

Employment insurance for expansion of coverage self- employed in Korea

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► The policy of Employment Insurance in Korea

Introduction:

- Launched in 1995

Programs

- Employment Stability
- Competency Development
- Unemployment Benefits
- Public Employment Service

Policy direction:

- Comprehensive system to integrate and insure Active Labor Market Programs

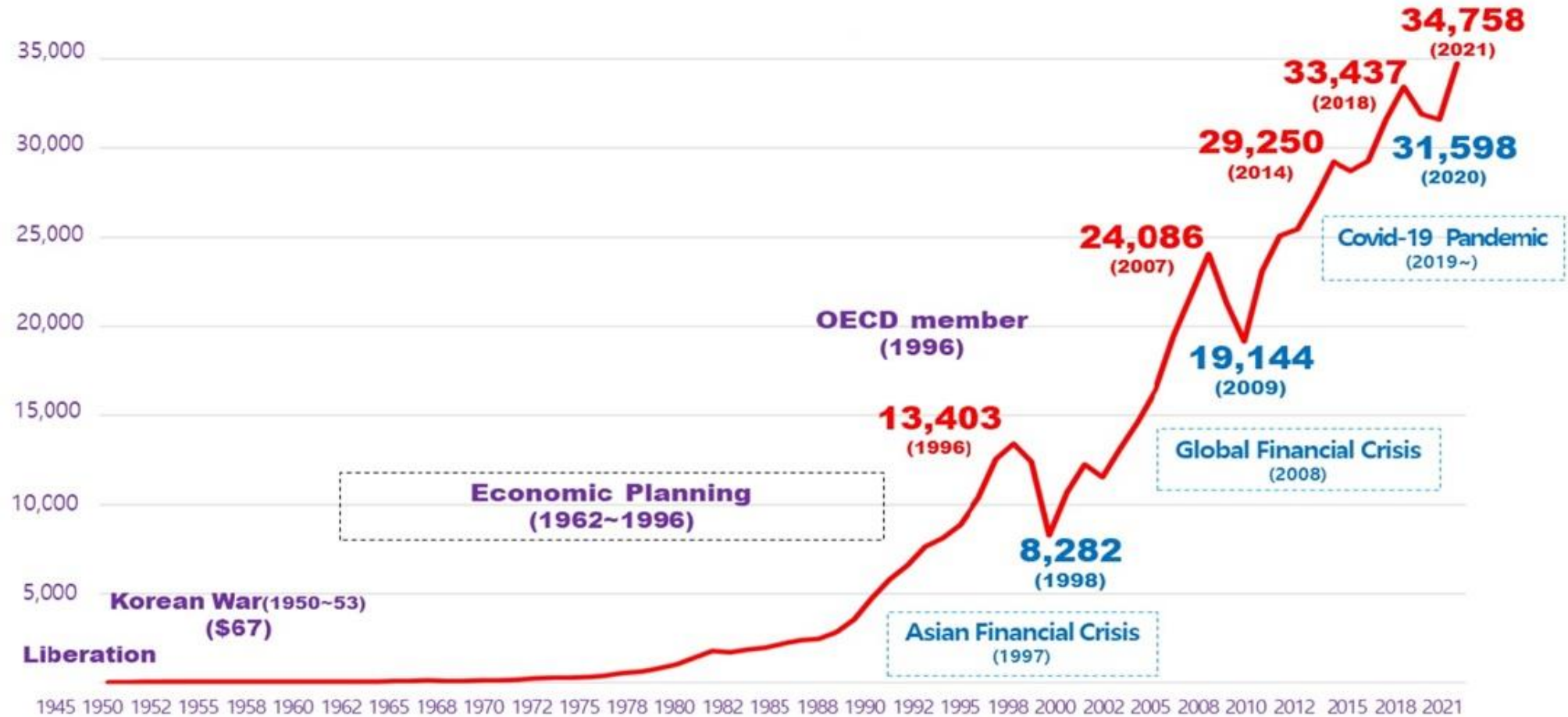
Role of Employment Insurance

- Safety net for the unemployed as completing social security insurance

Coverage goal

- Expand coverage to all workers

Economic development and crisis in Korea



Source: World Bank

Characteristics of labour market in Korea in 2006

High rate of self-employed

- Korea 28.8%,
- UK 13.9%,
- Japan 12.3%,
- US 7%



One fourth of the total working population

Self-employed/
Total working
population:
6,135,000
/24,033,000



A lot of low-profit,
subsistence-level
business



Employment Insurance for the self-employed is essential to support the income stability.

