

REPUBLIC OF KOREA (1996)

1. Overview of the system

Unemployed persons are covered by an unemployment insurance. Financial assistance exists for low-income families and child-care facilities for working parents are being expanded. The 1995 APW earnings level is Won 13.5 m., the 1996 APW earnings level is Won 15.0 m.

2. Unemployment insurance

There are two kinds of unemployment benefits. Only the Basic Allowance is considered within this study:

- *Basic Allowance*: provides cash payments to maintain the worker's standard of living.
- *Employment Promotion Allowance*, split into:
 - Early Reemployment Allowance, aimed to facilitate and encourage the recipients' re-entry into a job, for those who get a steady job earlier than halfway the given benefit duration; it amounts to one-third of the residual days of Basic Allowance.
 - Job Abilities Development Allowance, for those who take approved vocational training.
 - Wide-area Jobseeking Allowance.
 - Moving expenses.

2.1 *Conditions for receipt*

Voluntary unemployed people are disqualified.

2.1.1 *Employment conditions*

Corresponds to the contribution condition.

2.1.2 *Contribution conditions*

At least 12 months in the 18-month period preceding unemployment.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

The daily basic allowance is 50 per cent of the daily wage. The daily wage is the wage paid in the last 12 months divided by 365 days. The minimum benefit is half the minimum wage; the maximum monthly benefit is 1.05 million Won. The monthly minimum wage was Won 264 420 in 1995 and Won 288 150 in 1996.

2.2.2 *Income and earnings disregards*

No disregards; the benefit ceases when employment is found.

2.3 *Tax treatment of benefit*

Not taxable.

2.4 *Benefit duration*

It is determined by two factors: the insured period and the age at the time of unemployment. It is shown below in days of benefit: (7 days per week, 30 days per month, 365 days per year).

Age (years)	Insured period (days)			
	Under 3	3 - 5	5 - 10	Over 10
Under 25	30	60	90	120
25 -30	60	90	120	150
30 -50	90	120	150	180
Over 50	120	150	180	210

There is a two-week waiting period.

2.5 *Treatment of particular groups*

None.

3. **Unemployment assistance**

None.

4. Social assistance

4.1 *Conditions for receipt*

The benefit is means-tested.

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

The benefit amounted to 80 per cent of minimum living costs in 1996. Minimum living costs are assumed to equal half the minimum wage.

4.2.2 *Income and earnings disregards*

None.

4.3 *Tax treatment of benefit*

Not taxable.

4.4 *Benefit duration*

As long as the need persists.

4.5 *Treatment of particular groups*

None.

5. Housing benefits

None.

6. Family benefits

None.

7. Child-care benefits

Not yet installed in 1996.

8. Employment-conditional benefits

None.

9. Lone-parent benefits

None.

10. Tax system

10.1 Income tax rate schedule

10.1.1 Tax allowances and credits

Deductions	Amount (in million Won)
Personal	1.0
Spouse	1.0
Dependant	1.0
Special (varies with income)	
[Under 4.0]	actual income
[4.0 - 17.33]	2.8 + 0.3*income
[17.33 and over]	8.0
Medical/educational insurance	0.6
	(or actual expenses up to 2.4)

10.1.2 The definition of taxable income

Gross earnings minus the above deductions.

10.1.3 The tax schedule

1995 tax schedule	
Taxable income (million Won)	Marginal tax rate (%)
Under 4	5
4 - 8	9
8 - 16	18
16 - 32	27
32 - 64	36
64 and over	45

1996 tax schedule	
Taxable income (million Won)	Marginal tax rate (%)
Under 10	10
10 - 30	20
30 - 60	30
60 and over	40

10.2 Treatment of family income

Couples file jointly.

10.3 Social security contribution schedule

Contribution	Proportion of gross earnings (%)
National pension plan	3.0
Health insurance system	2.5 (average)

11. Part-time work

Part-time work is not accommodated in the Korean tax/benefit system

12. Policy developments

12.1 Policy changes introduced in the last year

Social welfare expenditure has been increased dramatically which has resulted in, among other things, increased social assistance benefits for families in financial need.

12.2 Policy changes announced

The government will continue to increase social welfare expenditure and will expand child-care possibilities.

REPUBLIC OF KOREA

**The annual tax/benefit position of an unemployed single person, 1996
(Won)**

	Unemployment insurance (6 months)	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Total taxable benefits	0	0
B. Income tax and social security contributions		
Total income tax and social security contributions	0	0
C. Non-taxable benefits		
Means-tested benefits		
Social assistance	0	1 383 100
Non-means tested benefits		
Unemployment insurance	7 500 000	0
Total non-taxable benefits	7 500 000	1 383 100
D. Net income out of work (A-B+C)	7 500 000	1 383 100
E. Net income in work	13 565 000	13 565 000
F. Net replacement rate (D/E) (per cent)	55	10

REPUBLIC OF KOREA

**The annual tax/benefit position of an unemployed married couple with two children, 1996
(Won)**

	Unemployment insurance (6 months)	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Total taxable benefits	0	0
B. Income tax and social security contributions		
Total income tax and social security contributions	0	0
C. Non-taxable benefits		
Means-tested benefits		
Social assistance	0	1 383 100
Non-means tested benefits		
Unemployment insurance	7 500 000	0
Total non-taxable benefits	7 500 000	1 383 100
D. Net income out of work (A-B+C)	7 500 000	1 383 100
E. Net income in work	13 865 000	13 865 000
F. Net replacement rate (D/E) (per cent)	54	10

REPUBLIC OF KOREA

**The annual tax/benefit position of a lone parent with two children, 1996
(Won)**

	Unemployment insurance (6 months)	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Total taxable benefits	0	0
B. Income tax and social security contributions		
Total income tax and social security contributions	0	0
C. Non-taxable benefits		
Means-tested benefits		
Social assistance	0	1 383 100
Non-means tested benefits		
Unemployment insurance	7 500 000	0
Total non-taxable benefits	7 500 000	1 383 100
D. Net income out of work (A-B+C)	7 500 000	1 383 100
E. Net income in work	13 765 000	13 765 000
F. Net replacement rate (D/E) (per cent)	54	10