quality by increasing consumers' financial share. Lastly, the establishment of a public information system to offer information related with general operations, details of appraisal authentication, violations, and expenses for special activities will be inevitable for bulwarking competitive market structures and consumers' rights to choose services. Recently, there have been improvements related to facility information,

including public announcements of detailed information on general operations and a list of those who have violated related laws—all of which were introduced or scheduled for implementation. The vitalization of information provision and establishment of a public information system should be achieved first in order to promote the financial efficiency of the childcare services sector by improving market structures and service quality, as well as strengthening consumers' right to choose.

## 2 Social Services for Senior Citizens

In Korea, the elderly care service is operated through e-vouchers, so the right of consumer choice is significant, which highlights the fact that competition among service providers is an essential prerequisite. Still, it has been seen that even though providers of the elderly care service have drastically expanded in number, competition among them has increased little. Therefore, when operating electronic vouchers for the elderly integrated care service, it can be seen as more reasonable to prioritize policy goals, such as enhancing the efficiency of the service management system or improving cost effectiveness, rather than boosting efficiency through market function.

The elderly long-term care service is a social insurance program, while the elderly care service is subsidized through matching funds from the central and local governments. Against this backdrop, there has been growing opposition to the fact that the elderly care service has been subsidized out of the financial resources of the elderly long-term care service. Critics are opposed to transferring funding—even from social insurance—pointing to the fact that the elderly care service is considered part of residual welfare and its financial resources are not maintained in a stable fashion.

As for the elderly long-term care service, its stable financial resources and accumulated reserve fund have led to an excess supply, resulting in continual concerns regarding unlawful acquisition. A computerized and integrated information system has made it possible to significantly reduce inaccurate beneficiary payments or unlawful acquisition caused by a lack of beneficiary

targeting, but at the same time, lax management of service-providing institutions have led to poor quality of service. Against this background, as only 250,000-300,000 out of nearly 1.3 million geriatric care helpers are currently actively in service, an issue has emerged regarding how to enhance service quality by realistically setting payments for care workers.

Based on the preceding discussion, it is high time to carefully push forward with the integration of these two services, even though they vary in terms of financial resources and managing authorities. First of all, aside from distinct financial resources and managing agencies, it is possible to conduct an integrated system for selecting and managing beneficiaries. Also, it has been repeatedly asserted that loopholes resulting from this two-track system should be resolved. The integration of the two services would also allow for a wider range of resource methods, even encompassing volunteering activities by the private sector, to replace the traditional manner of exclusive government implementation of projects.

Through the aforementioned analysis, policy implications can be drawn in terms of the following: 1) the introduction of a more comprehensive perspective on policies for the elderly; 2) review of supply models of social services for the elderly; and 3) improvement plans for the related delivery system, monitoring, and performance assessment of services for the elderly.

First, in order to craft a more active policy for the elderly, scattered services should be unified and the range should be extended to include pension benefits, health insurance benefits, Patriots and Veterans benefits, National Basic Livelihood Security benefits, and the elderly care service and the elderly long-term care service, as well as job creation for seniors. As for policy which targets all groups of the elderly, services transferred in order to receive government intervention should be managed in a more comprehensive and synthetic manner by classifying them into pension, allowance, long-term care services, care services, and public assistance. To do this, a welfare philosophy should be established regarding the financial resources of each service, supply methods, and delivery system. In addition, it is also vital to constantly reflect the opinions of society in order to maintain sustainability in terms of financial resources and the provision of related services, as well as offer more comprehensive and synthetic services.

Second, in choosing supply models for social services for the elderly, efficiency of public finance should be prioritized. In reality, the varying financial resources and mixture of delivery systems have resulted in unlawful acquisition, inefficiency, and a growing administrative burden. If social services for the elderly is to be established based on a comprehensive policy for the elderly, the starting point should be to choose the proper supply model for each service from among public provision (direct supply), provision of vouchers (providing quasi-cash), and private provision (cash assistance). For instance, pension and allowance can be offered in the form of cash, public assistance in the form of direct supply, and the elderly long-term care service and the elderly care service through vouchers. In assigning an appropriate supply model to each service, it is also important to consider how to secure the necessary resources. When it comes to procuring financial resources, the elderly long-term care service uses insurance, while the elderly care service draws upon general finances. However, there is sufficient cause to integrate the financial resources of the two services, although they perform varying degrees of interactive service work for the elderly. Thus, to address the issue of existing loopholes, it is imperative to integrate these two services or, at least, to unify their financial resources. When enhancing efficiency by utilizing the elderly long-term care insurance for the benefit of the Elderly Care Service, it should be undertaken beforehand in order to integrate the benefit calculation systems. More specifically, the National Health Insurance Corporation should be made responsible for judging degree of eligibility for the two services. In the case of Germany, the insurance company for their long-term care insurance fund is responsible for eligibility scoring, while an insurance commissioned organization is engaged in eligibility examination. To apply this model to Korean society, eligibility investigations could be implemented by one of providers of the two services, while the final eligibility scoring would be carried out by an insurer.