Social Dialogue and EI coverage expansion for the self-employed

2006

- Introduction of EI for the self-employed
- But limited to coverage for employment stability and skill development

2008

- Financial crisis (subprime crisis) resulted in a massive closure of small businesses

2011

- Employment Insurance (EI) act was revised

2012

- **Unemployment benefits** for self-employed individuals

Social Dialogue

To strengthen the protection of self-employed individuals, it was included in the economic policy of 2009, resulting in a national consensus among the workers, employers, and the government (February 23, 2009)

Key expansion of Employment Insurance for the self-employed

Year	Content
2013	Unemployment benefits available after the age of 65
2016	Relaxation of the membership period restrictions Expansion of the standard salary grade
2018	Relaxation of the membership period restrictions (Change from within 1 year of starting business to within 5 years.)
2019	Expansion of the standard salary grade Abolition of the membership period restrictions Strengthening the security of unemployment benefits (standard wage at 50% to 60%)
2021	Relaxation of restrictions on dual acquisition
2022	Relaxation of unemployment benefit eligibility requirements (due to COVID-19-related management difficulties)
2024	Expansion of application to agricultural and fishery self-employed

Design of Employment Insurance for the self-employed

Eligibility

Individuals who are business owners with no employees or fewer than 50 employees

1. Possess a business registration certificate in their own name;
2. Individuals who have not received job-seeking benefits within 2 years prior to the date of application for employment insurance
3. Not engaged in certain business types (real estate rental and in-home employment activities)

Method: Voluntary

Insurance Premium Rate

Unemployment benefits 2%, Employment stability and vocational training: 0.25%

Income Criteria

Self-employed individuals can choose from one of seven levels of standard wages based on the standard wage as per the Ministry of Employment and Labor's notification

► Eligibility for unemployment benefits

Must have closed the business for **legitimate reasons as defined by the Ministry of Employment and Labor ordinance**

E.g. Continuous losses for 6 months, 20% decrease in average monthly sales over 3 months, deteriorating health, natural disasters, etc

✂ Eligibility may be restricted if the closure was due **to the applicant's serious fault**, such as license revocation for violating laws, business suspension, arson, or personal circumstances

✂ **Documents proving the reason for closure** must be submitted.

Business closure report, VAT returns, and total sales ledger for relevant years, proof of necessary expenses or major expenses for relevant years. Other documents proving involuntary business closure

► Unemployment benefit for self-employed

Claim procedure

After closure, register as a job seeker at an Employment Welfare Plus Center and submit the "Self-employed Person's Benefit Eligibility Application"

Unemployment benefits can be applied for starting the day after business closure, and the application and receipt must be completed within one year.

Required contribution

Must have paid employment insurance contribution for over 1 year within the 24 months prior to business closure

► Unemployment benefit for self-employed

Payment Amount

The daily unemployment benefit amount (60% of the basic daily amount) is determined based on the standard remuneration chosen by the self-employed. Benefits are paid for 120 to 210 days, depending on the insurance contribution period

*Basic daily amount:

The total of the standard salary amounts for the insurance premiums paid by the insured during the insurance period divided by the total number of days in the insured period.

- ✓ If the insured period is 3 years or more: the insured period for the 3 years prior to the business closure.
- ✓ If the insured period is less than 3 years: the duration of that insured period.

► Benefits for self-employed in Korea

Benefits

Job-seeking benefits, vocational training, relocation expenses, and job-seeking activity expenses.

*Must have the willingness and ability to work and actively seek re-employment

Support for training expenses and training incentives

Training Expenses: Support of up to 3,000,000 to 5,000,000 KRW (with varying levels of self-funding based on employment rates by occupation).

