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**KDI FOCUS** | Analysis on critical pending issues of the Korean economy to enhance public understanding of the economy and provide useful policy alternatives

# Institutional Blind Spots in the South Korean Employment Safety Net and Policy Solutions

Gyeongjoon Yoo, Senior Fellow at Korea Development Institute

**“Forty percent of South Korea’s employed population falls into institutional blind spots in employment insurance. With more than 10 million people not formally enrolled in employment insurance, the country’s primary employment safety net, the best solution may be a phased-in expansion of the Employment Success Package for low earners, an effort that was initially launched as a South Korean model of unemployment assistance.”**

## I. Introduction

Since the 1990s, South Korea has been facing concerns of jobless growth. This has resulted from both a drop-off in the national growth rate as well as a decline in new employment even within the growth trend that has been achieved. The phenomenon has been observed in the past and the present with most of the world’s advanced economies. In particular, most European countries experienced the so-called “eurosclerosis,” a roughly ten-year period beginning in the mid-1970s in which growth was slack and unemployment was high, and the decade of jobless growth that began in the mid-1980s. In addition, South Korea faces the concern of having to create high-quality jobs. At present, it ranks around the middle among OECD countries for income inequality, with a relatively high percentage of its population falling below the poverty line.

\* This paper was written to aid understanding of Yoo, Gyeongjoon (ed.), *Paradigm Shift for Establishing a Virtuous Cycle of Growth and Employment (II): Establishment of Social Safety Net for Job Creation*, a July 2012 research monograph for KDI.

\* This is the translated version of *KDI FOCUS* released on April 30, 2012.

The recently inaugurated administration of President Park Geun-hye has set a priority of achieving 70% rates of middle-class membership and employment, a goal for which it has already begun coordinating policy measures. Whereas the “70% employment” plan involves creating new jobs, the “70% middle-class membership” plan can be characterized as an effort to reduce poverty through a better class of jobs. The administration’s goal is to set in motion a kind of positive feedback loop of growth, employment, and distribution, where economic growth promotes employment while distribution is improved through a greater availability of high-quality jobs.

In recent years, the countries of the world have been establishing stronger links between social welfare and employment. Examples include “workfare” in the United States, “flexicurity” in Denmark, and “activation policies” in Sweden. At root, the differences between them concern the amount of social investment in vocational rehabilitation to boost the beneficiaries’ employment potential. In other words, the ability to create quality jobs and establish a strong linkage between welfare and employment is determined by the effectiveness and inclusiveness of the employment safety net. South Korea has relatively larger blind spots in its employment safety net than the world’s more developed countries, leaving it to face the twin tasks of filling in the gaps and tying the social safety net to job creation.

This paper was written to provide a close examination of the state of South Korea’s social safety net today, and its employment safety net in particular, and to offer a blueprint for fixing its blind spots so that they do not work against the creation of high-quality jobs.

South Korea has relatively larger blind spots in its employment safety net than the world’s more developed countries, leaving it to face the twin tasks of filling in the gaps and tying the social safety net to job creation.

## II. South Korea’s Employment Safety Net Today

In its simplest terms, an employment safety net is a system that provides benefits to the unemployed—as well as certain segments of the working population and new labor market entrants—and offers the necessary services for those who require job placement and vocational education and training. Typically, a person pays employment insurance premiums and receives employment insurance services; those who are not enrolled, or whose enrollment has elapsed, receive unemployment assistance at taxpayer expense. Those living below the poverty line (i.e., those earning less than a certain level of income) receive social (public) assistance, which is also based in taxpayer funding. For those who are capable of working, this assistance is generally tied to employment services.

In countries such as France, Great Britain, and Germany, the employment safety net has a three-tiered structure: employment insurance, unemployment assistance, and social assistance. Other countries have a two-tiered structure. The US, Canada, Japan, Italy, and the Netherlands provide employment insurance and social assistance, while Australia and New Zealand offer employment and social assistance without employment insurance.

Officially, South Korea does not have unemployment assistance, which means that it has a two-tiered employment safety net of employment insurance and social assistance. Employment insurance first emerged in 1995. At the time, it applied to salaried workers at large companies,

but in the years since, it has been expanded to those in SMEs. Social assistance began in earnest with the National Basic Livelihood Security Act in 2000. As a result of this relatively recent start, many people are still not enrolled in employment insurance or covered by social assistance.

