

**REPUBLIC OF KOREA**  
**1997**

**1. Overview of the system**

Unemployed persons are covered by an unemployment insurance to which employers and employees contribute. As a last resort, the Government provides social assistance (the “Livelihood Protection Programme”) to cover basic needs for needy individuals. The 1997 APW earnings level is Won 14 484 828.

**2. Unemployment insurance**

There are two kinds of unemployment benefits. Only the Job Search Allowance is included in the calculations used in this study:

- *Job Search 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 gross 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 335 610.

### 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	60	90	120	150
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*

Disabled persons, regardless of their age, are entitled to the same number of days of benefits as those above 50 years of age.

## 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 84.1 per cent of minimum living costs in 1997. 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 1997.

**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 5.0]	actual income
[Over 5.0]	3.5 + 0.3*income to 9.0 max.
Additional allowance	0.5
Single person allowance	1.0

Tax credits: Credits are allowed for salaried employees based on the following rule:

If the calculated tax is up to W 500 000, the credit is 45% of the calculated tax.

If the calculated tax is over W 500 000, the credit is W 225 000 + 30% of the tax amount over W 500 000. This credit is limited to W 600 000.

*10.1.2 The definition of taxable income*

Gross earnings minus the above deductions.

*10.1.3 The tax schedule*

1997 tax schedule	
Taxable income (million Won)	Marginal tax rate (%)
Under 10	10
11 – 40	20

41 – 80	30
81 and over	40

#### *10.1.4 Local taxes*

The local income tax is paid to the central government. The local income tax rates vary from 3.75% to 11.25%. For this study, we have selected a rate of 10%.

#### *10.2 Treatment of family income*

Couples file jointly.

#### *10.3 Social security contribution schedule*

Contribution rates for employees	Proportion of gross earnings (%)
National pension plan	2.0
Unemployment insurance	0.3
Health insurance system	1.565 (average)

#### **11. Part-time work**

Part-time workers are not covered by unemployment schemes in Korea.

#### **12. Policy developments**

##### *12.1 Policy changes introduced in the last year*

Social welfare expenditure has increased significantly over the past few years which has resulted in, among other things, increased social assistance benefits for families in financial need.

##### *12.2 Policy changes announced*

The ministry of health and welfare and Ministry of labour are going to bridge the gap of coverage between Unemployment Insurance and Social Assistance. The coverage of both systems will be expanded shortly in view of growing unemployment.

**REPUBLIC OF KOREA**

**The annual tax/benefit position of an unemployed single person, 1997  
(Won)**

	Unemployment insurance (6 months)	Social assistance
<b>A. Taxable benefits</b>		
Means-tested benefits		
Non-means tested benefits		
<b>Total taxable benefits</b>	<b>0</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
<b>Total income tax and social security contributions</b>	<b>0</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
Means-tested benefits		
Social assistance	0	1 596 000
Non-means tested benefits		
Unemployment insurance	7 242 414	0
<b>Total non-taxable benefits</b>	<b>7 242 414</b>	<b>1 596 000</b>
<b>D. Net income out of work (A-B+C)</b>	<b>7 242 414</b>	<b>1 596 000</b>
<b>E. Net income in work</b>	<b>13 680 607</b>	<b>13 680 607</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>53</b>	<b>12</b>

**REPUBLIC OF KOREA**

**The annual tax/benefit position of an unemployed married couple with two children, 1997  
(Won)**

	Unemployment insurance (6 months)	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
<b>Total taxable benefits</b>	<b>0</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
<b>Total income tax and social security contributions</b>	<b>0</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance	0	6 384 000
<b>Non-means tested benefits</b>		
Unemployment insurance	7 242 414	0
<b>Total non-taxable benefits</b>	<b>7 242 414</b>	<b>6 384 000</b>
<b>D. Net income out of work (A-B+C)</b>	<b>7 242 414</b>	<b>6 384 000</b>
<b>E. Net income in work</b>	<b>13 801 607</b>	<b>13 801 607</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>52</b>	<b>46</b>

**REPUBLIC OF KOREA**

**The annual tax/benefit position of a lone parent with two children, 1997  
(Won)**

	Unemployment insurance (6 months)	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
<b>Total taxable benefits</b>	<b>0</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
<b>Total income tax and social security contributions</b>	<b>0</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance	0	4 788 000
<b>Non-means tested benefits</b>		
Unemployment insurance	7 242 414	0
<b>Total non-taxable benefits</b>	<b>7 242 414</b>	<b>4 788 000</b>
<b>D. Net income out of work (A-B+C)</b>	<b>7 242 414</b>	<b>4 788 000</b>
<b>E. Net income in work</b>	<b>13 741 107</b>	<b>13 741 107</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>53</b>	<b>35</b>