

## Korea, South

Exchange rate: US\$1.00 equals 1028.50 won.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1973 (national welfare pension).

**Current law:** 1986 (national pension), with amendments; and 2007 (basic old-age pension), with 2007 amendment.

**Type of program:** Social insurance and social assistance system.

#### Coverage

**Social insurance:** Employed and self-employed persons, including farmers and fisherman, between ages 18 and 59. (Employed and self-employed persons between ages 60 and 64 may contribute voluntarily.)

Special systems for civil servants, private-school employees, military personnel, and employees of the special post office.

**Basic old-age pension:** Citizens aged 65 or older, including foreigners married to South Koreans.

#### Source of Funds

##### Social insurance:

*Insured person:* 4.5% of monthly earnings before tax.

Voluntarily insured persons contribute 9% of the previous year's median monthly income of all insured persons.

The minimum monthly earnings for contribution calculation purposes are 220,000 won.

The maximum monthly earnings for contribution calculation purposes are 3,600,000 won.

*Self-employed person:* Self-employed persons contribute 9% of monthly earnings before tax.

The minimum monthly earnings for contribution calculation purposes are 220,000 won.

The maximum monthly earnings for contribution calculation purposes are 3,600,000 won.

*Employer:* 4.5% of the monthly payroll before tax.

The minimum monthly earnings for contribution calculation purposes are 220,000 won.

The maximum monthly earnings for contribution calculation purposes are 3,600,000 won.

*Government:* Part of the cost of administration; an amount equal to 50% of the monthly contributions for farmers and

fishermen with average monthly earnings ranging from 220,000 won to 620,000 won; an amount equal to 100% of monthly contributions for 12 to 50 months for mothers with more than two children and for 6 months for insured persons with military service; a flat-rate contribution of 27,900 won per person for farmers and fishermen with average monthly earnings greater than 620,000 won.

##### Basic old-age pension:

*Insured person:* None.

*Self-employed person:* None.

*Employer:* None.

*Government:* The total cost.

#### Qualifying Conditions

**Old-age pension (social insurance):** Age 60 or older (to be raised gradually to age 65 by 2033) with at least 20 years of coverage. If younger than age 65, taxable monthly income or earnings from gainful activity must not exceed 1,676,837 won.

**Reduced old-age pension:** Aged 60 or older with between 10 and 19 years of coverage and monthly income or earnings from gainful activity not exceeding 1,676,837 won. There is no retirement test if aged 65 or older.

**Active old-age pension:** Age 60 or older with at least 10 years of coverage and in gainful activity with monthly taxable income exceeding 1,676,837 won.

**Early pension:** From age 55 with at least 10 years of coverage and taxable monthly income or earnings from gainful activity not exceeding 1,676,837 won.

**Dependent's supplement:** Paid for eligible dependents, including the spouse, children younger than age 18 or disabled (assessed with a first- or second-degree disability), and parents (including the spouse's parents) aged 60 or older or disabled (assessed with a first- or second-degree disability).

**Old-age lump-sum refund (social insurance):** Paid if the insured is aged 60, ceases gainful activity, and has less than 10 years of coverage; at any age if the insured emigrates from Korea permanently or loses Korean nationality; under bilateral agreement to insured foreigners who leave Korea.

**Split pension (social insurance):** Age 60 and divorced. Must have been married to an insured spouse for at least five years during his or her covered employment and must not be remarried.

**Basic old-age pension (social assistance):** Age 65 with an income below a maximum set by presidential order.

In 2008, the maximum was 400,000 won a month for a single person; 640,000 won for a couple.

**Disability pension (social insurance):** Must be assessed with a first-degree (total loss of work capacity and requiring

constant attendance), second-degree (severe loss of work capacity), or third-degree disability (less severe loss of work capacity) as the result of a disease or injury that began while insured. The insured must have paid 66% of scheduled contributions on time (except when the unpaid coverage period is less than 6 months).

The National Pension Corporation assesses the degree of disability.

At the request of the beneficiary, the National Pension Corporation may reassess the degree of disability and adjust the benefit amount.

**Dependent's supplement:** Paid for eligible dependents, including the spouse, children younger than age 18 or disabled (assessed with a first- or second-degree disability), and parents (including the spouse's parents) aged 60 or older or disabled (assessed with a first- or second-degree disability).