The blind spots in South Korea's employment insurance can be divided into two types: de facto blind spots that exist where people are legally guaranteed enrollment but are not actually enrolled and institutional blind spots (or blind spots in the application of the system) in which people are legally excluded from enrollment.

Figure 1 provides an illustration of these blind spots in employment insurance based on August 2012 data from a supplementary study as part of the Economically Active Population Survey by Statistics Korea. Among employed individuals, those who are self-employed rather than salaried are excluded from benefits, since they are regarded as voluntary subscribers.

A number of salaried workers are also left out, as shown in Table 1. These include domestic service providers as well as those employed by small non-corporate agriculture, forestry, fishing, and hunting businesses with four or fewer permanent workers, and by certain small-scale construction outfits. Those aged 65 and older, short-term workers (less than 60 working hours per month), public officials, education workers, and postal service employees are likewise excluded from benefits. Taken together, they amount to some 2.86 million people, or fully 16% of all salaried workers.

Of those who are eligible, only 72.3% are actually enrolled. In other words, 27.7% of eligible salaried workers—some 4.12 million people—are not enrolled in employment insurance for one reason or another. Often, this is due to a lack of understanding by workers and workplaces. Premiums may also pose an economic burden to small businesses and more disadvantaged workers. The desire to avoid enrollment, in the absence of any strong perception of the need for social insurance, may be expected when average premiums for the four major types of social insurance combined—health insurance (including long-term care), the national pension, employment insurance, and worker's compensation—range in the area of 18.4% of monthly earnings.<sup>1)</sup> Another contributing factor is the barring of enrollment to the salaried workers with both the highest and lowest levels of job security. Also falling in the cracks are those who are not enrolled in employment insurance because they are not active in the labor market or out of work, as well as those who were previously enrolled but saw their benefit period elapse. At one point in 2011, around 10% of unemployed individuals were actually receiving unemployment benefits. Those who voluntarily left their jobs were not entitled to them, while many of those who had lost their jobs were eligible but failed to apply for them. The upshot of this is that the percentage receiving benefits at any point in time is far lower than might be expected.<sup>2)</sup>

Of those who are eligible for employment insurance, only 72.3% are actually enrolled. In other words, 27.7% of eligible salaried workers—some 4.12 million people—are not enrolled for one reason or another.

1) South Korea has one of the OECD's lowest rates of social insurance costs relative to wages, but for smaller businesses and low-wage workers, the expenses may be perceived as rather high. For instance, social insurance premiums for someone earning one million won a month amount to around 184,000 won; the employee is responsible for 82,000 won of it, and the employer has to pay the remaining 102,000 won.

2) According to 2011 administrative figures on unemployment benefit payouts, the rate was 48% for eligible individuals (i.e., those who met the conditions during the insurance period and did not leave voluntarily). More than half of the eligible employed did not receive benefits because they left their jobs voluntarily.

**[Figure 1] Employment Insurance Blind Spots**

Total population aged 15 and older: 41,660,000 (100%)						
Economically inactive population: 16,040,000 (38.5%)	Economically active population: 25,620,000 (61.5%)					
	Unemployed: 760,000 (1.8%)	Employed: 24,860,000 (59.7%)				
		Non-salaried workers: 7,160,000 (17.1%)	Salaried Workers: 17,730,000 (42.6%)			
			Ineligible: 2,860,000 [16.1%]	Eligible: 14,870,000 [83.9%]	Enrolled: 10,760,000 <72.3%>	Not enrolled: 4,120,000 <27.7%>
Officially excluded		Institutional blind spot (application)		Eligible for employment insurance	Employment insurance beneficiaries	De facto blind spot

Note: 1) Employment insurance subscribers employed for fewer than 180 days forfeit unemployment benefits. An estimated 10% of salaried workers at any given time are eligible for unemployment pay.

2) Figures in parentheses represent percentage out of those aged 15 and older. Figures in square brackets represent percentage among salaried workers, while figures in angle brackets represent percentage out of eligible salaried workers.

Source: Statistics Korea, supplementary survey for economic activity census, August 2012.

