

Open Lecture

Identification of Vulnerable Groups and Coping Strategies in Korea

Lecturer: Sung Jin Kang

(Assistant Professor, Institute of Policy and Planning Sciences, University of
Tsukuba)

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Using household panel data from Korea during 1994-98, this paper identifies vulnerable households and their risk-coping strategies. Six empirical findings emerge. First, larger households tended to be more protected from shortfalls in consumption. Second, female-headed households were not more vulnerable but appeared to trade off children's educational spending for food consumption. Third, urban households became more vulnerable during the 1997 currency crisis. Fourth, in order to cope with negative shocks to their income, households reduced their consumption of luxurious and durable items. Particularly, households with young children tended to reallocate consumption items to stabilize spending on children's education. Fifth, although credit was not an effective countermeasure, private transfers instead appeared to act as both an *ex ante* risk-managing device and an *ex post* coping mechanism. Finally, we do not find public transfers to be an effective coping device during the initial period of the crisis primarily because social safety net programs were not yet in place during the period our analysis covers.