

Bridging the Gap: How Policies Mitigate the Happiness Divide Caused by Inequality in South Korea

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ABSTRACT

This research examines the relationship between income inequality, opportunity inequality and happiness in Korea, focusing on how these inequalities affect the happiness gap in Korean society. By analysing data from the Korean General Social Survey, finding that while income inequality has little impact on life satisfaction, opportunity inequality significantly negatively impacts happiness. The research also assesses the effectiveness of current policies in Korea. It examines how policy interventions can enhance opportunity equality in education, employment, and promotion, thus improving national happiness. The results suggest that trust in government and institutions enhances national happiness, while opportunity inequality reduces trust in government and life satisfaction. The findings underscore the urgent need for countries facing similar challenges to address disparities and promote social cohesion and well-being.

KEYWORDS

Income inequality; Opportunity inequality; Happiness; Life satisfaction; Policies; Korea

1 Introduction

South Korea is considered an economic success story, rising from the ashes of war to become one of the world's top economies (Yang, 2021). However, like many other developed economies, income inequality in South Korea has changed significantly over the past few decades (Kim & Kim, 2024). Income inequality is interconnected with social inequality and happiness. Easterling's paradox about the relationship between income and happiness states that happiness varies directly with income, but over time, when a country's income increases, happiness does not increase (Easterlin, 1974). In addition, inequality and status competition in society can affect an individual's emotional responses, evaluation of life, and behavior (Wilkinson & Pickett, 2019). For example, an analysis of the relationship between income inequality and well-being among Americans from 1972 to 2008 found that the income inequality in U. S. society leads to a narrowing of the radius of trust, weakening people's belief that others will treat them fairly, not because of lower incomes, but because of perceived unfairness and lack of trust (Oishi, Kesebir & Diener, 2011). In this context, fairness has also been positioned as a socio-cognitive factor that explains how socio-economic status affects well-being.

Therefore, this paper will measure happiness by introducing the concept of life satisfaction, presenting what determines happiness in the relationship between inequality and happiness, and analyzing the impact of Koreans' understanding of income inequality and inequality of opportunity on overall happiness. Finally, the effectiveness of policies will be analyzed to assess how current policies in Korea can alleviate the existing happiness gap.

2 Problem Statement

South Korea is currently facing multiple socio-economic crises, including the lowest fertility rate, gender conflict, regional disparities, and political polarization (Lim, Koo & Choi, 2016). In particular, the financial crisis that began in late 1997 has primarily altered the structure of the production system and income distribution in Korea, changing the structure of hiring, job opportunities, and patterns of economic remuneration and exacerbating economic inequality and social stratification. The long-term impact of the economic crisis has been to increase economic inequality and polarisation of income and asset ownership, and a social crisis has arisen due to increased inequality and growth in the number of poor people.

Thus, as the level of inequality has increased, the issue of equity has become a current of thought in Korean society in recent years, occupying a critical discourse in diagnosing and prescribing various social phenomena and problems. Of all the issues related to inequality, society's social awareness of the recent political issues that have led to opportunities and inequities has become a sensitive topic for young Koreans. However, as class mobility declines and social status hierarchies become increasingly entrenched, changes in the relative preference for the principle of fairness and negative perceptions of social equity are not limited to young people. Despite differences across age groups and generations, Koreans are more sensitive to inequality of opportunity than inequality of distribution, and Koreans view equity in terms of opportunity rather than outcome (Han, 2022). Previously, while it is true that Korean society has paid expanding attention to income inequality, there has been relatively limited research on the political and social meanings that income inequality carries. Some studies have analyzed income inequality from a political economy perspective. Given that conflicts over inequality have erupted in the context of intensifying competitive pressures.

3 Research Objectives and Research Questions

Research Objectives

- Investigate the relationship between income inequality, unequal opportunities, and happiness in Korea;
- Explain the determinants of happiness from the perspective of the relationship between inequality and happiness;
- Analyze the effectiveness of current policies in alleviating the happiness gap.

Research Questions

- How do income and opportunity inequalities affect the well-being of socio-economic groups in Korea?
- From the perspective of the relationship between inequality and happiness, what factors determine the life satisfaction or happiness of Koreans?
- What policies have been implemented in Korea to mitigate the happiness gap caused by inequality, and how effective have these policies been in narrowing the happiness gap?