**Lump-sum disability benefit (social insurance):** Paid for a fourth-degree disability (partial loss of work capacity). The insured must have paid 66% of scheduled contributions on time (except when the unpaid coverage period is less than 6 months).

**Survivor pension (social insurance):** Paid for the death of an insured person (the deceased must have paid 66% of scheduled contributions on time, except when the unpaid coverage period is less than 6 months), an old-age pensioner, or a disability pensioner with a first- or second-degree disability.

Eligible survivors include a widow, a widower aged 60 or older (at any age with a first- or second-degree disability), parents and grandparents (including the spouse's parents or grandparents) aged 60 or older or disabled and assessed with a first- or second-degree disability, and children and grandchildren younger than age 18 (any age if assessed with a first- or second-degree disability). The pension is paid to eligible survivors in the following order of priority: spouse, children, parents, grandchildren, and grandparents.

**Dependent's supplement:** Paid for eligible dependents, including children younger than age 18 or disabled (assessed with a first- or second-degree disability) and parents (including the spouse's parents) aged 60 or older or disabled (assessed with a first- or second-degree disability).

**Survivor lump-sum refund (social insurance):** Paid on the death of an insured or formerly insured person if the qualifying conditions for the survivor pension are not satisfied.

**Lump-sum death benefit (social insurance):** Paid to dependent survivors (direct blood-relatives including cousins) in the absence of eligible survivors for the survivor pension or lump-sum refund.

### Old-Age Benefits

**Old-age pension (social insurance):** With at least 20 years of coverage, the basic monthly pension amount (BPA) is

equal to 1.5 times the sum of the average indexed national monthly wage in the 3 years immediately before the year in which the pension is first paid and the insured's average monthly wage over the insured's total contribution period.

**Pension increment:** An increment is paid for each year of coverage exceeding 20 years.

**Reduced old-age pension:** The pension ranges from 50% to 95% of the monthly BPA if the insured has at least 10 years but less than 20 years of coverage.

**Active old-age pension:** The pension is based on the insured's BPA, adjusted according to the total number of years of coverage and the insured's age.

**Early pension:** The pension is based on the insured's BPA, adjusted according to the total number of years of coverage and the insured's age when the pension is first paid.

**Dependent's supplement:** 205,220 won a year for a spouse and 136,800 won a year per child or parent is paid to all pensioners, except those receiving the active old-age pension.

**Benefit adjustment:** Benefits are adjusted annually according to changes in the consumer price index for the previous year.

**Old-age lump-sum refund (social insurance):** Equal to the insured's total contributions (including any employer contributions) plus interest calculated at the basic bank rate on the date of the refund.

**Split pension (social insurance):** The pension is equal to up to 50% of the insured ex-spouse's pension, according to the length of marriage.

**Basic Senior Pension (social assistance):** The monthly benefit is equal to 5% of the average monthly income of National Pension Service participants (rising gradually to 10% by 2028).

In 2008, the benefit was 84,000 won a month for a single person; 134,000 won a month for a couple.

### Permanent Disability Benefits

**Disability pension (social insurance):** The pension is calculated according to the insured's basic monthly pension amount (BPA) and assessed degree of disability.

The BPA is equal to 1.5 times the sum of the average indexed national monthly wage in the 3 years immediately before the year in which the pension is first paid and the insured's average monthly wage over the insured's total contribution period. An increment is paid for years of coverage exceeding 20 years.

**Total disability:** 100% of the insured's BPA is paid for a first-degree disability (total loss of work capacity and requiring constant attendance).

**Moderate disability:** 80% of the insured's BPA is paid for an assessed second-degree disability (severe loss of work

capacity); 60% for an assessed third-degree disability (less severe loss of work capacity).

Dependent's supplement: 205,220 won a year for a spouse and 136,800 won a year per child or parent is paid to disabled insured persons with an assessed first-, second-, or third-degree disability.

Benefit adjustment: Benefits are adjusted annually according to changes in the consumer price index for the previous year.

**Lump-sum disability benefit (social insurance):** 225% of the BPA is paid to insured persons with a fourth-degree disability (partial loss in work capacity).