**<Table 1> Detailed Criteria for Employment Insurance Enrollment and Benefit Ineligibility**

Ineligible workplaces	<ol style="list-style-type: none"> <li>1. Non-corporate agriculture, forestry, fishing, and hunting businesses with permanent workforce of under four people</li> <li>2. Domestic services</li> <li>3. According to the Employment Insurance Act, workplaces are not eligible for enrollment when total construction expenses (2005) are as listed below for construction providers as per Housing Act, Framework Act on Construction Industry, Electric Technology Management Act, and Information and Communications Construction Business Act; firefighting facilities providers as per Fire-Fighting System Installation Business Act; and those not defined as cultural heritage repair providers by the Cultural Heritage Protection Act. <ul style="list-style-type: none"> <li>- Total construction expenses of 20,000,000 won and under</li> <li>- Construction of structures measuring 100 m<sup>2</sup> or less in floor area or repairs to structures measuring 200 m<sup>2</sup> or less in floor area as calculated by the Regulations on Calculating Total Construction Amounts for Non-Construction Company Providers (decided and announced by the Minister of Employment and Labor according to the regulations in Article 2, Item 1, Proviso 2 in the Enforcement Degree for the Act on the Collection of Insurance Premiums, etc., for Employment Insurance and Industrial Accident Compensation Insurance)</li> </ul> </li> </ol>
Ineligible workers	<ol style="list-style-type: none"> <li>1. Ineligible workers at ordinary workplaces <ul style="list-style-type: none"> <li>- Those 65 years of age and older (only applies to unemployment benefits; individuals are not eligible to pay premiums as of the month they turn 64 years of age)</li> <li>- Those working fewer than 60 prescribed hours a month (15 hours a week). Note: Unemployment insurance is available to those employed three or more months providing labor services to earn a living, as well as day laborers* hired for up to one month, even if they work fewer than 15 hours a week.</li> </ul> </li> <li>2. Ineligible workers at specific workplaces <ul style="list-style-type: none"> <li>- Public officials, according to the State Public Officials Act and Local Public Officials Act</li> <li>- Those subject to the terms of the Private School Teachers and Staff Pension Act</li> <li>- Special post office employees, according to the Special Post Offices Act</li> <li>- Foreign workers. Note: Available for those with visas for residency (F-2) or permanent residency (F-5), employees of foreign-invested companies/supervisor status (D-7), investors (D-8), and holders of trade management visas (D-9), with decision based on principle of mutualism.</li> </ul> </li> </ol>

Note: \* According to the Employment Insurance Act, a day laborer must be employed for a period of no more than one month.

### III. Addressing Employment Safety Net Blind Spots

Increasing employment safety net coverage can be understood as closing the gap between enrollees and beneficiaries of the National Basic Livelihood Security Act. In terms of the areas identified in Figure 1, this would mean resolving (1) de facto blind spots, (2) ineligibility of those who do not meet the conditions for unemployment benefits or have exhausted them, and (3) institutional blind spots.<sup>3)</sup>

3) The first two of these will be analyzed at a later date; the focus of this article is on addressing institutional blind spots.

## A. Eliminating De Facto Blind Spots

In recent years, an effort called the Duru Nuri Social Insurance Subsidy Program has been working to address de facto blind spots by providing assistance to low-earning salaried workers earning less than 1.25 million won a month at small workplaces of 10 or fewer employees. Between February and June 2012, a pilot program was launched in 16 cities, counties, and districts around the country; since July 2012, the program has been in effect nationwide. It has already undergone limited testing of its effectiveness, and the incoming administration of President Park Geun-hye has pledged to expand it. A more detailed assessment of its performance in 2012 should be postponed until more complete data is available, but certain areas for improvement were identified during the pilot program (see Yoo *et al.*, 2012b; Yoo, 2012a, Chapter 5).

In basic terms, it should be recognized more widely that the de facto blind spots in social insurance cannot be resolved through premium assistance alone. First, support needs to be combined with punishment for those who deliberately avoid enrollment. This, in turn, requires close scrutiny of smaller-scale workplaces to judge the proper course of action. Little is understood about these workplaces because they arise and disappear with such frequency, and with neither employers nor employees sensing any real urgent need for social insurance, they do not have the luxury of planning ahead for the future or possible risks. Also, since working individuals can acquire the most expensive form of social insurance (i.e., health insurance) through regional enrollment or as dependents, they may not be very motivated to switch to subscriber status under the current system, which does not provide support for health insurance premiums. Since the different forms of social insurance are currently linked to some extent (that is, they are collected together), enrollment in one of them essentially means enrolling in all of them. The key issue in providing support for premiums, then, may be inducing regional subscribers to become workplace subscribers.

