

Expansion of Coverage for Unprotected Workers in Social Insurance System

Focusing on Workers' Compensation & Employment Insurance in Korea

September, 2012

COMWEL

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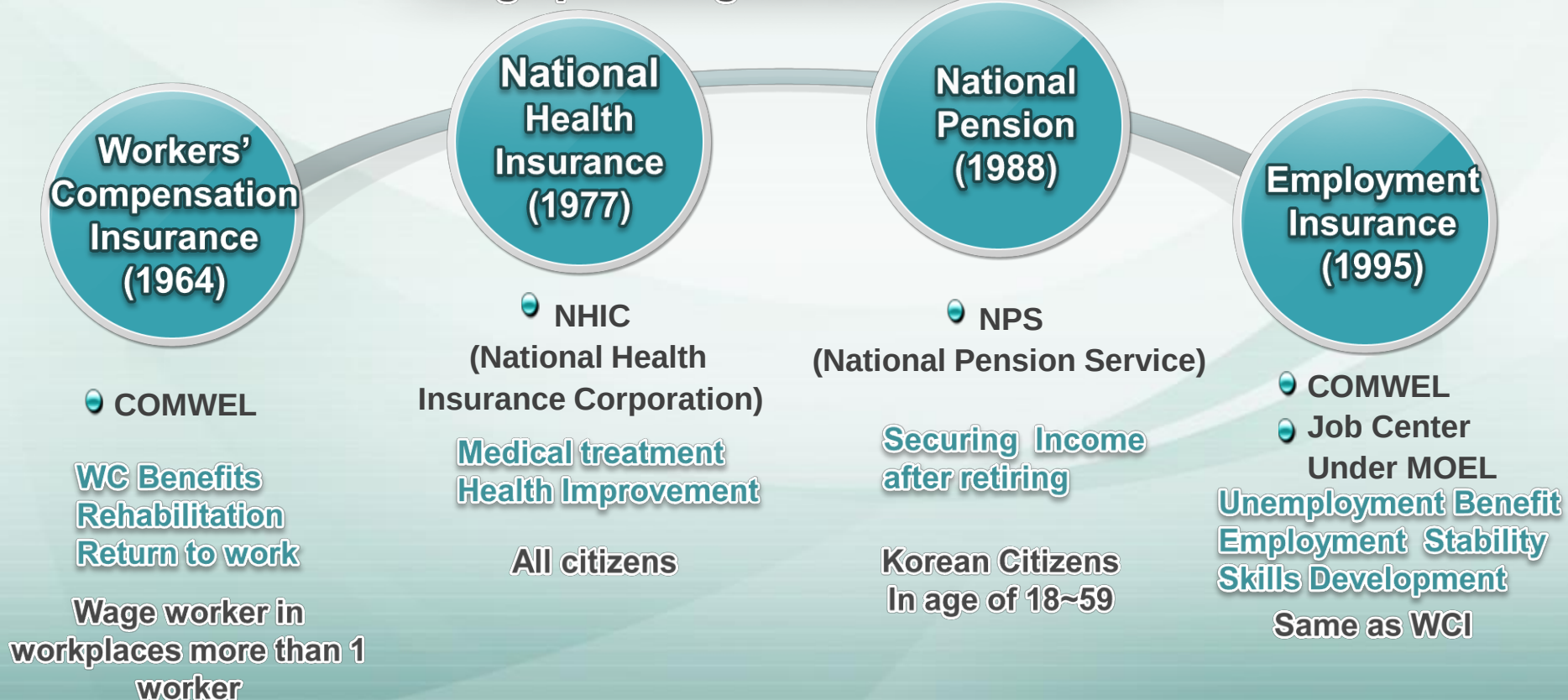


I. Social Insurance Program in Korea

[Guaranteeing Stable Life by Social Insurance]

