

Korea, South

Exchange rate: US\$1.00 equals 1,164 won.

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1973 (national welfare pension).

Current law: 1986 (national pension), with 1989, 1993, 1995, 1997, 1998, 1999, and 2000 amendments.

Type of program: Social insurance system.

Coverage

Employees and the self-employed between ages 18 and 59. (Employees and the self-employed between ages 60 and 64 may contribute on a voluntary basis to increase years of coverage.)

Voluntary coverage for the nonemployed.

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

Source of Funds

Insured person: 4.5% of standard monthly earnings before tax, according to 45 levels of standard monthly wages. Voluntarily insured persons contribute 8% of monthly earnings (9% from July 2005) based on the previous year's median monthly income of all insured persons.

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

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

Self-employed person: Self-employed persons, including farmers and fishermen, and nonemployed persons contribute 8% of monthly earnings (9% from July 2005) on a voluntary basis, according to 45 levels of standard monthly earnings.

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

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

Employer: 4.5% of the standard monthly payroll before tax, according to 45 levels of standard monthly wages.

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

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

Government: Part of the cost of administration and an amount no less than 1/3 of the contribution of the lowest income grade (currently 7,700 won) per month per person for farmers and fishermen.

Qualifying Conditions

Old-age pension: For the full old-age pension, age 60 (to be raised gradually to age 65 by 2033) with at least 20 years of coverage. If younger than age 65, taxable annual income or earnings from gainful activity must not exceed 5,000,000 won.

Reduced old-age pension: Aged 60 or older with between 10 and 19 years of coverage and annual income or earnings from gainful activity not exceeding 5,000,000 won. There is no retirement test if aged 65 or older.

Active old-age pension: Age 60 with at least 10 years of coverage and in gainful activity with annual taxable income exceeding 5,000,000 won.

Early pension: Age 55 with at least 10 years of coverage and taxable annual income or earnings from gainful activity not exceeding 5,000,000 won.

Old-age pensions are payable abroad.

Lump-sum refund: Payable if the insured is aged 60, ceases gainful activity, and has less than 10 years of coverage; if the insured emigrates from Korea permanently or loses Korean nationality (under bilateral agreement, also payable to insured foreigners who leave Korea).

Disability pension: Assessed with a first, second, or third degree disability as a result of a disease or injury that began while insured. The insured must have paid 2/3 of scheduled contributions on time.

The National Pension Corporation assesses the degree of disability.

Disability pensions are payable abroad.

Lump-sum disability benefit: Payable for a partial loss of work capacity (fourth-degree disability).

Survivor pension: Payable for the death of an insured person, an old-age pensioner, or a disability pensioner with a first-, second-, or third-degree disability. The deceased must have paid 2/3 of scheduled contributions on time.

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

Dependent supplement: Payable for any eligible dependents, including the spouse, children younger 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).

Survivor pensions are payable abroad.

Lump-sum survivor refund: 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: Payable to any dependent survivor (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: The basic monthly pension amount (BPA) is equal to 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 insured's average covered monthly wage or earnings over the entire contribution period.

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

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

Active old-age pension: With at least 20 years of coverage, between 50% and 90% of the monthly BPA, depending on the age of the pensioner; 10 to 19 years of coverage, between 50% and 90% of the monthly BPA, depending on the age of the pensioner, times 47.5% of the monthly BPA, plus 5% of the monthly BPA for each year of insurance beyond 10 years.

Early pension: 0.75 times 47.5% of the monthly BPA, plus 5% of the monthly BPA for each year of delay in claiming the pension after age 55.

Dependent supplement: 184,140 won a year for a spouse and 122,760 won a year per child or per parent is payable to all pensioners, except those receiving the active old-age pension.

Eligible dependents include the spouse, children younger 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).

Benefit adjustment: The BPA is adjusted annually according to changes in the consumer price index for the previous year.

All pensions are nontaxable.

Lump-sum refund: Equal to the insured's total contributions (including any employer contributions) plus interest at the basic bank rate current at the time of refund.

Permanent Disability Benefits

Disability pension: The pension is payable according to the assessed degree of disability: a total loss of work capacity and requiring constant attendance (first degree); a severe loss of work capacity (second degree); and a less severe loss of work capacity (third and fourth degrees).

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

Moderate disability: 80% of the insured's BPA for an assessed second-degree disability and 60% of the BPA for an assessed third-degree disability.

Dependent supplement: 184,140 won a year for a spouse and 122,760 won a year per child or parent is payable to disabled insured persons with an assessed first-, second-, or third-degree disability.

Eligible dependents include the spouse, children younger 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).

Benefit adjustment: Benefits are adjusted annually according to changes in the consumer price index for the previous year. (At the request of the beneficiary, the National Pension Corporation may reassess the degree of disability and adjust the benefit amount.)

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 deceased had at least 20 years of contributions, the pension is 60% of the insured's BPA; between 10 and 19 years of contributions, 50%; less than 10 years of contributions, 40%.

Dependent supplement: 184,140 won a year is payable for a spouse and 122,760 won a year per child or parent.

Benefit adjustment: The survivor pension is adjusted annually according to changes to the consumer price index for the previous year.

Lump-sum survivor refund: Equal to the insured's total contributions (in the case of employees, the sum of employer and employee contributions) plus interest based on the average annual bank interest rate.