4 Comparative Discussions

Empirical evidence on the relationship between economic inequality and life satisfaction is controversial. One study suggests that the more economic inequality increases, the less life satisfaction there is (Graham & Felton, 2006). However, another suggests no relationship between economic inequality and life satisfaction (Haller & Haller, 2006). The empirical evidence presented in

many studies shows that positive or negative effects of life satisfaction and inequality are possible (Verme, 2011).

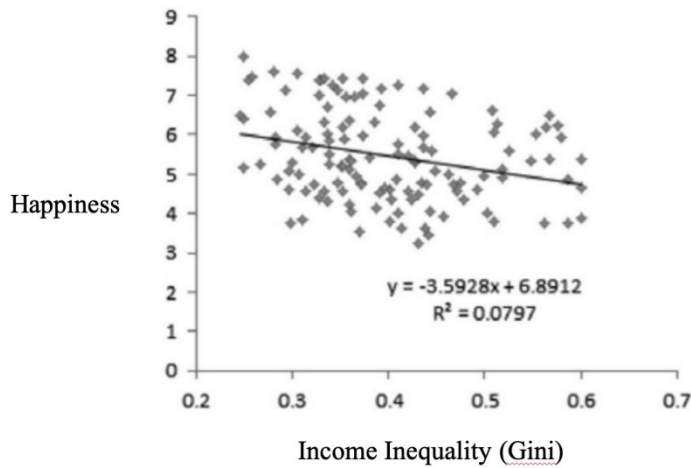


Figure 1 Income Inequality and Happiness

Source: Ott(2011). Hughes et al.(2009).

The scatterplot in Figure 1 shows the relationship between happiness (average happiness) and the Gini coefficient for 129 countries. Although only limited inferences can be made, given the role of many other factors that impact happiness, it can be observed that increases and decreases in income inequality and happiness reflect the wealth relationship.

Table 1 Income inequality and happiness inequality

	Happiness Gini index	Income Gini index	Number of countries
Low income countries	0.221	0.504	29
Lower-middle-income countries	0.22	0.445	23
Middle income countries	0.216	0.412	29
Higher-income country	0.153	0.34	36
World	0.199	0.419	117

Source: Gandelman and Porzecanski (2013).

Table 1 presents separate indicators of income inequality and happiness inequality based on income levels. Gandelman and Porzecanski (2013) calculate the income Gini coefficient and the Gini coefficient of happiness (Gini happiness) based on the Gallup World Poll, where the Gini coefficient of happiness is the high level of income inequality that is lower than the Gini coefficient of income. The Gini coefficient of happiness is one-half of the level of income inequality below the Gini coefficient of income. Happiness is lower than the income Gini coefficient because of the marginal utility of happiness. The average happiness Gini coefficient of 117 countries in the world is 0.199, of which 0.221 is for low-income countries and 0.153 for high-income countries. According to the survey, low-income countries are not only more equal than high-income countries in terms of income but also in terms of happiness.

However, the most crucial factor that leads to income inequality is inequality of opportunity (Perez-Mayo, 2019). Marrero and Rodríguez (2012) emphasize that traditionally, equality of opportunity means no barriers to approaching status, education, and occupation. From this point of view, hiring should be based on competence and independent of class, gender, and race. Lefranc,

Pistolesi, and Trannoy (2008) consider equality of opportunity as a way to compensate for the inequality that occurs in situations where individuals cannot be responsible and point out in their study that Swedish, Norwegian, and German societies have the lowest levels of inequality, while societies of Italy and the United States, among other countries, have inequality is very high. Belgium, France, the United Kingdom, and the Netherlands are in the middle.

Table 2 Inequality of opportunity and inequality of income

	Inequality of opportunity	Income inequality (Gini Index)
Italy	7.64	32.98
the United States	6.93	30.43
Belgium	4.58	18.85
France	4.22	25.09
the United Kingdom	3.45	30.58
Netherlands	2.97	25.1
Norway	2.18	21.5
Sweden	1.09	18.26
Germany	0.88	25.83

Source: Lefranc et al (2008).