“To protect people from social risks e.g. disease, disability, old-age, unemployment”

through providing social insurance benefits



Social Insurance Programs in Korea

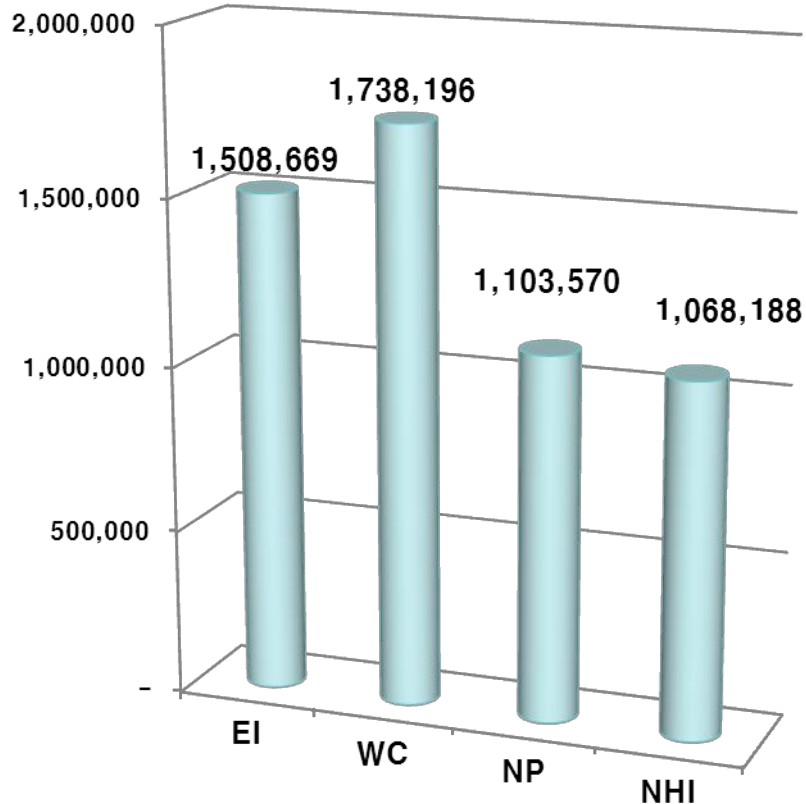
Premium Collection

		Employment Insurance	Workers' Compensation Insurance	National Pension Insurance	National Health Insurance
Premium Imposition		Taxable Earned Income			
Rate	owner	0.55% +0.25~0.85%	0.6~36% (average 1.77%)	4.5%	2.82%
	Employee	0.55%	-	4.5%	2.82%
Restriction Of Benefits		The insured not exceeding 180 days	-	The insured not exceeding 10yr (payment in lump sum)	Defaulter more than 6 months
Management Unit		Workplace Unit		Individual Unit	

