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# ▶ Reforms of the Employment Insurance System of the Republic of Korea to cope with the COVID-19 crisis



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► **Reforms of the  
Employment Insurance  
System of the Republic  
of Korea to cope with  
the COVID-19 crisis**

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International Labour Organization Country Office for Indonesia  
and Timor-Leste

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## Abbreviations and acronyms

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<b>COVID-19</b>	coronavirus disease 2019
<b>EIS</b>	Employment Insurance System
<b>ESO</b>	Employment Security Office
<b>ESP</b>	Employment Security Program
<b>MOEL</b>	Ministry of Employment and Labor
<b>SME</b>	small- and medium-sized enterprise



**1**

▶ **Employment  
Insurance System  
of the Republic  
of Korea before  
COVID-19**

## ▶ 1.1. Introduction

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The Employment Insurance System (EIS) of the Republic of Korea was launched in 1995 as a comprehensive system to implement active labour market policies. As such, the EIS consists of two main parts: (1) the Employment Security and Vocational Skills Development Programs (later integrated into one programme in 2006); and (2) the Unemployment Benefit and Maternity Protection Program. Since its launch in 1995, the coverage scope of the EIS has been rapidly expanded, particularly in the wake of the Republic of Korea's foreign currency crisis of 1997, the global financial crisis of 2008, and the COVID-19 crisis that began in 2020. In addition, the EIS programmes have significantly developed in both quantitative and qualitative aspects.

The EIS has gone through various changes since 2017 when a progressive administration came into power, which has put emphasis on employment policies and the expansion of worker benefits and rights, in line with its own branding as the "Employment Creation Government". Accordingly, unemployment benefit levels and durations expanded, resulting in a substantial increase of cash benefits to workers.

Since the outbreak of the COVID-19 crisis in early 2020, the Republic of Korea's overall employment policies – including the EIS – have been tremendously revised, and 40 trillion Korean won of budget and funds have been mobilized to cope with the resulting economic crisis and the deteriorating business and labour market situation. A substantial amount of employment security subsidies have been provided to the enterprises to help their employee retention efforts.

Through the revision of laws in 2020 and 2021, the unemployment benefit system appears to be evolving toward coverage of "all workers" by expanding the scope of the insured to include people working in the art industry and various types of dependent contractors who had not been previously covered. These types of workers will be covered in greater detail below.

## ► 1.2. Employment Security and Vocational Skills Development Program

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### 1.2.1. Employment Security Program

The Employment Security Program (ESP) is a core instrument of the active labour market policies of the Republic of Korea. It provides support for activating re-employment of the unemployed. It also provides various projects to support employee retention to prevent lay-offs by business owners hit by economic recession and also to help business owners overcome business management crises. Especially, in times of economic crisis, various projects reflective of the labour market situation have been developed in order to provide timely support to business sectors. However, as various projects have been frequently added or revised, it has sometimes brought negative effects, such as overlapping projects, unsatisfactory outcomes below expectation, and other deadweight loss.

Accordingly, policy reforms were often taken to eliminate some projects or combine/integrate similar projects. In 2017, as a result of various projects being combined or integrated, the ESP was simplified into the following three categories:

1. **Employment Creation Subsidy** to support the creation of new employment through the adoption of working hour selection, the creation of new employment in the local growing industry, additional hiring of youth or aged people, etc.
2. **Employee Retention Subsidy** to support employee retention through business owners offering temporary shutdown and/or paid/unpaid leave, instead of severance.
3. **Employee Stability Subsidy** to promote stable employment by encouraging the conversion of temporary jobs into permanent ones, providing support during maternity and childcare leave, and supporting work-life balance.

At the most basic level, the legal framework of the EIS is structured through three legal instruments <sup>1</sup>:

1. **Employment Insurance Act** which stipulates basic underlying principles and instruments of employment-related support policies;
2. **Enforcement Decree of the Employment Insurance Act** (hereafter the “Employment Insurance Decree”) which stipulates detailed programmes and conditions for them (eligibility criteria, benefit level, duration and their payment conditions, etc.), and
3. **Ordinance of the Employment Insurance Act** (hereafter the “Employment Insurance Ordinance”) which mainly defines practical procedures.

