

## Korea, South

Exchange rate: U.S.\$1.00 equals 1,209 won.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1973.

**Current law:** 1986, with amendments.

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

#### Coverage

All residents between ages 18 and 59.

Special systems for public-sector employees, private-school teachers, and military personnel.

#### Source of Funds

**Insured person:** 4.5% of covered monthly earnings; 6% of covered monthly earnings for farmers, fishermen, and the self-employed.

**Employer:** 4.5% of the insured's covered monthly earnings.

**Government:** Part of the cost of administration and of contributions on behalf of farmers and fishermen.

#### Qualifying Conditions

**Old-age pension:** For a full old-age pension, age 60 (to be raised gradually to age 65 by 2033) with at least 20 years of coverage and no longer engaged in gainful activity. There is no retirement test if aged 65 or older.

**Reduced old-age pension:** Aged 60 or older with between 10 and 19 years of coverage and no longer engaged in gainful activity. There is no retirement test if aged 65 or older.

**Active old-age pension:** Aged 60 to 64 with at least 10 years of coverage and engaged in gainful activity.

**Early old-age pension:** Aged 55 to 59 with at least 10 years of coverage and no longer engaged in gainful activity.

**Lump-sum refund:** Payable if the insured is aged 60 or older and has less than 10 years of coverage, or if the insured loses Korean nationality or emigrates from Korea permanently.

**Disability pension:** Disabled as a result of a disease or injury that occurred while insured. The insured made 2/3 of scheduled contributions and made them on time.

**Lump-sum disability benefit:** Payable to a disabled person with some loss of work capacity (fourth-degree disability).

**Survivor pension:** The death of an insured person or a pensioner. The insured made 2/3 of scheduled contributions and made them on time.

Eligible survivors include the widow, widower if aged 60 or older (at any age with at least a second-degree disability; see permanent disability benefits for insured workers, below); parents and grandparents (including the spouse's parents or grandparents) aged 60 or older or disabled and assessed with at least a second-degree disability; children and grandchildren under age 18 (any age if assessed with at least a second-degree disability).

**Lump-sum refund:** Paid on the death of an insured or a formerly insured person if the qualifying conditions for the survivor pension are not fulfilled.

**Lump-sum death benefit:** A dependent survivor (direct blood-relatives including cousins) not otherwise eligible for a survivor benefit or a lump-sum refund.

#### Old-Age Benefits

**Old-age pension:** The basic pension amount (BPA) equals 1.8 times the sum of the average covered monthly earnings of all insured persons in the 3 years immediately preceding the year in which a pension is first payable and the average covered monthly earnings of the insured person over the entire contribution period.

**Full old-age pension:** The BPA plus 5% of the BPA for each year of insurance in excess of 20 years.

**Reduced old-age pension:** 47.5% of the BPA plus 5% of the BPA for each year of insurance in excess of 10 years.

**Active old-age pension:** Between 0.5 and 0.9 times 47.5% of the BPA, depending on the age of the pensioner, plus 5% of the BPA for each year of insurance in excess of 10 years.

**Early old-age pension:** 0.75 times 47.5% of the BPA plus 5% of the BPA for each year of delay in claiming benefits after age 55.

**Dependent supplement:** Payable to all pensioners except recipients of the active old-age pension.

Eligible dependents include the spouse, children under age 18 or disabled (assessed with at least a second-degree disability), and parents (including the spouse's parents) aged 60 or older or disabled (assessed with at least a second-degree disability).

**Benefit adjustment:** Benefits are adjusted for changes in the consumer price index.

All pensions are nontaxable.

**Lump-sum refund:** Total contributions of the insured (in the case of employees, the sum of employer and employee contributions) plus interest.

#### Permanent Disability Benefits

**Disability pension:** Pension is payable according to the assessed degree of disability. The first degree is defined as the total loss of work capacity and requiring constant attendance, the second degree as a severe loss of work capacity, and the third (and fourth) degree as some loss of work capacity.

Total disability: 100% of the BPA for an assessed first-degree disability.

Partial disability: 80% of the BPA for an assessed second-degree disability and 60% of the BPA for an assessed third-degree disability.

Dependent supplement: For disabled insured persons with an assessed first- to third-degree disability.

Eligible dependents include the spouse, children less than age 18 or disabled (assessed with at least a second-degree disability) and parents (including the spouse's parents) aged 60 or older or disabled (assessed with at least a second-degree disability).

**Lump-sum disability benefit:** Equal to 225% of the BPA, payable to insured persons with a fourth-degree disability.

### **Survivor Benefits**

**Survivor pension:** If the insured person had at least 20 years of contributions, the pension is 60% of the insured's BPA; for between 10 and 19 years of contributions, 50%; if less than 10 years of contributions, 40%.

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

**Lump-sum refund:** The insured's total contributions (in the case of employees, the sum of employer and employee contributions) plus interest.

**Lump-sum death benefit:** Equal to the amount of the insured's lump-sum refund.

The maximum death benefit is 4 times the insured's last covered monthly earnings, or the average covered monthly earnings for the entire insured period, whichever is higher.

**Funeral grant:** A lump-sum payment of 250,000 won. (Paid to dependents under sickness and maternity benefits).

### **Administrative Organization**

National Pension Corporation administers the program under the supervision of the Ministry of Health and Welfare.

### **Sickness and Maternity**

#### **Regulatory Framework**

**First laws:** 1963 (medical insurance), 1997 (national medical insurance), and 1999 (national health insurance).

**Current law:** 2002 (national health insurance; financial stability of national health insurance).

**Type of program:** Social insurance system providing medical care only.

### **Coverage**

All residents (including noncitizens on a voluntary basis), except for those with low incomes covered by the medical aid program.