In addition, existing research on the political economy of happiness points to the fact that inequality has a powerful effect on happiness as political leanings and philosophical inclinations differ. Notably, the relationship between inequality and happiness was not found among the progressive class in the United States (Alesina et al., 2004). In contrast, dissatisfaction with an unfair society lowers life satisfaction. Alesina et al. explained (2004) that the difference between the United States and Europe is a difference in perceptions of social mobility. Americans have a deep-rooted trust and philosophy about the possibility of moving up the ladder through their efforts and talents, so perceptions of the current distributional structure of low or unequal income levels do not have much impact on life satisfaction. In contrast, Europeans who perceive low social mobility believe that inequality affects life satisfaction differently depending on political orientation.

5 Statistics

In order to understand the impact of inequality on personal life satisfaction, this study will analyze the data from the Korean General Social Survey, which cites the data on social inequality from the Centre for Educational Survey and Research of Sungkyunkwan University in 2009. This survey includes a questionnaire on the designated theme of social inequality by ISSP (International Social Survey Programme). By analyzing the impact of individual perceptions of income inequality and unequal opportunities on life satisfaction, and depending on the level of life satisfaction, the understanding of income inequality and unequal opportunities in Korean society may also increase. In addition, it should be considered that some underlying factors may impact both individuals' understanding of inequality and satisfaction with life. Therefore, the results of the data analysis include variables that impact life satisfaction. Household income is included as it considers the impact of economic status on life satisfaction. Existing studies have shown that, although the elasticity of income increase follows the 'perception of gain method,' the higher income group is more satisfied with life than the lower income group. If household income is an objective indicator, it is necessary to consider subjective satisfaction with the household's economic situation. In

addition, the impact of satisfaction with political status was taken into account, and the impact of political orientation on life satisfaction in the process of personal philosophical inclination was considered, including the variables of conservatism and progressiveness, which reflect philosophical inclination. In addition, variables such as gender, age, level of education, and being married are considered.

Table 3 Life Satisfaction Distribution

Life Satisfaction	Frequency	Ratio
Very dissatisfied	64	4.3
A little dissatisfied	200	13.3
Neither dissatisfaction nor satisfaction	636	42.4
Somewhat satisfied	476	31.8
Very satisfied	123	8.2
Total	1499	100

Source: Korean General Social Survey (2009).

Table 3 shows the distribution of Korean people's responses to life satisfaction. Including 'very satisfied' and 'more or less satisfied,' 40 percent of the respondents are generally satisfied with their lives. On the other hand, 17.6% of the respondents were dissatisfied with their lives. On the whole, only those who are dissatisfied with their lives are more likely to be satisfied than those who are satisfied.

Table 4 The distribution of Understanding about Inequality

	Income and property	Educational opportunity	Employment opportunity
Very equal	21 (1.4)	165 (11.0)	52 (3.4)
Equal	207 (14.0)	563 (37.7)	308 (20.6)
Equal and unequal	524 (35.3)	347 (23.3)	441 (29.6)
A little unequal	552 (37.3)	325 (21.8)	532 (35.7)
Very unequal	178 (12.0)	92 (6.2)	159 (10.7)
Total	1482 (100)	1492 (100)	1492 (100)

Source: Korean General Social Survey (2009). The numbers in parentheses indicate the ratio.

According to Table 4, in Korean society, 15.4 percent of people answered that income and property are more or less equal (including 'very equal' and 'equal'). In comparison, 49.3 percent answered that they are 'a little unequal' and 'very unequal.' The proportion of those who answered 'slightly unequal' and 'very unequal' was 49.3 percent. In other words, almost half of the respondents believe that income and property are equal in Korean society. Second, in the question reflecting unequal opportunities, 48.7 percent of the respondents answered that educational opportunities are generally equal (including very equal and 'slightly equal').

In comparison, only 28 percent answered that they are generally unequal. There is more awareness that educational opportunities are generally equal than equal. The distribution of understanding of unequal employment opportunities was different. 24% thought that employment opportunities in Korean society were roughly equal, while 46.4% thought they were unequal. In other words, nearly twice as many respondents believe that employment opportunities in Korean society are unequal.