In addition, for the purpose of enabling prompt responses to changing circumstances, the Minister of Employment and Labor is often empowered in the Employment Insurance Decree to determine and notify practical details (for example, benefit amount, benefit duration) via a **Ministry Notice**,

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<sup>1</sup> English translations of the Employment Insurance Act and the Enforcement Decree of the Employment Insurance Act can be found at the Korean Law Information Center website of the Ministry of Government Legislation: <https://www.law.go.kr/LSW/eng/engMain.do>.

through (and sometimes without) deliberation by the Employment Policy Deliberative Council (hereafter the “Employment Policy Council”).

It should be noted that revision of the Employment Insurance Act (by Parliament) is not easy and takes time, whereas the Employment Insurance Decree (on the government level) and Ministry Notices (on the ministry level) may be revised as often as the situation requires, so that the Government is empowered to flexibly devise and manage programmes and adjust their conditions to promptly handle the situation at hand (details below in the section 2.2).

In 2020, as the COVID-19 crisis was worsening, the Republic of Korea Government amended the Employment Insurance Decree eight times to alleviate its subsidy conditions <sup>2</sup>, with the aim of supporting employee retention. Also, the Minister of Employment and Labor has taken several flexible measures based on the above-mentioned empowerment to modify, without legal revision, the support level and support conditions, in cases of urgency, through consultation and agreement by the Employment Policy Council, which will be explained further below.

### 1.2.2. Vocational Skills Development Program

The Vocational Skills Development Program – a main policy tool of Korean active labour market policies – aims to increase workers’ employability and employment stability by providing lifelong opportunities for workers to continuously develop their vocational competencies.

This programme consists of two main parts: one that provides support for vocational skills training projects managed and run by employers; and another that provides financial support for worker-initiated vocational skills development programmes. The former subsidizes part of the training cost of employers that provides vocational training to improve/enhance the job skills of their employees, new hires and jobseekers. Enterprises eligible for priority support – including small- and medium-sized enterprises (hereafter referred to as “priority support firms”) – can get more support than large firms.

The part of the programme devoted to worker-initiated vocational skills development provides financial subsidies to individual workers and/or unemployed persons who participate in vocational training programmes on their own initiative. The Learning for Tomorrow Card is a programme that provides financial subsidies to the bank account of an individual worker, whether employed or unemployed, if their training needs are acknowledged and agreed upon through a counseling process with Employment Security Office (ESO). The ceiling of the subsidy is 3 million won as of 2021, and additional 1 or 2 million won may be granted, depending on the worker’s income and employment status. <sup>3</sup>

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<sup>2</sup> There have actually been nine revisions of the Employment Insurance Decree, but only eight revisions were made in direct response to the spread of COVID-19 after February 2020.

<sup>3</sup> Detailed guidelines concerning the Learning for Tomorrow Card (in Korean) are available at: [http://www.moel.go.kr/info/lawinfo/instruction/view.do?bbs\\_seq=20201202187](http://www.moel.go.kr/info/lawinfo/instruction/view.do?bbs_seq=20201202187).

## ► 1.3. Unemployment benefits

Unemployment benefits in the Republic of Korea consist of jobseeking benefits and employment promotion allowances. Jobseeking benefits are granted to the unemployed who meet eligibility requirements. Employment promotion allowances include early re-employment allowances (granted to those who successfully find re-employment while being paid jobseeking benefits), vocational skills development allowances, long-distance job search allowances, and relocation allowances.