### **Source of Funds**

**Insured person:** 1.815% of standard monthly wages; self-employed persons contribute an amount calculated on the basis of personal factors including property ownership, income, age, and gender.

**Employer:** 1.815% of standard monthly wages; private-school boards contribute 1.095%.

**Government:** None for employees; 1.815% of standard monthly wages for government employees, 0.726% for private-school employees, and 40% of the total benefit expenditure for insured self-employed persons is paid from general revenue; 10% of total benefit expenditure for older age cohorts of insured self-employed persons is financed from an earmarked tax on tobacco.

There is no minimum or maximum earnings level for contribution purposes.

### **Qualifying Conditions**

**Medical benefits:** There is no minimum qualifying period. At least 3 months of contributions.

### **Workers' Medical Benefits**

Benefits include medical treatment, surgery, hospitalization, and medicines. The services are provided by doctors, clinics, hospitals, and pharmacists.

Maternity care is provided to the insured person or his or her dependents, with no limit on the number of children. There are no cash maternity benefits.

Cost-sharing: The insured and his or her dependents pay 20% of hospitalization costs and between 30% and 50% of outpatient care (50% if provided by a specialized general hospital, 45% if provided by a general hospital, 40% if provided by a hospital, and 30% if provided by a clinic).

### **Dependents' Medical Benefits**

Same as for the insured person.

Dependents include the spouse, direct lineal ascendants of the insured person and those of the spouse, and brothers and sisters who have no income or salary and who are mainly supported by the insured person.

### **Administrative Organization**

Ministry of Health and Welfare provides general supervision. National Health Insurance Corporation administers the national health insurance program and levies and collects contributions.

Health Insurance Review Agency examines and reviews medical claims and evaluates the quality of medical services.

### **Work Injury**

---

#### **Regulatory Framework**

**First law:** 1953 (the law still applies to employees if the duration of incapacity due to a work-related injury or illness is less than 3 days).

**Current law:** 1963, with amendments.

**Type of program:** Compulsory social insurance.

#### **Coverage**

All employees.

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 million won); domestic employees and the self-employed.

Special systems for public-sector employees and seamen.

#### **Source of Funds**

**Insured person:** None.

**Employer:** Between 0.4% and 31.9% of payroll, according to the type of business (the average contribution is 1.49%).

**Government:** None.

#### **Qualifying Conditions**

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

#### **Temporary Disability Benefits**

70% of the average daily wage is payable until recovery after a 3-day waiting period. After the first 24 months, more severely disabled persons receive the injury and disease compensation pension (96% of the average daily wage for between 257 and 329 days a year until recovery, varying with the degree of disability).

The minimum benefit is 33,570 won a day.

The maximum benefit is 133,070 won a day.

Benefit adjustment: The average daily wage is adjusted according to wage fluctuations.

### **Permanent Disability Benefits**

**Permanent disability benefit:** The benefit is paid to seriously disabled persons assessed as having a degree of disability from grade one to seven. Benefit varies according to the assessed degree of disability. The benefit is an annual pension equal to the average daily wage multiplied by between 138 and 329 or a lump-sum benefit equal to the average daily wage multiplied by between 616 and 1,474.

A lump sum is paid to less seriously disabled persons assessed as having a degree of disability from grade eight to fourteen. The benefit equals the average daily wage multiplied by between 55 and 495, according to the degree of disability.

Benefit adjustment: The average daily wage is adjusted according to wage fluctuations.

**Nursing benefit:** A payment for nursing services for insured persons with a residual chronic disability after receiving medical care. The benefit varies between 21,720 and 31,900 won a day.

### **Workers' Medical Benefits**

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

### **Survivor Benefits**

**Survivor benefits:** 52% of annual earnings (calculated as 365 days multiplied by the average daily wage) for a single person; the benefit is increased by 5% for each additional survivor up to 67% for a family of four or more.

Eligible survivors include the spouse, parents and grandparents older than age 60, children, grandchildren under age 18, and siblings older than age 60 or under age 18.

Benefit adjustment: The average daily wage is adjusted according to wage fluctuations.

**Lump-sum grant:** If there are no eligible survivors, a lump sum equal to the average daily wage multiplied by 1,300 is payable to nondependent survivors.

**Funeral grant:** The average daily wage multiplied by 120.

The minimum funeral grant is 6,279,595 won.

The maximum funeral grant is 9,264,595 won.

### **Administrative Organization**

Ministry of Labor provides general supervision.

Korea Labor Welfare Corporation administers the program.

---

## **Unemployment**

---

### **Regulatory Framework**

**First and current law:** 1993, implemented in 1995, with amendments.

**Type of program:** Compulsory social insurance.

### **Coverage**

All employees under age 65.

Voluntary coverage for agriculture, forestry, hunting, and fishery businesses with fewer than five employees.

Exclusions: Persons newly employed after age 60, casual workers whose term of employment is less than 80 hours a month, family labor, and the self-employed.

Special systems for public employees and seamen.

### **Source of Funds**

**Insured person:** 0.5% of wages.

**Employer:** Between 0.9% and 1.5% of payroll.

**Government:** None.

### **Qualifying Conditions**

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

### **Unemployment Benefits**

Benefit equals half of earnings and is payable for between 90 and 240 days according to the coverage period and age.

### **Administrative Organization**

Ministry of Labor provides general supervision of the program.

Employment Security Offices pay unemployment benefits.

Korea Labor Welfare Corporation collects contributions.