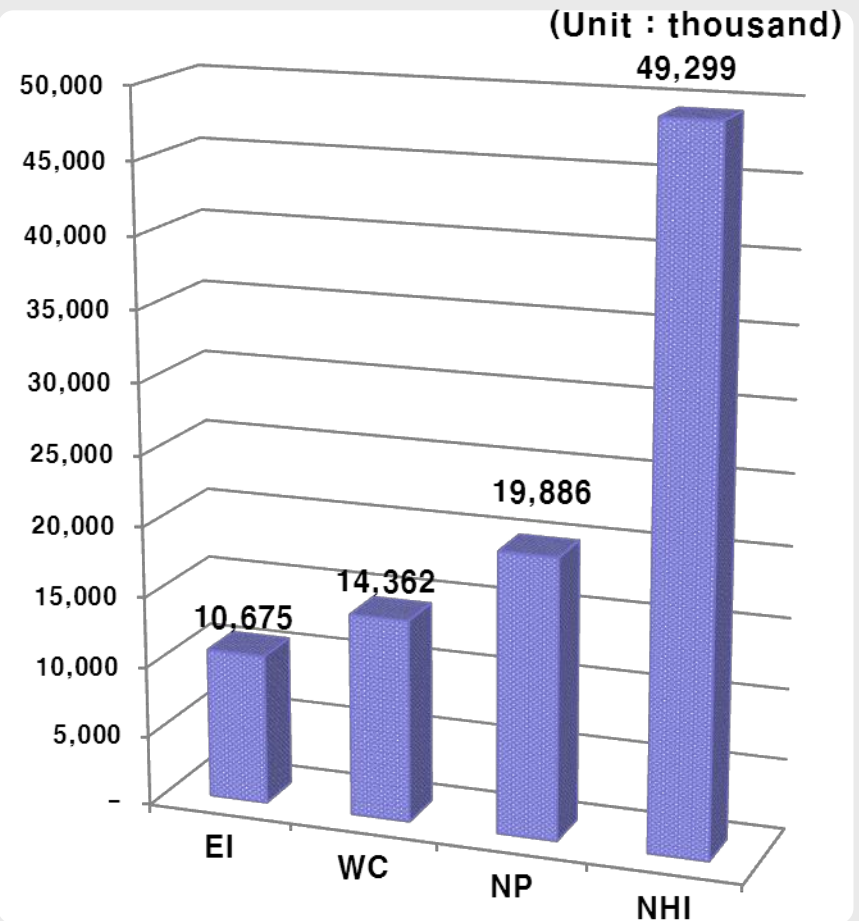
(As of 2011)

Social Insurance Programs in Korea

Workplaces Covered



Individuals Protected



(As of Dec 2011)

II. Expansion of EI & WCI



EI & WCI Operation System

Ministry of Employment & Labor
(Policy-making)

COMWEL
Job Center
Under the MOEL
Operation

Payment of
premiums

Claims

Provision of
Benefits

Employer

Employment Stability Pro.
Skill Development Pro.