Also working against the support program are limitations in the benefit delivery system. At present, the different forms of social insurance are collected together, which does cut costs, but some room for efficiency improvements remain in the operations of the different state-run corporations, where social insurance application and administration services are not currently integrated. For the most part, these corporations are focused on their existing subscribers, which has led them to neglect the business of finding new ones. It may be possible to address this weakness if application and administration functions are integrated in the same way that collection is.

It should be more widely recognized that the de facto blind spots in social insurance cannot be resolved through premium assistance alone. Support needs to be combined with punishment for those who deliberately avoid enrollment.

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## B. Expanding Unemployment Benefit Coverage for Those Currently Ineligible

The extension of benefit coverage to those who do not meet the conditions for unemployment benefits or have exhausted them is fundamentally tied to premium rates. South

South Korea's benefit payment conditions, levels, and eligibility periods are recognized to fall below the average for other countries. But because premium payments are also correspondingly lower, any increase in benefits will inevitably entail higher premium rates.

Positive results in creating jobs and reducing social insurance blind spots may be expected from a suitable mixture of a reduced lower limit and increased upper limit on benefits, support for premiums to low earners, and increased premium rates for high earners.

Korea's benefit payment conditions, levels, and eligibility periods are recognized to fall below the average for other countries.<sup>4)</sup> But because premium payments are also correspondingly lower, any increase in benefits will inevitably entail higher premium rates. The rates will therefore have to factor into any discussions on the appropriate levels of payment and eligibility.<sup>5)</sup>

As a point of reference, an individual who wishes to receive unemployment benefits must have worked for at least 180 days (unit periods of insurance) over an 18-month period prior to leaving an eligible workplace. The departure must be due to unavoidable circumstances such as layoffs, advice to resign, completion of a contract, or regular retirement, and the individual must be willing and able to work and actively seeking new employment. The replacement ratio for benefits is 50% of the average wage prior to departure, with a maximum payout of 40,000 won per day and a minimum that is calculated by multiplying one working day (eight hours) by 90% of the minimum hourly wage as defined by the Minimum Wage Act.

The important thing to note here is that the lower limit of benefits is tied to the minimum wage (the 90% calculation), while the upper limit has long been fixed at 40,000 won a day. As a result, the two have begun to converge, resulting in a high lower limit with the potential to generate distortions in a low-wage labor market.<sup>6)</sup> Meanwhile, the premium support system has also produced a powerful incentive to underreport wages in an effort to ensure eligibility. Serious consideration should be given to reducing the lower limit on benefits, which could have the effect of reducing the labor market distortions and discouraging underreporting. Positive results in creating jobs and reducing social insurance blind spots may be expected from a suitable mixture of a reduced lower limit and increased upper limit on benefits, support for premiums to low earners, and increased premium rates for high earners (see Yoo, 2012a, Chapter 6).

### C. Eliminating Institutional Blind Spots

The third area in need of consideration has to do with reducing institutional blind spots, including the ineligibility of the self-employed and workers in special employment, a category that includes several job types where employees are ostensibly independent contractors but effectively employees of a certain workplace.

The first point to consider is the fact that, as Table 1 showed, employment insurance benefits are unavailable to public officials, education workers, and public officials in special government services, as well as some part-time workers (under 15 hours) and day laborers. As noted before,

4) South Korea's unemployment benefit replacement rate and payout period are recognized to be lower than the OECD average (Choe, 2012), but differences in international statistics prevent a more precise comparison.

5) The unemployment insurance premium rate is 0.55% of taxable working income (monthly earnings) for the workers and workplace. Employers pay an additional 0.25% to 0.85% in employment stability/professional development premiums, depending on the size of the workplace. No other advanced economies are known to have a lower unemployment insurance premium rate than South Korea; in countries such as Denmark, the Netherlands, and Spain, the rate is as high as 7~9%.

6) It may be expected that eligible workers who are near the minimum wage level will be more motivated to choose unemployment and the attendant benefits over working when the lower limit of unemployment benefits is close to the minimum wage. Indeed, this phenomenon has been observed to occur (see Yoo, 2012a, Chapter 6 for more details).



employment insurance was first applied in 1995 to workplaces with 30 employees and over; in the years since, it has been expanded to gradually include more vulnerable workers.