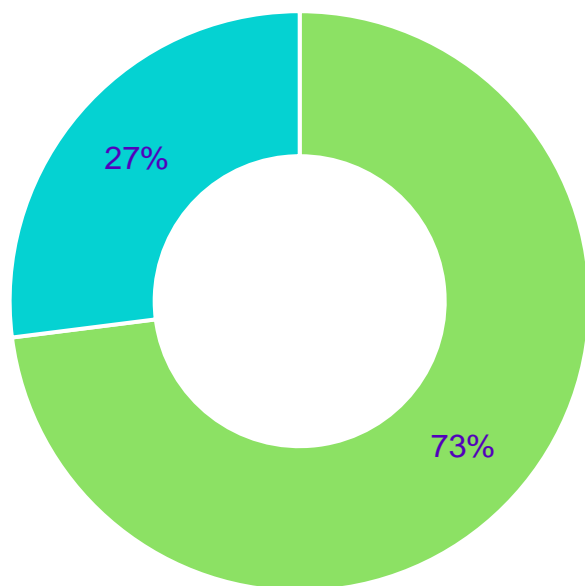
Training Incentives: Support of up to 360,000 KRW per month (available for those who complete a program with a total of over 140 hours).

Advancing social justice, promoting decent work



Status of recipients by eligibility reasons

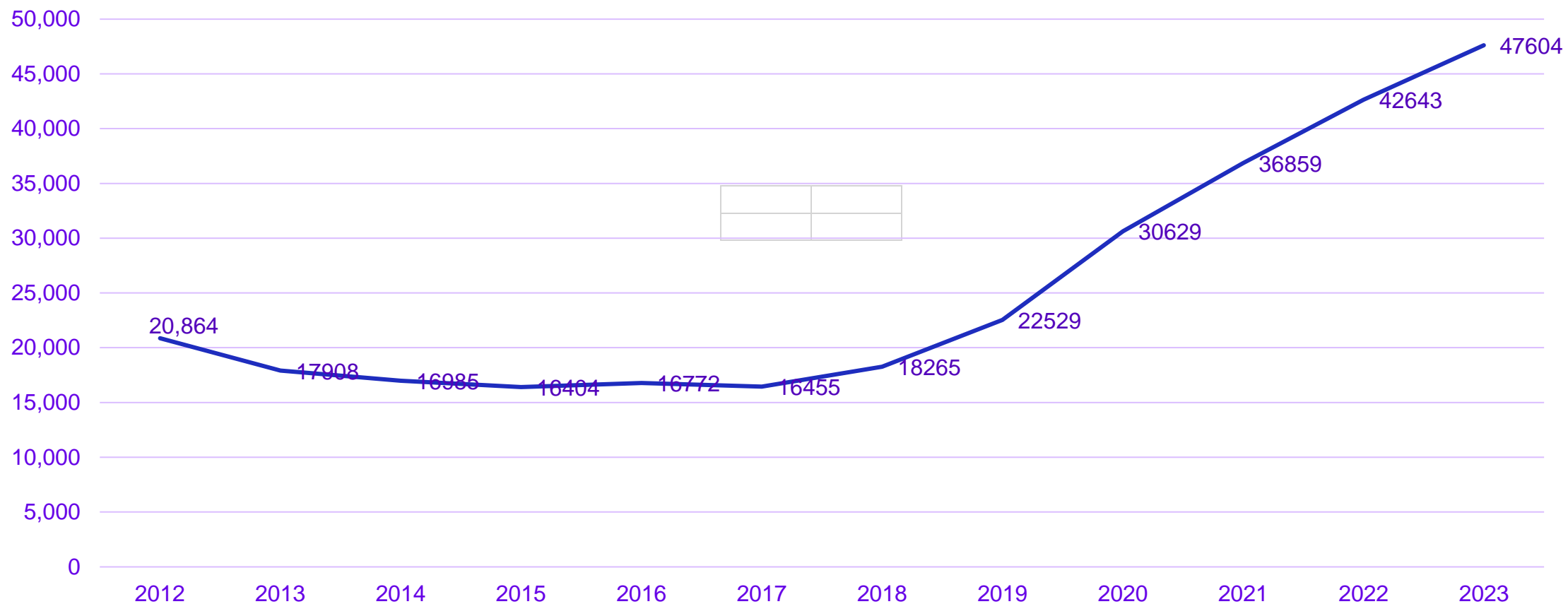
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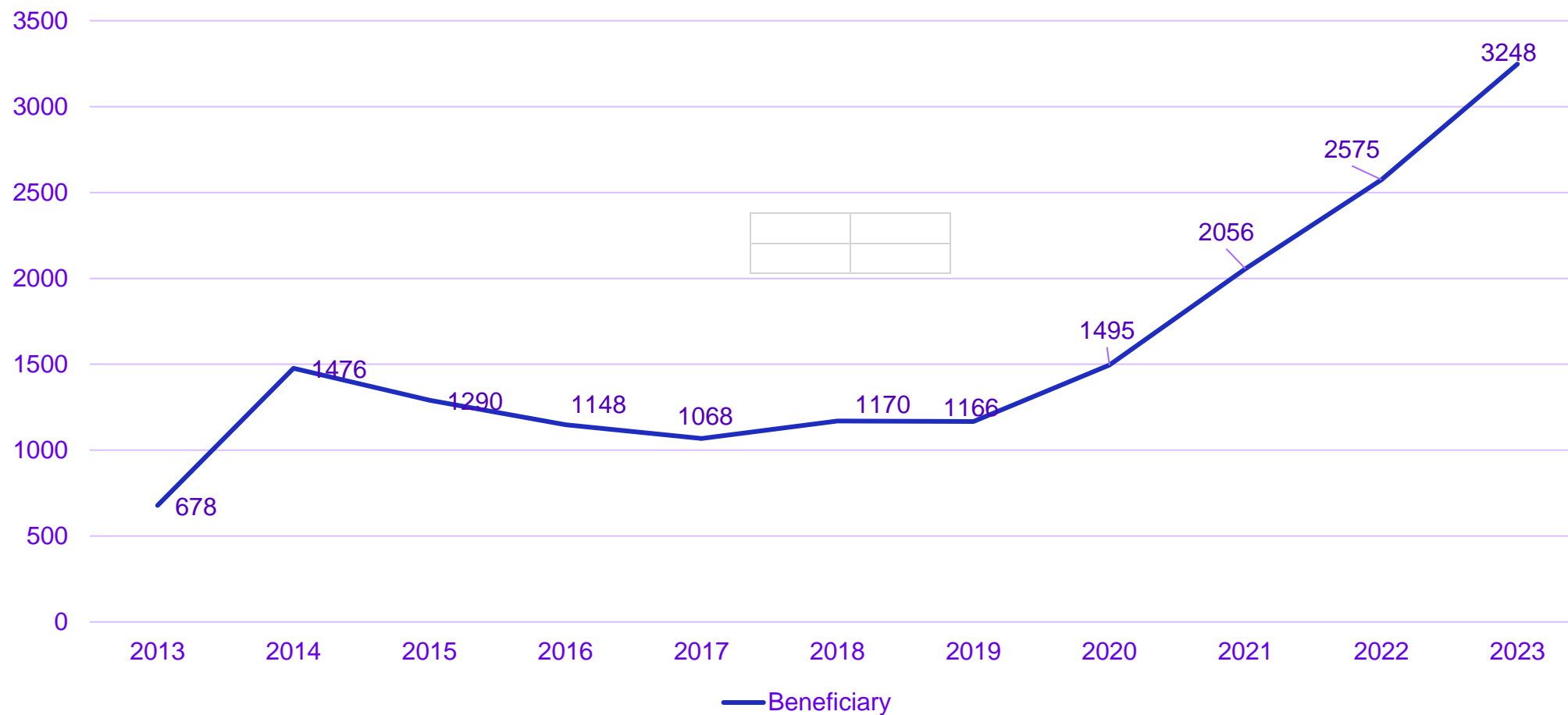
■ Management difficulties ■ Justifiable reason

Reasons	Detailed causes
Management difficulties	<ul style="list-style-type: none"> Sales decrease Continuous deficit (6months)
Justifiable reason	<ul style="list-style-type: none"> Contract expiration Disease Childcare Family care

Number of registered self-employed workers



Number of beneficiary by year



Thank you!