Lump-sum death benefit: Equal to the insured's total contributions (in the case of employees, the sum of employer and employee contributions) plus interest based on the average annual bank interest rate.

The maximum lump-sum death benefit is four 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 of 250,000 won. (Paid to dependents under the Sickness and Maternity program.)

Administrative Organization

Ministry of Health and Welfare (<http://www.mohw.go.kr>) supervises the program.

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

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; and 2002 (financial stability of national health insurance).

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

Coverage

All Korean citizens (noncitizen residents may contribute on a voluntary basis), except for those with low incomes covered by the medical aid program.

Source of Funds

Insured person: 2.105% of standard monthly wages before tax, according to 50 levels of standard monthly wages.

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

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

Self-employed person: An amount calculated on the basis of personal factors including property ownership, income, age, and gender.

There are no minimum or maximum earnings for contribution purposes.

Employer: 2.105% of standard monthly payroll (private-school boards contribute 1.263%), according to 50 levels of standard monthly payroll.

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

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

Government: None for employees; 2.105% of standard monthly wages for government employees and 0.842% for private-school employees, according to 50 levels of standard monthly payroll. Of the total benefit expenditure for insured self-employed persons, 40% is paid from general revenue, and 10% of total benefit expenditure for older cohorts (older than age 65) of insured self-employed persons is financed from an earmarked tax on tobacco.

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

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

Qualifying Conditions

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

Medical benefits: Must not have missed more than 2 months' contributions since first becoming insured.

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 contracted to the (National Health Insurance Corporation). Benefits are payable for up to 365 treatment days a year, with each individual medical service used being counted as a day of treatment. If the treatment days exceed 365, the patient pays all subsequent costs. If the total amount paid by the NHIC for 365 days does not exceed 1,500,000 won per patient per year, the NHIC may continue to pay benefits up to that limit.

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, or 30% if provided by a clinic). The NHIC refunds 50% of patient's costs exceeding 1,200,000 won in 30 days. The overall limit paid by each patient is 3,000,000 won every 6 months.

Dependents' Medical Benefits

Same as for the insured person.

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 and Welfare (<http://www.mohw.go.kr>) provides general supervision.

National Health Insurance Corporation (<http://www.nhic.or.kr>) administers the national health insurance program, levies and collects contributions, and pays medical service providers.

Health Insurance Review Agency (<http://www.hira.or.kr>) examines and reviews medical claims and evaluates the quality of medical services.

Work Injury

Regulatory Framework

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

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

Type of program: Social insurance system.

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 20,000,000 won); and domestic employees and the self-employed.

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

Source of Funds

Insured person: None.

Self-employed person: Voluntary coverage of between 0.4% and 40.8% of annual earnings.

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

Employer: Between 0.4% and 40.8% of annual payroll (for compulsorily and voluntarily insured persons), according to the risk of the type of business (the average contribution is 1.48%).

There are no minimum or maximum earnings for contribution 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 payable after a 3-day waiting period for up to 24 months or until recovery or until the permanent disability pension is payable. After 24 months and if medical treatment continues, persons assessed with a first-, second-, or third-degree disability receive the injury and disease compensation pension (96% of the insured's average daily wage) for 257, 291, or 329 treatment days depending on the assessed degree of disability until recovery or until the permanent disability pension is payable.

The minimum benefit is 37,020 won a day.

The maximum benefit is 145,800 won a day.

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 between 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 138, 164, 193, 224, 257, 291, or 329, according to the assessed degree of disability. Insured persons with an assessed disability of four to seven 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 benefit is 37,020 won a day.

The maximum benefit is 145,800 won a day.

Partial disability: A lump sum is paid to less seriously disabled persons with an assessed degree of disability from grades eight to fourteen. The benefit is equal to the insured's average daily wage in the 3 months before the date of death multiplied by between 55 and 495, according to the assessed degree of disability.

Nursing benefit: Payable for nursing services for insured persons with a residual chronic disability after receiving medical care. The benefit varies between 22,400 won and 33,600 won a day.

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

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) 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 wage changes.

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 payable 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 6,669,440 won.

The maximum funeral grant is 9,932,840 won.

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

Administrative Organization

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

Korea Labor Welfare Corporation (<http://www.welco.or.kr>) collects contributions, pays benefits, and administers the program through its own medical care institutions.

Unemployment

Regulatory Framework

First and current law: 1993 (employment insurance), implemented in 1995, with 1997, 1999, and 2002 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); and domestic employees.

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

Special schemes 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 purposes.

Self-employed person: Not applicable.

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

There are no maximum earnings for contribution purposes.

Government: None.

Qualifying Conditions

Unemployment benefits: At least 6 months of coverage during the last 18 months. Must be 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 job offer.

Additional allowances are payable to the unemployed to encourage retraining or job search. Allowances include early reemployment allowance, vocational ability development allowance, and transport and moving allowance.

Unemployment Benefits

The benefit is equal to half of insured's average daily earnings during the 3 months immediately before unemployment. The benefit is payable after a 7-day waiting period for 90 days to those with between 6 and 12 months of coverage; for 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 wage (18,072 won).

The maximum daily benefit is 35,000 won.

Administrative Organization

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

Employment Security Offices (part of the Ministry of Labor) pay unemployment benefits.

Korea Labor Welfare Corporation (<http://www.welco.or.kr>) collects contributions.