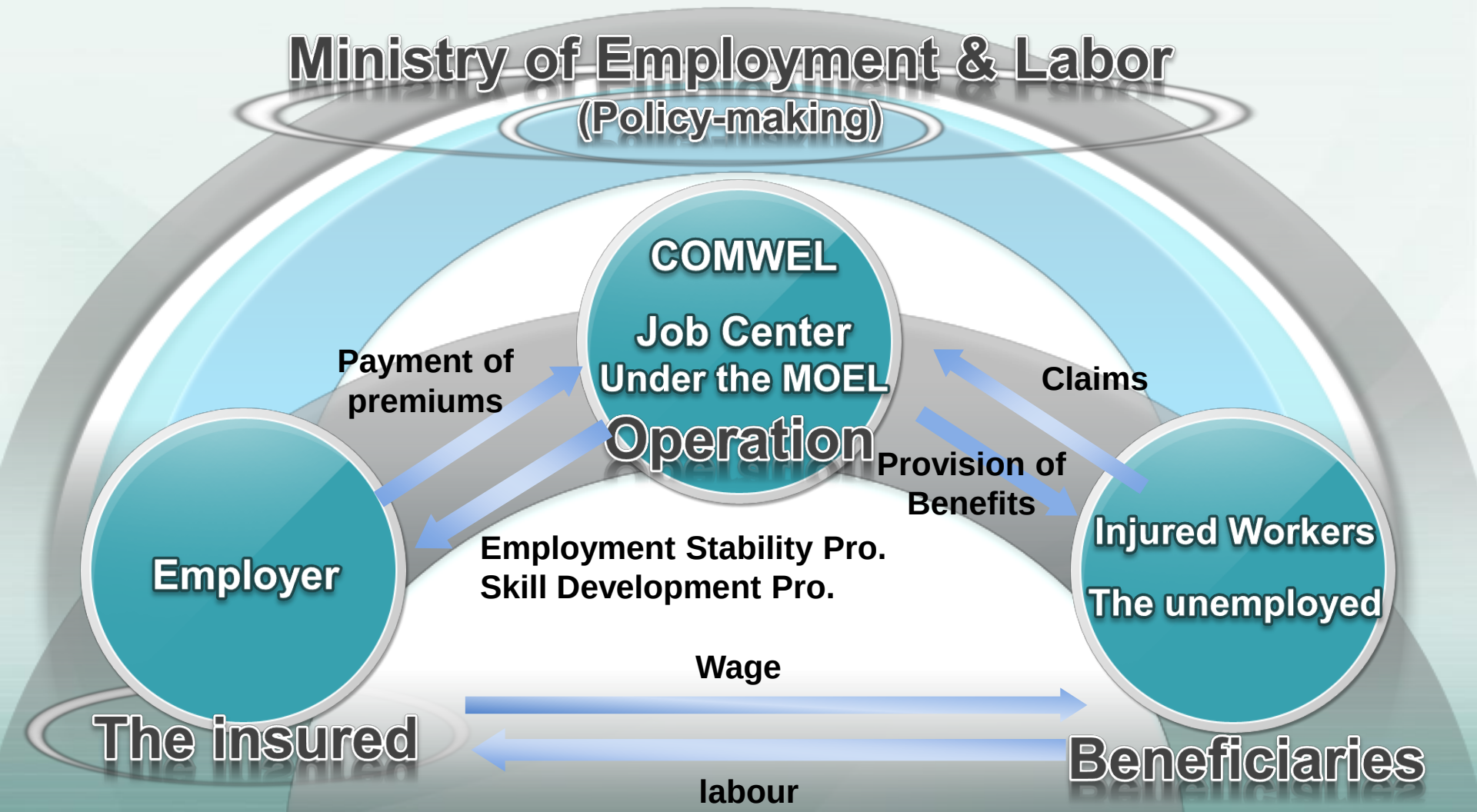
Injured Workers
The unemployed

Wage

The insured

labour

Beneficiaries



History of expansion of EI Coverage

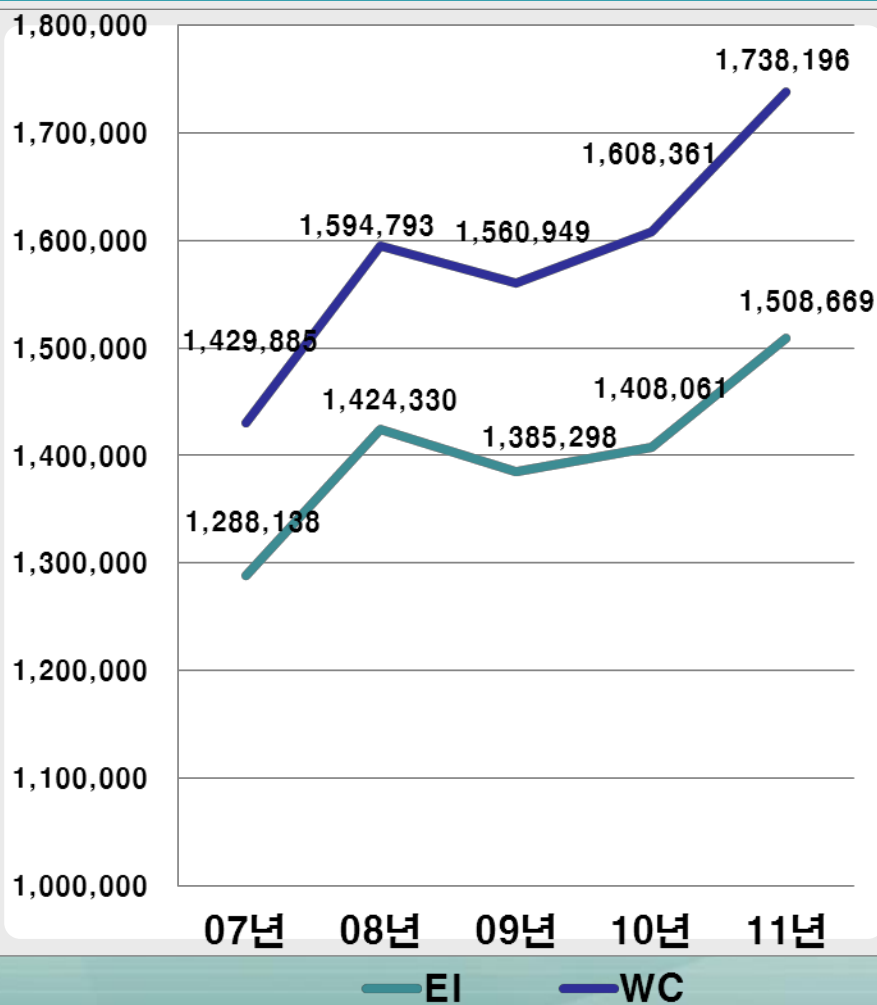
EI Programs	Covered Workplaces						
	'95.7.1	'97.1.1	'98.1.1	'98.3.1	'98.7.1	'98.10.1	'04.1.1
Unemployment Benefits	More than 30 workers		More than 10 workers	More than 5 workers		More than 1 workers	
Employment Stability Pro. & Skills Development	More than 70 workers		More than 50 workers		More than 5workers	More than 1 workers	