The increase in employment that took place in 2012 was in large part due to a growing supply of part-time labor, primarily by married women. However, if the growing supply of low-quality part-time employment without social insurance benefits continues, it is unlikely to lead to the creation of better-quality jobs or a recovery of the South Korean middle class through more equal income distribution. Indeed, the workplace standard of 60 hours a month (15 hours a week) is rather arbitrary and difficult to monitor; many are categorized as falling below the 60-hour standard when their actual working hours exceed it.

The denial of benefits to public officials, education workers, and others who are viewed as having substantial job security runs counter the basic principles of social insurance, namely mandatory enrollment and redistribution of income. An employment safety net is also essential in an aging society where many education workers submit voluntary resignations and require additional vocational training or placement services. (It should be noted that countries like Germany, France, and Japan explicitly deny benefits to public officials, while few, if any, countries do so for education workers. Indeed, Denmark specifically includes teachers.<sup>7)</sup>)

Providing an employment safety net for the self-employed (including workers in special employment) is a less simple matter. Examples of systems for them vary widely from country to country, making it difficult to decide on any one standard. In many cases, young people are included in the state-subsidized unemployment insurance system even without any record of premium payment; this is based on the judgment that they are very likely to become salaried workers in the future. However, few examples exist of the self-employed being incorporated into existing insurance systems. They are included among unemployment insurance beneficiaries in Iceland, Luxembourg, Denmark, Finland, and Sweden; countries like Australia, Belgium, and Spain either have separate social security systems or are planning to introduce them.

In the case of the self-employed, the more common approach seems to be allowing them protections through unemployment assistance (based on means test) rather than unemployment insurance. This is the case in Norway, Great Britain, Germany, Greece, France, Ireland, and Portugal. Countries such as the Netherlands, Italy, and Switzerland, which arguably have more developed social security systems, do not offer a protection system for the self-employed (see Yoo, 2012a, Chapter 7).

South Korea has a particularly high rate of self-employment among its working population, as well as a growing risk of unemployment and income loss as the industry structure becomes more advanced. This situation underscores the urgent need for an employment safety net.

The issue of employment insurance enrollment for the self-employed<sup>8)</sup> is not a simple one,

7) A total of 4,834 public officials submitted voluntary resignations in the first half of 2012, with benefits amounting to 316,185,000,000 won.

8) Efforts have been made to encourage some self-employed individuals to voluntarily enroll in employment insurance. However, the fact that those with high earnings and a low risk of unemployment are strongly motivated not to enroll suggests that this system will face significant hurdles.



**The issue of employment insurance enrollment for the self-employed is not a simple one, given the absence of an employer, the hurdles to enforcing mandatory enrollment, and the standards for unemployment.**

given the absence of an employer, the hurdles to enforcing mandatory enrollment, and the ambiguity of distinguishing involuntary unemployment from voluntary one. For this reason, some scholars have considered unemployment assistance and the kind of Unemployment Insurance Savings Account (UISA) system currently operating in South America as possible options. Both approaches, however, are fraught with their own difficulties.

First, unemployment assistance has been subject to concerns about benefit suitability standards, administration costs, disincentivization, scope of application, and the potential for long-term dependency. Indeed, few countries have introduced new systems in recent years, while many are working to improve their existing systems by strengthening the conditions for payouts and imposing employment obligations.

The UISA system received greater attention in recent years as a possible alternative to unemployment insurance. As a measure to address social insurance blind spots, unemployment assistance raises concerns about the potential for moral hazard among subscribers and an increase in spending without any practical effects in terms of eliminating blind spots, since current subscribers simply switch from one to the other. The UISA system is similar to employment insurance in providing unemployment benefits, but it differs in very fundamental ways. Where social insurance involves pooling the risks of all workers at one point in time to reduce the risk to specific individuals, UISA is a form of mandatory savings account and personal insurance system that provides a “smoothing” function by internalizing the risk over the course of a person’s lifetime. Generally, unemployment risk does not depend entirely on the worker. Unemployment frequently occurs for reasons beyond the individual’s control, which means that it cannot be fully internalized. This is arguably even truer for the self-employed. As less is internalized by the individual, the theoretical increase in efficiency is diminished, and the increased efficiency leads to a drop-off in the level of income redistribution, blunting the effect of the insurance. For this reason, UISA does not appear to be a suitable option for South Korea’s self-employed population.