### 1.3.1. Eligibility requirements for jobseeking benefits

The eligibility requirements for receiving jobseeking benefits are as follows:

- To have worked as an insured worker for 180 days or longer (“insured period”) during the 18 months (“base period”) preceding the departure date.
- Severance from an EIS-covered firm, excluding voluntary resignation without valid cause or being fired due to serious misconduct attributable to the worker him/herself. Even in cases of voluntary resignation, unemployment benefits can be granted if there exist reasonable causes for resigning, such as prolonged delay of wage payment and business suspension.
- Being unemployed despite having the will and capacity to work.
- Actively making jobseeking efforts.

### 1.3.2. Benefit period (number of days to receive benefits)

As of October 2019, the benefit period is 120–270 days, depending on the length of the insured period and the age (or disability status) of the recipient (table 1). The benefit period has been gradually lengthened over time, from the 30–210 days of the early years as a result of a couple of revisions of the Employment Insurance Act.

**Table 1.**

**Benefit period for the jobseeking allowance**

Earnings	Length of the insured period (years)				
	< 1	1-3	3-5	5-10	> 10
under 50	120 days	150 days	180 days	210 days	240 days
50 and above (and disabled persons)	120 days	180 days	210 days	240 days	270 days

The benefit period can be extended in three special cases, as allowed under the Employment Insurance Act (articles 52–55):

- ▶ **Individual extended benefits:** Seventy per cent of the jobseeking benefits can be granted for up to another 60 days, when finding a job has been especially difficult and the jobseeker is in serious financial difficulties.
- ▶ **Training extended benefits:** In cases where the head of the ESO instructs a jobseeker to receive training deemed necessary for re-employment in consideration of his/her experience and age, 100 per cent of the jobseeking benefits can be granted during such a training period (up to a maximum of two years).
- ▶ **Special extended benefits:** Seventy per cent of the jobseeking benefits can be granted for another 60 days when there arises any of the below situations, as stipulated in article 74 of the Employment Insurance Decree:
  - The number of jobseeking benefits recipients continues to increase for a period of three months.
  - The number of unemployment benefits applications continues to increase for more than three months.
  - The unemployment rate continues to exceed 6 per cent for more than three months.
  - The Employment Policy Council decides on special extension in consideration of a rapid deterioration of the labour market.

### 1.3.3. Level of jobseeking benefits

Since October 2019, a recipient of this benefit is paid 60 per cent of their average wage prior to severance, an increase from the previous 50 per cent. Prior to the COVID-19 crisis, the most important amendment of the Employment Insurance Act involved an increase in the jobseeking benefits and an extension of the benefit period. Due to this amendment, disbursement of the jobseeking benefits rapidly increased and contributed to stabilizing the livelihoods of the unemployed.

The daily ceiling for jobseeking benefits had been steadily increasing to reach 40,000 won as of 2015, but it was further increased to 66,000 won in 2019. The lower limit for benefits is 80 per cent of the statutory minimum wage.

### 1.3.4. Sickness benefit

If, during the benefit period, an eligible individual does not have the capacity to work for a period of more than seven days due to illness, injury or childbirth, they can receive a sickness benefit instead of jobseeking benefits, and for the same amount during the period concerned.

### 1.3.5. Daily base wage

The daily base wage – which serves as a basis for calculating jobseeking benefits – is defined as the average wage paid to the recipient across the three months preceding severance. It is calculated by dividing the total amount of remuneration paid to the employee by the total number of days during the three months concerned, as defined in the Labor Standard Act. If calculation of the daily base wage is not possible due to business shutdown, bankruptcy, etc., or if the employment insurance premium has been paid on the basis of the standard remuneration, as per article 3 of the Insurance Premium Collection Act, such standard remuneration is regarded as the daily base wage.<sup>4</sup>

### 1.3.6. Reporting of unemployment, recognition of eligibility for benefits and the waiting period

To receive jobseeking benefits, the worker should report their being unemployed to the ESO without delay (Employment Insurance Act, art. 42). This reporting involves the submission of a job application and a request for recognition of eligibility for unemployment benefits as of the reporting date.