History of expansion of WCI Coverage

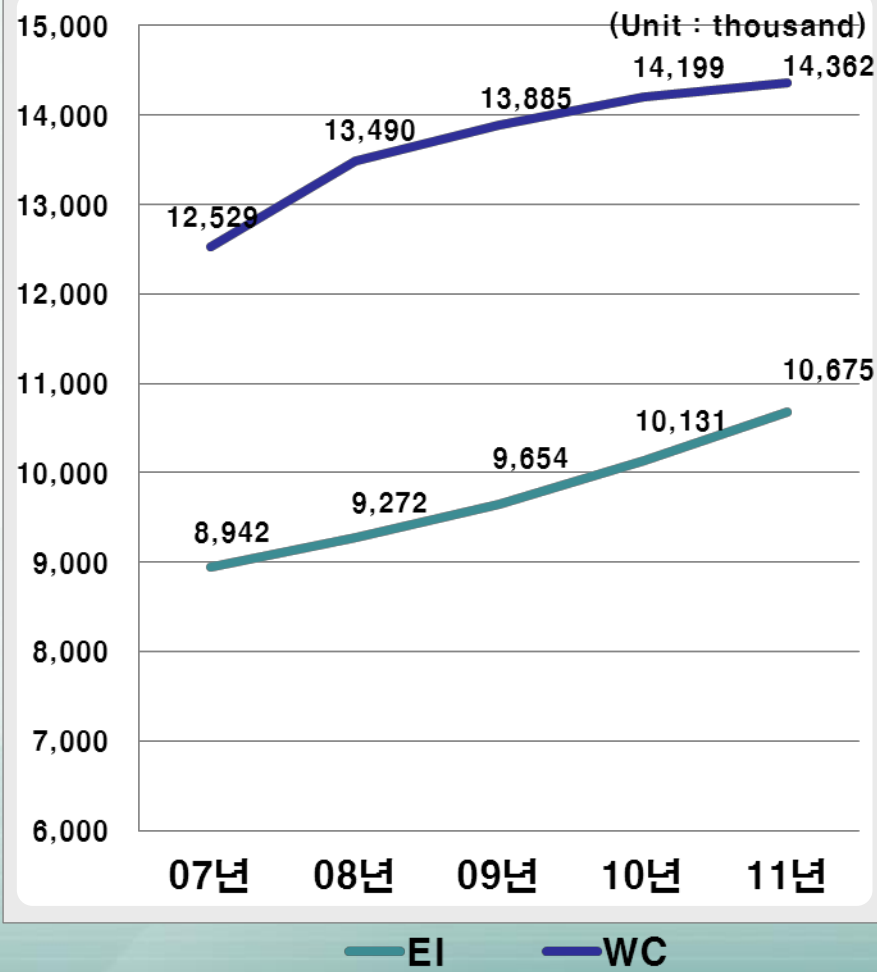
Date	Covered Workplaces
'64. 7.	More than 500 workers in mining and manufacturing
'65. 1.	More than 200 workers in electricity, gas & transportation
'69. 1.	More than 50 workers in construction, water supply, commerce, transportation & service
'69. 7.	Construction whose total amount is 20M
'72. 7.	All businesses more than 30 workers except commerce and service
'73. 7.	Construction whose total amount is 10M
'76. 1.	More than 5 workers in mining and some manufacturing
'82. 7.	More than 10 workers in logging businesses
'87. 1.	More than 5 workers in 20 business categories
'00. 7.	More than 1 workers & construction whose total amount is 20M
'05. 1.	expansion to employers of small-medium workplaces
'08. 7.	expansion to those in special type of employment
'09. 1.	All construction except small scale renovation ones