**Generally, unemployment risk does not depend entirely on the worker. Unemployment frequently occurs for reasons beyond the individual’s control, which means that it cannot be fully internalized.**

Under these circumstances, the best candidate for addressing institutional blind spots in employment insurance may be an expansion of the existing Employment Success Package for low earners, which has been described as a kind of South Korean model of unemployment assistance. This program was introduced after the National Basic Livelihood Security Act took effect with the aim of providing self-support job adjustment training and vocational training and promoting employment among conditional recipients of basic livelihood security with working capabilities. The Ministry of Employment and Labor first presented it in 2009 as a reorganized version of its existing self-support vocational training services, designing it as a way of providing step-by-step, integrated employment services to beneficiaries. It was also extended to members of the near-poverty and second near-poverty classes, whose members are at risk of falling below the poverty line. Because levels of earned income are the primary factor determining membership in the poverty class, poverty status is determined by the employment status of the people capable of working within a given low-income household.

Thus, the program started out as an employment safety net for conditional recipients of basic livelihood security (a form of social assistance) who were capable of working and expanded to include the young unemployed and self-employed, serving as a safety net for those who either have not enrolled in employment insurance or have seen their benefits elapse. And because payments are conditional on employment counseling, vocational training, and job placement consultation, they also incorporate an element of unemployment assistance.

#### IV. Summary and Policy Implications

As noted above, the issue of creating high-quality jobs to initiate a positive feedback loop between growth and distribution and usher in a revival of the middle class has emerged as one of the most important policy concerns in South Korea today. With the increased openness and technological advancements of recent years, disadvantaged members of the population are particularly in need of new vocational education and training and job placement services. For various reasons, however, the country has several large holes in the employment safety net to support them. Finding a swift resolution to them and establishing a base for the creation of quality jobs has long since become an urgent order of business. But eliminating all institutional blind spots in social insurance is no easy matter—nor is it necessarily desirable, given the potential for high administration costs, disincentivization, and moral hazard. For this reason, any approach to resolving these blind spots should be incremental and tailored to aiding job creation.

The blind spots in question can be categorized into (1) de facto blind spots involving non-enrollment among those who are legally eligible, (2) ineligibility for those who fail to meet the conditions for unemployment benefits or have seen them elapse, and (3) institutional blind spots in which people are excluded by law.

De facto blind spots are the result of (1) insufficient understanding of social insurance by eligible employers and employees, (2) the premium burden, and (3) inadequate administrative capabilities. Some 4.12 million people, or 27.7% of eligible salaried workers, are currently falling through the cracks; by neglecting the issue, the government may give the impression that it is failing to perform one of its most basic duties. Fortunately, the Duru Nuri Social Insurance Subsidy Program went into effect following a pilot effort launched in February 2012, and the government has been using it to subsidize up to half the employment insurance and national pension premiums for workers earning less than 1.25 million won a month at workplaces with ten or fewer employees. A possible expansion of this effort was mentioned in the incoming Park administration's list of policy pledges, but doing so requires an assessment of its performance to date, which means that the specifics are best left until after last year's performance has been evaluated. However, pilot project results suggest two areas in need of action: support for the disadvantaged should be coupled with legal punishments for deliberate evasion, and the

**The systems for applying social insurance, determining income, and administering microbusinesses require improvement.**

systems for applying social insurance, determining income, and administering microbusinesses require improvement.

**Increasing benefits will inevitably entail a higher premium rate, which means that discussions on a suitable level should ultimately be tied to that rate.**

The second matter—expanding support to those who fail to meet the conditions for unemployment benefits or have seen them expire—is fundamentally tied to premium rates. Increasing benefits will inevitably entail a higher premium rate, which means that discussions on a suitable level should ultimately be tied to that rate.

**In terms of the basic principles of social insurance—mandatory enrollment and income redistribution—it is somewhat unreasonable that benefits are not extended to the most and least secure salaried workers.**

The third matter—and the main focus of this paper—has to do with the proper policy course for eliminating the institutional blind spots by which people are legally excluded from benefits. More than ten million people, representing 40% of South Korea's total employed population, are not officially enrolled in employment insurance, the country's primary employment safety net. Their numbers include ineligible salaried workers, the non-salaried self-employed, workers in special employment, and farming and fishing workers.