The applicant should receive recognition of unemployment by visiting the ESO between the first and fourth week from the date of unemployment reporting, as appointed by the head of the ESO. The applicant should physically attend the first meeting for unemployment recognition, but (as of 2011) subsequent reporting can be done via the internet. Moreover, internal regulations of the Ministry of Employment and Labor (MOEL) were amended to accept reporting via mobile instruments (including smart phones) from 2017.

During a seven day window from the date of unemployment reporting – referred to as the waiting period – jobseeking benefits are not paid. However, through a January 2019 revision of article 49-2 of the Employment Insurance Act, this seven-day waiting period is waived for daily hire workers in the construction sector, so that jobseeking benefits can be paid immediately, as calculated from the date of unemployment reporting.

The applicant can ask their former employer to issue documents that verify the insured period, daily work hours, etc. The head of the ESO should, upon receipt of the application seeking eligibility recognition for jobseeking benefits, make a determination and notify the applicant of the result, as per the Employment Insurance Decree.

Recognition of benefit eligibility is determined based on the worker's status at their latest employer (Employment Insurance Act, art. 43). It should be noted that regulations on mandatory job search endeavours – an important factor for receiving eligibility recognition – were alleviated in 2019 from the previous condition whereby workers needed to supply evidence engaging an active job search twice per four weeks to just once per four weeks (Guideline for the Recognition of Unemployment and Support of Reemployment, February 2019).<sup>5</sup>

<sup>4</sup> Standard remuneration for 2021 is specified in Notice of the MOEL 2020-163.

<sup>5</sup> This guideline is available (in Korean) at: [http://www.moel.go.kr/info/lawinfo/instruction/view.do?bbs\\_seq=20190200307](http://www.moel.go.kr/info/lawinfo/instruction/view.do?bbs_seq=20190200307).

### 1.3.7. Employment promotion allowances

Among the various types of employment promotion allowances, the most important is the early re-employment allowance. The aim of this programme is to encourage active job search efforts and the early re-employment of unemployed persons. When a jobseeker is hired by an enterprise that provides employment for more than 12 months or becomes self-employed, and when this happens before one-half of the benefit period has elapsed, the jobseeker is paid employment promotion allowances that are calculated as follows: the daily amount of jobseeking benefits x 50 per cent of the remaining benefit period days.

The early re-employment allowance programme was reconfigured into its current shape after the Employment Insurance Decree was amended in 2013 in order to minimize deadweight loss. Total disbursement of early re-employment allowances in 2019 amounted to 290 billion won distributed to 83,216 workers. Disbursements of the other employment promotion allowances – that is, vocational skills development allowances, long-distance job search allowances and relocation allowances – are not as sizeable.

### 1.3.8. Denial of benefits

Even if recognition of benefit eligibility is granted, unemployment benefits are suspended if the recipient refuses a placement by the ESO, refuses to receive vocational guidance, or does not comply with an order for vocational training. Also, unemployment benefits are suspended in cases where an individual has received, or attempted to receive, unemployment benefits by fraud or other improper means. Stricter rules concerning denial of benefits were applied from 2019, as a counterbalance to the newly alleviated eligibility requirements and increases of benefit levels.

If a person has received or attempted to receive unemployment benefits by fraud or other improper means, jobseeking allowances will not be paid from the date they have received or attempted to receive benefits through such ways (Employment Insurance Act, art. 61). An example of fraud or other improper means is not reporting or inaccurately reporting income-earning activities of any kind during the recognized period of unemployment.

If such misconduct occurs three or more times over a period of ten years, a strengthened sanction is imposed, whereby the individual is prohibited for one to three years from receiving jobseeking allowances to which they normally would have been entitled as a result of any newly acquired eligibility (Employment Insurance Act, art. 61-5, newly added).

The head of the ESO can order a person who has received jobseeking benefits by fraud or other improper means to return all or part of the benefits received, as prescribed by the Employment Insurance Ordinance (Employment Insurance Decree, art. 81-3).