### **Survivor Benefits**

**Survivor pension (social insurance):** If the deceased had at least 20 years of contributions, the pension is equal to 60% of the deceased's BPA; between 10 and 19 years of contributions, 50%; less than 10 years of contributions, 40%.

The BPA is equal to 1.5 times the sum of the average indexed national monthly wage in the 3 years immediately before the year in which the pension is first paid and the insured's average monthly wage over the insured's total contribution period. An increment is paid for years of coverage exceeding 20 years.

Dependent's supplement: 136,800 won a year is paid per child or parent.

Benefit adjustment: Benefits are adjusted annually according to changes in the consumer price index for the previous year.

**Survivor lump-sum refund (social insurance):** Equal to the deceased's total contributions (including employer contributions) plus interest calculated at the basic bank rate on the date of the refund.

**Lump-sum death benefit (social insurance):** Equal to the deceased's total contributions (including employer contributions) plus interest based on the average annual bank interest rate.

The maximum lump-sum death benefit is four times the deceased's last covered monthly wage, or the average covered monthly wage for the entire insured period, whichever is higher.

### **Administrative Organization**

Ministry of Health, Welfare, and Family Affairs (<http://www.mw.go.kr>) provides general supervision.

National Pension Service (<http://www.nps.or.kr>) administers the program, collects contributions, and pays benefits.

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## **Sickness and Maternity**

### **Regulatory Framework**

**First laws:** 1963 (voluntary medical insurance for employees); and 1976 (compulsory national medical insurance), implemented in 1977.

**Current laws:** 1999 (national health insurance), implemented in 2000, with 2005 amendment; 2002 (financial stability of national health insurance), with 2004 amendment; and 2007 (long-term care insurance), implemented in 2008.

**Type of program:** Social insurance system. Medical benefits only.

### **Coverage**

All Korean citizens and employees (foreigners residing in Korea may contribute on a voluntary basis), except for those with low income and covered by the medical aid program.

### **Source of Funds**

**Insured person:** 2.54% (medical benefits) and 0.09% (long-term care) of monthly earnings before tax.

The minimum monthly earnings for contribution calculation purposes are 280,000 won.

The maximum monthly earnings for contribution calculation purposes are 5,080,000 won.

**Self-employed person:** Based on personal factors including property ownership, income, age, and gender.

There are no minimum or maximum earnings for contribution calculation purposes.

**Employer:** 2.54% (medical benefits) and 0.09% (long-term care) of monthly payroll; private schools contribute a different amount.

The minimum monthly earnings for contribution calculation purposes are 280,000 won.

The maximum monthly earnings for contribution calculation purposes are 5,080,000 won.

**Government:** 2.54% of monthly earnings for government employees and 1.016% for private-school employees (medical benefits) and 20% of anticipated program costs (long-term care).

The minimum monthly earnings for contribution calculation purposes are 280,000 won.

The maximum monthly earnings for contribution calculation purposes are 5,080,000 won.

### **Qualifying Conditions**

**Cash sickness and maternity benefits:** No cash benefits are provided.

**Medical benefits:** The insured must not have missed more than 3 months of contributions since first becoming insured.

**Long-term care:** Age 65 or older and requiring constant care. Persons younger than age 65 if assessed as requiring constant care due to a medical condition such as dementia, cardiovascular disease, or Alzheimer's disease.

### **Sickness and Maternity Benefits**

**Sickness benefit:** No cash benefits are provided.

**Maternity benefit:** No cash benefits are provided.

### **Workers' Medical Benefits**

Benefits include medical treatment, surgery, hospitalization, and medicines. Medical services are provided by doctors, clinics, hospitals, and pharmacists under contract to the National Health Insurance Corporation (NHIC).

Maternity care is provided, with no limit on the number of children. There are no cash maternity benefits.

Cost sharing: The insured pays 20% of hospitalization costs and between 30% and 50% of outpatient care, depending on the type of facility. The maximum paid by each patient is 2,000,000 won every 6 months.

**Long-term care:** Benefits include in-home services to assist the insured in performing daily functions (including physical therapy, medical treatments, and medical equipment; long-term care in licensed nursing homes, retirement homes, licensed residential establishments, and other long-term care facilities; and cash benefits when the insured lives in a remote region.