In terms of the basic principles of social insurance—mandatory enrollment and income redistribution—it is somewhat unreasonable that benefits are not extended to the most and least secure salaried workers. In terms of the basic principles of social insurance—mandatory enrollment and income redistribution—it is somewhat unreasonable that benefits are not extended to the most and least secure salaried workers. It is somewhat unreasonable that benefits are not extended to the most and least secure salaried workers. Neither the creation of high-quality jobs nor improved income distribution is likely to occur so long as part-time workers continue on in low-quality employment without enrollment in social insurance. Moreover, many people are classified as working fewer than 60 hours a month when they actually exceed this total. This suggests a need to consider significantly lowering this hour standard, bringing many of these workers within the protections of the employment safety net. This sort of safety net is also essential for an aging society, where many public officials and education workers leave their jobs through voluntary resignation. A first step in addressing this would be to provide employment insurance enrollment to education workers, who have been especially prone to early resignation amid the aging society trend.

**Consideration should be given to significantly lowering the 60-working-hour standard, bringing many of these workers within the protections of the employment safety net.**

Most self-employed individuals and workers in special employment are not covered by the employment safety net. Among the systems discussed as possible options for them are unemployment assistance and Unemployment Insurance Savings Accounts (UISAs), which have been introduced in South America. But serious concerns have been raised about immediate introduction of unemployment assistance, which, in addition to funding questions, also raises questions about suitable benefit levels, administrative costs, disincentivization, scope of application, and the potential for long-term dependency. Other factors include the fact that no countries have introduced such assistance in recent years—indeed, the trend has been toward improving assistance by strengthening the criteria for benefits and imposing employment obligations.

Meanwhile, the UISA appears to be an unsuitable option for South Korea's self-employed. While the system presupposes that the unemployment risk hinges entirely on the worker, the reality is that it often depends on other factors beyond the individual's control.

One strong option to consider in addressing the institutional blind spots of South Korea's

employment insurance involves expanding the current Employment Success Package system for low earners, which was launched as a kind of South Korean model of unemployment assistance. In other words, the most appropriate approach may be to increase the availability of these services in the short term, using it as an employment safety net for those who are not enrolled in employment insurance or who have used up their benefits and using its performance as a gauge for phasing in more normalized forms of assistance. Also, the relationship between this assistance and other forms of social assistance should be calibrated by distinguishing which individuals are able to work. Those who are not able to should receive social assistance such as basic livelihood security, while those who are should receive unemployment assistance through the Employment Success Package.

One final area to be highlighted is the need for a more integrated infrastructure in welfare and employment services. These areas are interrelated in social assistance, unemployment assistance, and employment insurance alike, and efficient delivery of services demands that the system for providing them also be integrated. For example, the Hope Ribbon project by the Ministry of Health and Welfare has been offering combined employment and welfare services for self-supporting workers. While it differs in some ways from the employment package in terms of its beneficiaries and benefits, it shares the same framework of linking employment to welfare services, suggesting that integrating the delivery system may be an appropriate option.

Since 1990, the issue of “activation” has been a key concern in the social policy of the OECD states. Countries have been making varied attempts to wean beneficiaries off their passivity and dependency through a broad range of welfare system measures and policies focusing on social assistance. One trend that has emerged from this is the separation of unemployment assistance from existing social assistance programs. France distinguishes the two areas when providing payouts, using means test as a basis for its judgment. Germany offers a new form of benefits combining social assistance and unemployment assistance to inspire members of the poverty class who have the potential to work. Great Britain, for its part, has entirely different systems from those who can and cannot work. This suggests that two separate approaches are in order: social assistance for those who cannot work, and a combination of unemployment assistance and unemployment insurance for who can. In terms of the delivery system, it is difficult to dispute the efficiency of an integrated approach tying welfare services to employment. ■

**One strong option to consider in addressing the institutional blind spots of South Korea’s employment insurance involves expanding the current Employment Success Package system for low earners, which was launched as a kind of South Korean model of unemployment assistance.**

**Two separate approaches are in order: social assistance for those who cannot work, and a combination of unemployment assistance and unemployment insurance for who can.**

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