Development of EI & WCI Coverage

Workplaces Covered



Workers Protected





III. Unprotected Workers by Social Insurances

Two Types of Unprotected Workers by Social Insurances

Officially, Legally Excluded (No eligibility)

- Those who are officially, legally Excluded
- No compulsory of application, registration

1

Not registered (With obligation)

- Those who are not registered in social insurance jurisdiction even though it is compulsory for them to apply to the jurisdiction.

2

Type 1. Officially, Legally Excluded People(No Eligibility)

Employment Insurance

- Those who are protected by other law or programs
- Construction less than 20million won
- Workplaces hiring less than 1 workers employer
- Part-time workers(less than 60h/month)

Workers' Compensation Insurance

- Most workers regardless of employment type are protected

National Pension

- Those from 18 to 27 age who have no income due to military service or schooling
- Spouse of NP beneficiary who has no income
- Beneficiaries of National Basic Income Support Program under the Public Aid

National Health Insurance

- Those whose resident registration are erased
- Beneficiaries of Medical Care under the Medical Care Act which is one of the Public Aid

Type 2. Not Registered People to social insurance jurisdiction (with obligation)

Employment Insurance

- Those who are not registered to EI with mandatory obligation

Workers' Compensation Insurance

- Those who are not registered to WCI with mandatory obligation

National Pension

- Those who are not registered to NP with mandatory obligation
- Payers in arrears of NP

National Health Insurance

- Defaulter for more than 6 months

Two Main Reason of Type 2(No Registration)

Beyond the administration

- Legally, officially mandatory group left out due to shortage of Administrative infra or manpower for finding out income data to impose premium of each social insurances

Deliberate avoid Joining in Social Insurance

- Mandatory group avoiding joining in Social insurance on purpose

Mutual Cooperation with 4 social Insurance organizations, Relevant local job center, labor office, local government and National Tax Service for finding out income data

Incentive Program with active publicity activities such as Social Insurance Premium Subsidy Program



IV. Strategies for Expanding Coverage

Unprotected Workers by Social Insurances

Officially, Legally Excluded (No eligibility)

- Those who are officially, legally Excluded
- No compulsory of application, registration

Efforts to expand the legal coverage of social insurance

1

Not registered (With obligation)

- Those who are not registered in social insurance jurisdiction even though it is compulsory for them to apply to the jurisdiction.

***Efforts to build mutual cooperation
with relevant organizations
And Incentive Programs to make
them to join in social insurance***

2

Efforts to expand the legal coverage of social insurance for type 1 (focusing on EI & WCI)

Special Provisions of WCI

- Optional(elective) WCI for employer of SMEs with less than 50 workers or none
- Special Provisions for protecting special types of workers e.g. insurance consultants, concrete batch truck drivers, outreach tutors, golf caddies, motorcycle dispatch rider etc.

