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Dynamics of Asset Poverty in South Korea, 2005 to 2014

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Background: Most poverty research in South Korea has been characterized by two features: income and cross-sectional measures. While the understanding of the prevalence and correlates of poverty have rapidly expanded, these poverty studies are conceptually limited to understanding poverty from an income perspective. This study complements the existing field by studying the dynamics of asset poverty in Korea using longitudinal panel data between 2005 and 2014. We measure asset poverty and examine which groups have been structurally trapped in asset poverty.

Methods: We applied the dynamic panel model of discrete choice to the Korean Welfare Panel Study (KOWEPS) from the 1st to 10th waves. Three asset poverty lines defined assets as resources for either future consumption or socioeconomic development. For each poverty line, 1,869 to 5,273 households who experienced asset poverty for at least one year during the observation period (2005 - 2014) were analyzed.

Results: This study revealed three main findings: (a) the lagged poverty state (asset poverty state in the previous year) was significantly associated with a 14-20% increase in the probability to incur asset poverty for all analysis samples; (b) the largest effect of lagged poverty state was seen when defining assets as a resource for development; and (c) the probability of incurring asset poverty decreased with home ownership, higher disposable income, and greater diversification of the household portfolio.

Conclusions and Implications: The asset poor are likely to fall into structural and persistent poverty over time. We describe how future research should study the duration of asset poverty to complete a comprehensive picture of the asset poverty condition. In terms of policy, asset-based interventions are needed to improve the asset poverty status of the asset poor households.