



January 13, 2014

Time Deficits and Hidden Poverty in Korea

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Official poverty lines in Korea and other countries ignore the fact that unpaid household production contributes to the fulfillment of material needs and wants that are essential to attaining a minimum standard of living. By taking household work for granted, these official estimates provide an inaccurate accounting of the breadth and depth of poverty—and can lead policymakers astray.

Standard measurements of poverty assume that all households and individuals have enough *time* to adequately attend to the needs of household members—including, for example, caring for children. But for numerous reasons, some households may not have sufficient time, and they thus experience “time deficits.” If a household experiencing a time deficit cannot afford to cover it by buying market substitutes (e.g., hiring a care provider), that household will encounter hardships not reflected in the official poverty measures. To arrive at a more accurate metric of poverty, we have developed the Levy Institute Measure of Time and Income Poverty (LIMTIP), a two-dimensional measure that takes into account *both* the necessary income and the household production time needed to achieve a minimum living standard.

Our estimates for Korea for 2008 show that the LIMTIP poverty rate of employed households (i.e., households in which either the head or spouse is employed) was about *three times higher* than the official poverty rate (7.5 percent versus 2.6 percent). The size of the hidden poor (those above the official poverty line but below our time-adjusted poverty line) suggests that the official measure’s disregard for time deficits in household production resulted in a serious undercount of the working poor. The gap between the official and LIMTIP poverty rates was notably higher for households with an employed female, such as the ones headed by a nonemployed male with an employed spouse, single-female-headed households, and dual-earner households. The LIMTIP estimates also expose the fact that the income shortfall of the poor was greater than what was implied by the official statistics (440,000 won compared to 250,000 won, or 1.8 times greater), with the largest shortfalls found among dual-earner and single-headed households.

There was a stark gender disparity in the incidence of time poverty among the employed, even after controlling for hours of employment. Time poverty was sizable among part-time (defined as working less than 35 hours per week) female workers, while it was miniscule among part-time male workers (18 percent versus 2 percent). Among full-time workers, the time-poverty rate of women was nearly twice that of men (70 percent versus 36 percent). This suggests that the source of the gender difference in time poverty does not lie mainly in the difference in hours of employment; rather, it lies in the greater share of household production activities undertaken by women.

Rates of time poverty were also markedly different across the LIMTIP income poverty line. Time poverty among income-poor households was much higher than among the income-nonpoor (80 percent versus 55 percent). Similar patterns can also be observed when looking at employed men (71 percent of the income-poor experience time poverty, versus 50 percent of the income-nonpoor) and employed women (85 percent versus 74 percent). Since other types of social and economic disadvantages tend to accompany income poverty, it is quite likely that the negative effects of time poverty will impact the income-poor disproportionately compared to the income-nonpoor.

We also examined the effectiveness of job creation for poverty reduction via a microsimulation model. The simulated scenario assumes that every nonemployed but employable adult becomes employed in a job that best fits (in a statistical sense) their characteristics (such as age and educational attainment). Under the prevailing patterns of pay and hours of employment, we found that there is a substantial reduction in income poverty as a result of nonemployed persons receiving employment: 6.4 percent of individuals (15 to 70 years of age) are in income poverty after the simulation, compared to 8.2 percent before the simulation. It is noteworthy that the simulated rate is considerably higher than the official income poverty rate of 4.3 percent. A large proportion of the newly employed enter into the ranks of the time-deficient working poor or near poor—this despite the availability of subsidized child-care services in Korea.

Tackling the problem of time and income deficits that stem from excessively long hours of paid work and an unequal sharing of the burden of household production requires, in addition to creating more jobs, regulating the length of the standard workweek, prioritizing child-care provisioning for dual-earner and single-headed households, strengthening public assistance for the poor, and establishing a regime of decent wages. The problem can only be adequately dealt with in such a coherent and integrated manner.

A forthcoming Levy Institute report on time and income poverty in Korea will provide a more detailed discussion of these issues.

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