Optional(elective) WCI
for employer of SMEs

(2000)

Special 4 Types
of Workers

(2008)

Special 5 Types
of Workers

(2012)

Special Provisions of EI

- Optional(elective) EI for employer of SMEs

Optional(elective) EI for employer of SMEs
- Employment Stability Pro.
- Job Skill Development Pro.

(2006)

Optional(elective) EI for employer of SMEs
- Unemployment Benefit
- Employment Stability Pro.
- Job Skill Development Pro.

(2012)

Efforts to build mutual cooperation with relevant organizations for type 2(No Registration)

1. Provision of information in advance – handouts in NTS, Local Government

- Newly registered employer in National Tax Service
- Owner who gained permission of construction from local government

2. Advertisement weekly or monthly basis – sending information sheet

- COMWEL obtains registration information on employer from National Tax Service, list of construction site and it's owner from local government quarterly, and list logging permission from local government monthly.
- By sending information sheets and application forms to mandatorily obligatory employer, COMWEL makes an efforts to lead them to join in WCI & EI scheme without disadvantage.

3. Additional Advertisement bi-monthly or quarterly

- COMWEL obtains taxable income data on from NTS bi-monthly, list of construction licenses, list of construction contract from Ministry of Construction quarterly.
- COMWEL can make use of income materials from NTS for taking steps of registration and imposing EI &WCI premiums by force.

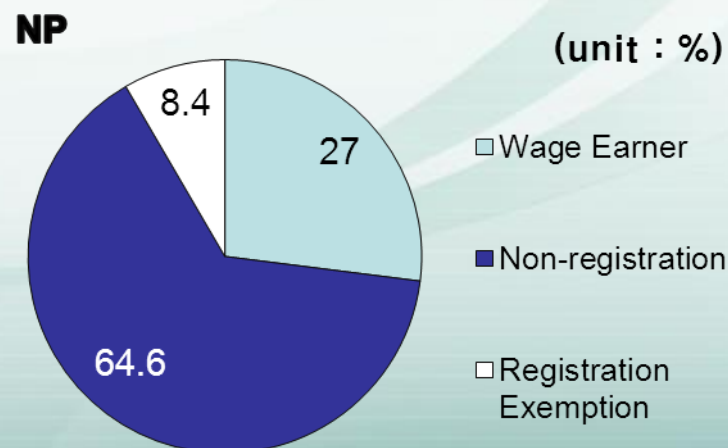
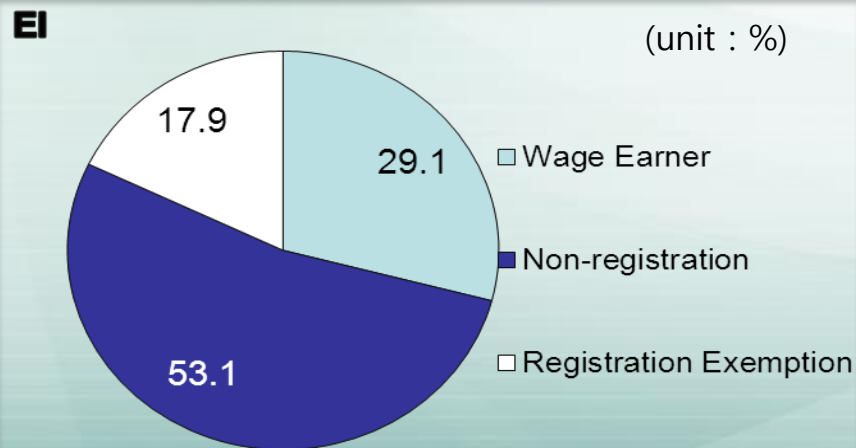
Incentive program with active publicity activities for type 2

Social Insurance Premium Subsidy Program

Background

- Non-registration rate of EI & NP in workplaces hiring less than 5 workers is 39.1% and 37.9%, which is relatively high compared with that of WCI & NHI.
- Non-registration rate of vulnerable workers with low income lower than 130% of minimum wage in EI & NP is 53.1% and 64.6% respectively.