### **1.3.9. “Review” and “further review” mechanisms of the Employment Insurance System**

If an insured person is dissatisfied with any procedural aspect of the EIS – such as confirmation of acquisition or loss of insured status, disposition regarding unemployment benefits, childcare leave benefits, maternity leave benefits, etc. – they may file a request for review by an Employment Insurance Examiner. The Examiner, who is stationed at the head office of the MOEL, reviews the insured worker’s request, and makes a decision on their own.

If the insured person is dissatisfied with the decision of the first review by the Employment Insurance Examiner, he/she may file for further review by the Employment Insurance Appeal Committee within 90 days from the decision of the first review (Employment Insurance Act, arts 89 and 99). The Committee is composed of fewer than 15 members, including representatives of employees, employers and the public sector. If the insured person is dissatisfied with the decision of the further review by the Appeal Committee, he/she may bring the matter to the Administration Court within 90 days.

The purpose of such separate review processes – which is different from ordinary administrative appeal processes – is to ensure fair and prompt handling of any complaints, as most dispositions or decisions related to employment insurance issues are complicated and require professional knowledge. In 2019, the total number of review requests was 1,109 (first reviews) and 184 (further reviews).

## ► 1.4. Maternity protection programmes

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Maternity leave and childcare leave benefits were integrated into the EIS in 2001. The purpose of the integration was to provide employment security to female workers throughout pregnancy and childbirth (maternity leave benefit), and to provide financial support to parents who want to look after child(ren) under age 8 (childcare leave benefit).

The duration of maternity leave, as stipulated in the Labor Standard Act, is 90 days (45 days after childbirth). Previously, employers had to pay the full wage amount during a worker's maternity leave (60 days at that time), but from 2001, the maternity leave period was lengthened from 60 to 90 days and wage for the additional 30 days is paid from the Employment Insurance Fund. From 2018, the ceiling of the maternity leave benefit was increased to 1.6 million won.

Childcare leave can be taken to look after a child (or children) aged below 8 or who is in the second grade or below of elementary school. The general provisions of childcare leave benefit are as follows: For the first three months of childcare leave, 80 per cent of ordinary wage of the insured person is paid (ceiling: 1.5 million won; lower limit: 700,000 won). From the fourth month, 50 per cent of ordinary wage is paid (ceiling: 1.2 million won; lower limit: 700,000 won) (Employment Insurance Decree, art. 95).

There is also a special case concerning the childcare leave that was established in 2014: When parents take childcare leave in sequential order for the same child, the second parent is paid 100 per cent of their ordinary wage (ceiling: 2.5 million won) for the first three months of their leave. This three-month period is an improvement, effected in 2016, from the previous one month. If the childcare leave period of the two parents overlaps, the above-mentioned general provisions are applied (Employment Insurance Decree, art. 95-2).

It is noteworthy that 75 per cent of the childcare leave benefits are paid (on a monthly basis) during the leave period; while the remaining 25 per cent is paid in a lump sum after the benefit recipient has returned to their job and has continued to work for six months. The purpose of the postponed payment of this final 25 per cent is to encourage workers to go back to work after having taken childcare leave. If, however, the worker's employment is terminated due to justifiable cause – as stipulated in article 95-4 of the Employment Insurance Decree – the 25 per cent portion is paid in a lump sum at the time of termination.

## ► 1.5. Employment insurance premium rates

In principle, employment insurance is funded through the insurance premium contributed by the employer and the employee. The Government may contribute out of its budget to the Employment Insurance Fund.

Employment insurance premium rates, adjusted lately in October 2019, are shown in table 2 below. The premium rate for unemployment benefits is equivalent to 0.8 per cent of the wage, paid by both the employer and employee (and increased from the previous 0.65 per cent). It should be noted that maternity leave benefits and childcare leave benefits are paid out of this unemployment benefit fund. In addition, the insurance premium for employment security and vocational skills development programmes is borne solely by the employer, and the premium rates differ depending on the firm size.