### **Dependents' Medical Benefits**

Benefits include medical treatment, surgery, hospitalization, and medicines. Medical services are provided by doctors, clinics, hospitals, and pharmacists under contract to the National Health Insurance Corporation (NHIC).

Maternity care is provided to the insured's dependents, with no limit on the number of children. There are no cash maternity benefits.

Cost sharing: The insured pays 20% of hospitalization costs and between 30% and 50% of outpatient care, depending on the type of facility. The maximum paid by each patient is 2,000,000 won every 6 months.

Dependents include the spouse, children up to age 18 (or until the completion of university studies), parents and grandparents of the insured and of his or her spouse, and brothers and sisters who have no income or salary and who are mainly supported by the insured.

### **Administrative Organization**

Ministry of Health, Welfare, and Family Affairs (<http://www.mw.go.kr>) provides general supervision.

National Health Insurance Corporation (<http://www.nhic.or.kr>; <http://www.longtermcare.or.kr>) administers the national health insurance and long-term care programs,

levies and collects contributions, and pays medical service providers.

Health Insurance Review and Assessment Service (<http://www.hira.or.kr>) examines and reviews medical claims and evaluates the quality of medical and long-term care services.

### **Work Injury**

#### **Regulatory Framework**

**First law:** 1953.

**Current law:** 1963 (industrial accident compensation insurance), implemented in 1964, with 1970, 1994, 1997, 1999, 2003, 2004, and 2005 amendments.

**Type of program:** Social insurance system.

Note: The 1953 law still applies to employees if the duration of their incapacity due to a work-related injury or an occupational disease is less than 3 days.

#### **Coverage**

Employees of establishments with at least one employee.

Voluntary coverage for agriculture, forestry, hunting, and fishery businesses with fewer than five employees; certain small business employers with fewer than 50 employees; persons working on small-scale construction projects (when net construction costs are below 20,000,000 won); electricians; telecommunications workers; fire service personnel; certain self-employed persons; and household workers.

Special systems for civil servants, military personnel, private-school employees, and seamen.

#### **Source of Funds**

**Insured person:** None.

**Self-employed person:** Between 0.7% and 48.9% of declared earnings or payroll is contributed on a voluntary basis.

There are no minimum or maximum earnings for contribution calculation purposes. The contribution rate is reviewed annually.

**Employer:** Between 0.7% and 48.9% of annual payroll (for compulsorily and voluntarily insured employers), according to the assessed degree of risk.

There are no minimum or maximum earnings for contribution calculation purposes. The contribution rate is reviewed annually.

**Government:** None.

#### **Qualifying Conditions**

**Work injury benefits:** There is no minimum qualifying period.

### **Temporary Disability Benefits**

70% of the insured's average daily wage in the 3 months before the onset of disability is paid if the insured is unable to work and receiving medical treatment.

After 24 months and if still receiving medical treatment, persons assessed with a first-degree (total loss of work capacity and requiring constant attendance), second-degree (severe loss of work capacity), or third-degree disability (less severe loss of work capacity) receive the injury and disease compensation pension (ranging from 70.4% to 90.1% of the insured's average daily wage) for 257, 291, or 329 treatment days according to the assessed degree of disability. The benefit is paid until recovery or the award of the permanent disability pension.

The minimum daily benefit is 24,800 won.

The maximum daily benefit is 155,360 won.

Benefit adjustment: The minimum and maximum benefits are adjusted annually according to wage changes.

### **Permanent Disability Benefits**

**Permanent disability benefit:** The benefit varies according to the assessed degree of disability, in order of decreasing severity from grades one to seven. The annual pension is equal to the insured's average daily wage in the 3 months before the onset of disability multiplied by between 138 and 329, according to the assessed degree of disability. Insured persons with an assessed disability of four to seven (medium severity) may choose between the pension or a lump sum equal to the insured's average daily wage multiplied by 616, 737, 869, or 1,012, according to the assessed degree of disability.

The minimum daily benefit is 45,700 won.

The maximum daily benefit is 155,360 won.

Partial disability: A lump sum is paid for an assessed degree of disability from grades eight to fourteen (lower severity). The benefit is equal to the insured's average daily wage in the 3 months before the date of injury multiplied by between 55 and 495, according to the assessed degree of disability.