Source: Korean General Social Survey (2009). *Statistically significant coefficient at 95%

Table 5 An analysis of the influence of income inequality and social inequality on happiness

	Estimated coefficient (standard error)
Understanding of income inequality	0.01 (0.04)
Understanding of inequality of opportunity	-0.06* (0.02)
Income	0.02* (0.01)
Family economy Satisfaction	0.38* (0.04)
Satisfied with the political situation	0.04 (0.04)
Conservative	0.07 (0.07)
Progressive	0.08 (0.07)
Employment Status	0.08 (0.07)
Frequency of religious activities	0.01 (0.01)
Physical condition	0.14* (0.06)
Female	0.14* (0.06)
Age	0.003 (0.003)
Level of Education	0.04 (0.03)
Married	0.12 (0.07)
Cut off value 1	0.50
Cut off value 2	1.48
Cut off value 3	2.83
Cut off value 4	4.16
Log-likelihood	-1625.5
N	1350

confidence level.

By statistically analyzing the results of the impact of inequality on life satisfaction or well-being, Table 5 demonstrates the impact of inequality on life satisfaction. Thus, understanding of income inequality does not impact life satisfaction, while understanding of inequality of opportunity has a statistically meaningful negative impact on life satisfaction. The survey shows that it is not the degree of inequality in the distribution of income that has an impact on happiness, but the degree of inequality in procedural and institutionalized perceived opportunities such as educational opportunities, employment opportunities, law enforcement, treatment of females, opportunities for promotion, and so on. The results of the analyses point to the fact that the higher the household income, the higher the subjective satisfaction with the household economy, and the higher the life satisfaction. Objective indicators recognize that dealing with family income and subjective family economic satisfaction are both meaningful factors that impact life satisfaction. In other words, objective and subjective economic indicators closely correlate with individuals' well-being. The finding that better health status is associated with higher satisfaction with life is not surprising. It is analyzed that women are relatively more satisfied with life than men. It was found that other demographic factors such as age, level of education, divorce, or no divorce did not statistically significantly affect satisfaction with life. Economic and social participation, such as employment and frequency of religious activities, were also analyzed to have no relationship with life satisfaction.

Source: Korean General Social Survey (2009). *Statistically significant coefficient at 95% confidence level.

As mentioned earlier, existing research on the political economy of well-being points to the fact

Table 6 Income inequality, social inequality and life satisfaction

	Conservative Estimated coefficient (standard error)	Neutral Estimated coefficient (standard error)	Progressive Estimated coefficient (standard error)
Understanding of income inequality	-0.11 (0.06)	0.15 (0.08)	-0.003 (0.06)
Understanding of inequality of opportunity	-0.01 (0.04)	-0.13* (0.04)	-0.04 (0.04)
Income	0.03* (0.01)	0.03* (0.01)	0.01 (0.01)
Family economic satisfaction	0.43* (0.06)	0.45* (0.07)	0.35* (0.06)
Satisfaction with political situation	0.09 (0.06)	-0.01 (0.07)	0.04 (0.06)
Employment Status	0.04 (0.11)	0.03 (0.12)	0.19 (0.11)
Frequency of religious activities	-0.02 (0.02)	0.02 (0.02)	0.03 (0.02)
Physical condition	0.05 (0.06)	0.22* (0.06)	0.16* (0.05)
Female	0.22* (0.11)	0.11 (0.12)	0.15 (0.11)
Age	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Level of Education	0.03 (0.05)	0.08 (0.05)	0.05 (0.05)
Married	-0.13 (0.13)	0.52* (0.12)	0.03 (0.13)
Cut off value 1	-0.61	1.41	0.67
Cut off value 2	0.41	2.51	1.60
Cut off value 3	1.88	4.11	2.78
Cut off value 4	3.10	5.61	4.19
Log-likelihood	-511.1	-450.7	-586.4
N	432	413	471

that inequality significantly impacts well-being as political and philosophical orientations differ (Alesina et al., 2004). Table 6 shows that independent of ideological orientation, understanding of income inequality does not affect life satisfaction. As shown in Table 5, understanding of income inequality does not affect life satisfaction, a phenomenon consistent across conservatives, progressives, and neutrals. It is noteworthy that the perception of unequal opportunities has a negative impact on ideological satisfaction. The higher the perceived inequality of opportunity in Korean society, the lower the satisfaction with life for the neutral stratum. For both progressive and conservative, understanding of inequality, whether income or opportunity, have nothing to do with satisfaction with life. According to the survey, income is also a factor in increasing the life satisfaction of the class. However, no relationship was found between income and life satisfaction of the progressive class. The better the state of health of the neutral and progressive classes, the higher the satisfaction with life, but the conservative class did not show any relationship.