Registration Rate of Vulnerable Workers lower than 130% of Minimum Wage



Incentive Program with active publicity activities for type 2

Social Insurance Premium Subsidy Program

Reasons of Non-Registration from Employer Survey

- 2 main reasons of avoiding registration in social insurance from employer's interest is related with Economic burden and difficulty of management. According to survey, it is reported that employers bear about 10% of employee's wage per capita for social insurance
- In order to relieve employer's economic burden, social insurance premium subsidy program was introduced in 2012.

Reasons	Replies
Difficulty of Management due to High Turnover of Employees	37.5%
Financial Burden of Premiums	26.9%
No demand from employees	15.7%
Increase of administrative costs caused by registration	9.3%
Concern about increase of other tax	6.7%
Etc.	4.0%

Incentive Program with active publicity activities for type 2

Social Insurance Premium Subsidy Program

Outline of Social Insurance Premium Subsidy Program

- In case of NHI, about 95% of people are covered by National Health Insurance and Injured worker Can have Worker's Compensation Insurance benefits even when employer didn't register to WCI.

Relatively, non-registration rate of EI & NP is high compared to that of NHI & WCI.

Social Insurance with subsidy

- Employment Insurance
- National Pension

Eligibility

- Workers under 120% of minimum wage in Workplaces hiring less than 10 workers

Amount of Subsidy

- 1/2 or 1/3 of premium considering Income level

Process

- Application from Employers
- To deduct amount of subsidy from the Next month premium

Incentive Program with active publicity activities for type 2

Social Insurance Premium Subsidy Program

Status of promoting social insurance premium subsidy program

- Organizing Local Committee as a consultative body for the subsidy program in July, 2012
 - Member : Local labor authority, Local government, local social insurance organizations (National Pension Service, National Health Insurance Organization, COMWEL)
 - Role : To pursue the expanding the coverage with cooperation between related agencies
To provide outreach services to small workplaces with difficulty in enrollment of social insurance
- Advertisement
 - Pilot Project Period(Feb. ~ Jun, 2012) : focusing on local environment
 - Nation-wide implementation period : Public advertisement using mass media

V. Challenges



Difficulties in Promoting Social Insurance Premium Subsidy Program

1

Shortage of Information

- Difficulties in figuring out the size of non-registered workplaces
- Lack of official information for expansion

2

Avoid of Employer for registration

- Employers' concerns is that they still have a burden of additional premiums.

3

Building of Infrastructure for Coverage expansion

- Various interest of labor parties

Steps for Difficulties in Promoting Social Insurance Premium Subsidy Program

1. Sharing information among relevant agencies

- National Statistics started including questionnaire on social insurance registration of workplaces in annual employment statistics survey.
- The 4 social insurance agencies try to expand the scope of information on non-registered workplaces.

2. Effort to lighten concerns of employers

- The 4 social insurance agencies lead employers to increase social awareness the necessity of social insurances.
- Government branches and public sector organization check whether private sector companies were registered in 4 social insurances in case of making a contract or providing various support programs.

VI. Conclusion



For expansion of social insurance coverage

Building cooperative system with relevant organizations

Consultative body for expansion of social insurance coverage

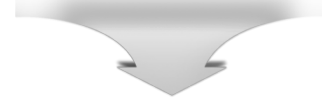
For exchange information on non-registered workplaces and income data

Relevant organizations : local employment and labor office, local government, 4 social insurance agencies, NTS etc.

Increase of public awareness on social insurances

Short-term perspective

Social insurance is a sort of costs for employer.



Long-term perspective

Social insurance is one of the social infrastructure for economic development in a country.

Thank You