**Nursing benefit:** Paid for nursing services for insured persons with a residual chronic disability after receiving medical treatment. The benefit varies between 24,940 won and 37,420 won a day, according to assessed needs.

Benefit adjustment: The minimum and maximum benefits are adjusted annually according to changes in wages.

### **Workers' Medical Benefits**

Medical benefits include medical treatment, surgery, hospitalization, medicines, nursing, dental care, rehabilitation appliances, and transportation.

### **Survivor Benefits**

**Survivor pension:** 52% of annual earnings (calculated as the insured's average daily wage in the 3 months before the date of death multiplied by 365) is paid for a single person; the pension is increased by 5% for each additional survivor up to 67% for a family of four or more. The pension is paid monthly.

Eligible survivors include the dependent spouse, parents and grandparents older than age 60, children and grandchildren younger than age 18, and siblings older than age 60 or younger than age 18. The pension is paid to eligible survivors in the following order of priority: spouse, children, parents, grandchildren, grandparents, and brothers or sisters.

Benefit adjustment: The minimum and maximum benefits are adjusted annually according to changes in wages.

**Lump-sum grant:** If there are no eligible survivors for the survivor pension, a lump sum equal to the insured's average daily wage in the 3 months before the date of death multiplied by 1,300 is paid to nondependent survivors.

**Funeral grant:** A lump sum equal to the insured's average daily wage in the 3 months before the date of death multiplied by 120 is paid to the person who paid for the funeral.

The minimum funeral grant is 7,525,147 won.

The maximum funeral grant is 10,814,947 won.

Benefit adjustment: The minimum and maximum benefits are adjusted annually according to changes in wages.

### **Administrative Organization**

Ministry of Labor (<http://www.molab.go.kr>) provides general supervision.

Korea Workers' Compensation and Welfare Service (<http://www.kcomwel.or.kr>) collects contributions, pays benefits, and administers the program through its own medical care institutions.

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## **Unemployment**

### **Regulatory Framework**

**First and current law:** 1993 (employment insurance), implemented in 1995, with 1997, 1999, 2002, 2003, and 2005 amendments.

**Type of program:** Social insurance system.

### **Coverage**

All employees younger than age 65.

Voluntary coverage for agriculture, forestry, hunting, and fishery businesses with fewer than five employees; small-scale construction projects (when net construction costs are below 20,000,000 won); electricians; telecommunications workers; fire service personnel; self-employed persons; and household workers.

Exclusions: Persons working less than 60 hours a month or less than 15 hours a week, family labor, and self-employed persons.

Special systems for civil servants, private-school employees, military personnel, and employees of the special post office.

### **Source of Funds**

**Insured person:** 0.45% of annual wages before tax.

There are no maximum earnings for contribution calculation purposes.

**Self-employed person:** 0.25% of declared wages are contributed on a voluntary basis.

There are no maximum earnings for contribution calculation purposes.

**Employer:** Between 0.7% and 1.3% (depending on the type of business) of annual payroll.

There are no maximum earnings for contribution calculation purposes.

**Government:** None.

### **Qualifying Conditions**

**Unemployment benefits:** Must have at least 6 months of coverage during the last 18 months, be registered at an employment security office, and be capable of and available for work. Unemployment must not be due to voluntary leaving, misconduct, a labor dispute, or the refusal of a suitable job offer.

Additional allowances are paid to unemployed persons to encourage retraining or job search. Allowances include the early reemployment allowance, vocational ability development allowance, and transportation and home moving allowance.

### **Unemployment Benefits**

The benefit is equal to half of the insured's average daily earnings during the 3 months immediately before unemployment. The benefit is paid after a 7-day waiting period for up to 90 days to those with between 6 and 12 months of coverage; for up to 240 days with more than 10 years of coverage or aged 50 or older or disabled.

The minimum daily benefit is 90% of the minimum daily wage. (The minimum daily wage is 24,800 won.)

The maximum daily benefit is 40,000 won.

### **Administrative Organization**

Ministry of Labor (<http://www.molab.go.kr>) provides general supervision of the program.

Employment Security Offices, under the Ministry of Labor, pay unemployment benefits.

Korea Workers' Compensation and Welfare Service (<http://www.kcomwel.or.kr>) collects contributions.