6 Findings and Evaluation

This study analyses the relationship between income inequality, inequality of opportunity, and happiness through data from the 2009 Korean General Social Survey. The higher the household income, the higher the subjective satisfaction with the household economy and the higher the satisfaction with life. However, understanding of income inequality did not impact life satisfaction, whereas understanding of inequality of opportunity had a negative impact on life satisfaction. Social inequality here is broadly derived from the responses to the five items of educational opportunities, employment opportunities, promotion opportunities, law enforcement, and female medical university excellence. Health and gender impacted life satisfaction, while education level, married status, etc., did not impact life satisfaction. Employment or not, religious practices were also not related to life satisfaction. Political progress and conservatism also did not show meaningful differences in life satisfaction.

At least some redistribution from the affluent to people with low incomes is needed for the fruits

of economic growth to reach the most significant number of people. Thus, the more fundamental challenge for Korea is to address inequality while maintaining growth. Developing and implementing a growth strategy that delivers growth and equity is critical to ensuring sustainable political and social growth post-crisis (Lee, Lee & Park, 2012). Political and social stability means that trading a slightly lower growth rate for more equity and inclusion is desirable and necessary for growth. The two cornerstones of this growth strategy are equal access to education and equal employment opportunities, which together form the core of equality of opportunity. Growth and equity are most likely achieved in a society where most people have access to education and employment opportunities.

Korea has been relatively prosperous in balancing rapid economic growth and moderate inequality in this context. Indeed, Korea's rapid economic growth has been accompanied by significant investment in human resources. Public and private spending on education regularly exceeds 10 percent of GDP, the highest of any country (Lee, Lee & Park, 2012). Public education policy has been a significant driver of rapid economic growth and a more equal income distribution, with large-scale, systematic primary and secondary education investments. Although the main goal of education policy is to expand the stock of human capital and thus promote economic growth, it has also had the significant side effect of curbing income inequality. Thanks to near-universal primary education, most Koreans could participate in and benefit from the industrialization process. In addition to a strong public education system, inequality of opportunity is mainly reflected in education and employment, including environmental factors crucial for individual development and social fulfillment. They are also important determinants of individual access to resources and social mobility. At the societal level, the development of public systems supports equal opportunities for personal and professional development regardless of individual backgrounds or inherent power dynamics (Park & Joshanloo, 2024). Gender is a representative example. The country has made significant progress towards gender equality in education. Since 2013, female enrolment in higher education institutions has steadily increased and surpassed that of males (Yang, 2021). This education investment has helped increase income equality (OECD, 2011). Therefore, significant investment in education is a major factor in achieving equitable growth in South Korea. Korea's policies include a growth strategy that creates many jobs for a young and immense labor force, a significant public investment in the education system, and an active government effort to promote rural development.

7 Conclusion

In Korea, the finding that the grounds of unequal opportunities have a negative effect on individual well-being than income inequality raises several implications. First, Korean citizens do not associate inequality of outcomes due to inequality of income distribution with personal well-being. Second, understanding unequal opportunities hurts life satisfaction. Life satisfaction decreases when there is a perception that proximity to society, such as education, occupation, and promotion, is unequal. This finding suggests that one solution to improving citizens' well-being and general life satisfaction is for governments to adopt policies that legally and institutionally guarantee the public nature and equality of opportunities, adapted to the specific national context. Through policy interventions, governments seek to enhance the well-being of their citizens by improving equity of opportunity in education, employment, job promotion and advancement, and full-time employment.

Thus, trust in government and institutions leads to happiness. Inequality of opportunity reduces trust in the government and, simultaneously, reduces national satisfaction with life. This is a turning

point in the vicious cycle of an untrusted government, unhappy citizens, and a political economy. The positive message from the Korean experience is that growth and inequality do not necessarily go hand in hand and that government policies can make a difference. At the same time, a shift towards more egalitarian income distribution and redistribution values is as necessary for happiness and fulfillment as it is for improving equity of opportunity. In a sound institutional and policy environment, developing countries in Asia can follow in the footsteps of the Republic of Korea and achieve growth with equity.

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