Third, it is vital to actively develop improvement plans regarding delivery systems, service monitoring, and performance evaluation and management. This is because most existing problems are related to an inappropriate delivery system, lack of monitoring, and a low level of reflecting performance assessments. In addition, the delivery and result management systems should be consistently improved over the short term. The integration of beneficiary management is

expected to allow the management of unlawful acquisition, thereby preventing financial leakage. It is doubtful that as an insurer the Health Insurance Corporation has administrative authority over unlawful acquisition of the elderly long-care service. If it is local governments that are capable of collecting more accurate information in terms of management and supervision, this should be taken into account in order to entrust them with related management responsibilities. Double-checking is also required for proper beneficiary management and monitoring of the delivery system. In short, both insurers and local governments should manage beneficiaries and monitor delivery processes in order to boost the efficiency of invested finances.

As for utilizing vouchers, if an insurer and voucher issuer can maintain consistent cooperative relationships, the two services can be implemented while strengthening consumer options. In addition, it is further necessary to diversify voucher providers in order to expand the options available to consumers. Whether or not the financial resources of the two services are integrated, efforts should be made to remove barriers between the services and allow diversification of service providers. As in Japan, an influx of a range of providers of social services would be expected to contribute to enhancing the efficiency of public finance.

### **3** Social Services in the Cultural Sector

The voucher system for cultural projects has an advantage in that consumers are then entitled to access a wide range of culture and arts services according to their preferences. Still, despite the goal of boosting satisfaction levels by broadening the range of consumer options, the Cultural Voucher Project (cultural cards) is currently being operated on a limited scale. In other words, only after the consumer satisfies conditions related to region, age, access to culture and arts information and interest can the project's initial goal be achieved. However, where such conditions are unmet, consumers have shown lower levels of utilization and satisfaction when using vouchers compared with when directly supplied by culture and arts organizations, thereby tending to fail to achieve the goal of the voucher system. The other advantages of the cultural voucher

system include not only enhancing beneficiaries' satisfaction levels with the culture and arts services that they have enjoyed, but also boosting the efficiency of the provision of services through competition among suppliers. However, the impact on improving supply efficiency is expected to be highly limited because the Cultural Voucher Project is relatively small in scale compared with the overall culture industry, and furthermore is divided into various sub-fields. Therefore, despite the apparent upsides, the cultural voucher system has limits in achieving its aims.

Based on the project's achievements and overall evaluation, policy implications can be drawn. First, only after a consumer satisfies the needed conditions (related to region, age, access to culture and arts information, and interest) is it possible to meet the project's initial goals and enhance the efficiency of public finance in subsidizing the culture and arts sector. Currently, however, the system is also being applied to those who do not meet these conditions. Therefore, it is imperative to limit the scope of eligibility to those satisfying the appropriate criteria.

Second, planning vouchers were introduced in order to make up for the shortcomings of the Cultural Voucher Project, but other improvement plans should be prepared for those who satisfy neither cultural voucher nor planning voucher criteria. Planning vouchers incur additional expenses for organizing and providing programs according to a beneficiary's preferences. Still, the Planning Voucher Project is suitable for achieving the goal of the initial Cultural Voucher Project, so it is desirable to expand its scope of application. The expansion of the project is expected to help enhance cultural empowerment of its beneficiaries, albeit at the expense of additional costs. An alternative would be to use a certain portion of the vouchers to attract subsidized culture and arts organizations from outside the region. In this process, if culture and arts organizations selected by consumers receive greater financial assistance (through cultural vouchers and direct government funding), this can contribute to the efficiency of public finance, as well as the efficiency of service provision.

Third, the Cultural Voucher Project is organized by the Korean Culture and Arts Committee with subsidies from the central government and is operated in cooperation with local governments responsible for distributing the local budget for the project. The fact that the project is managed not just by the

sponsoring organization, but also in partnership with local governments, makes it difficult to effectively deliver the service. To address this problem in terms of delivery, one alternative is for funding from the central government to be distributed to respective local governments which would then in turn sponsor and implement voucher projects customized to the characteristics of the region. Also, by raising the effectiveness of the Cultural Voucher Project, it would be more effective to target a group characterized by similar needs within a relatively small region (for example, a certain age bracket), rather than targeting a wide area.

As discussed previously, policy implications of these three social services—social services for infants and children, those for senior citizens and those for the cultural sector—were reasoned out based on in-depth assessments of the current supply models of the services. This paper expects that the assessment results and improvement plans provided here can contribute to presenting assessment criteria for the ever-changing supply models of social services and market environments and thus enhance the efficiency of public finance.

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