**Table 2.**

**Employment insurance premium rates paid by employers and employees**

Benefit	Employer	Employee
Unemployment benefits	0.8%	0.8%
Employment security and vocational skills development programmes:		
firm of < 150 employees	0.25%	–
priority support firm with 150 employees or more	0.45%	–
firm with 150 – < 1,000 employees	0.65%	–
firm with 1,000 employees or more, government agency	0.85%	–

– = nil.



# 2

- ▶ **Reforms of the Employment Insurance System to cope with the COVID-19 crisis**

## ► 2.1. Overview

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In dealing with the deteriorating economy and labour market, which had been suffering even before the COVID-19 crisis, the Republic of Korea Government actively utilized labour market policies, including the EIS. The Government significantly expanded employment security programmes, whereby employee retention subsidies are paid to the business owners to encourage them to retain employees instead of resorting to severance.

As mentioned earlier, the Government revised the Employment Insurance Decree more than eight times during the year 2020 alone. Also, the MOEL was empowered to determine different levels of benefit, eligibility criteria, etc. within the power limit authorized by the Employment Insurance Act and Decree (details of the main changes to be discussed below).

Furthermore, with the amendments of the Employment Insurance Act in December 2020 and July 2021, the EIS is expanding its coverage scope to “all workers” by including artists and various types of “dependent contractors”<sup>6</sup> who had not been covered previously. While several parts of the EIS were revised, only a quick review will be provided here on the changes affecting major programmes that account for a relatively higher portion of fund usage.

The main amendments to the Employment Insurance Act to cope with the COVID-19 crisis are:

- Revision of December 2020: An artist who, not being a hired worker, signed culture/art service contracts is to be protected with jobseeking benefits and maternity leave benefits (arts. 77-2 – 77-5, newly added).
- Revision of July 2021: Dependent contractors of various types are to be covered with jobseeking benefits and maternity leave benefits (arts. 77-6 – 77-10, newly added).
- If employment contract of a fixed-term worker or dispatch worker expires during the maternity leave period, she shall be paid the amount equivalent to the maternity leave benefit for the period from the last date of the employment contract to the last day of maternity leave (art. 76-2, newly added).

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<sup>6</sup> A dependent contractor is a person who has signed a contract to provide labour service for another person’s business (but not as an employee) and who receives payment for the labour service provided. Examples might include insurance sales persons, delivery persons, after-school instructors, quick servicepersons, etc.

## ► 2.2. Reforms of the Employment Security Programmes

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Based on article 21 of the Employment Insurance Act, the EIS provides financial support for the employment security efforts of business owners. Article 21-1 stipulates:

The Minister of the Employment and Labor may, as prescribed by the Employment Insurance Decree, provide necessary assistance to a business owner who finds it inevitable to adjust employment due to downsizing, closing, or conversion of his/her business following changes in business conditions or industrial structures or other similar circumstances, when he/she makes efforts to improve employment security, such as business suspension, layoff, manpower relocation, and vocational skills development training for career changes.

Based on this provision, the Employment Insurance Decree describes detailed eligibility conditions and specific benefit amounts in articles 19 and 21, respectively.

### 2.2.1. Substantial expansion of the Employment Retention Subsidy Program

Purpose of this program is to encourage employee retention instead of severance in the difficult business and labor market situation. While this programme has so far been a very flexible and useful policy tool, the Government has revised it to specify support conditions in the Employment Insurance Decree, within which the MOEL can determine specific support levels.

The program has two schemes: one for businesses who pay their workers during an enterprise shutdown or while on leave; and the other for the workers who have not been paid by their business owner. This section addresses the scheme in which workers are being paid; the unpaid scheme is discussed in section 2.2.3 below.

In the paid scheme, an employment adjustment initiated by a business owner may be considered 'unavoidable' if his/her business suffers from 50 per cent increase in inventory or 15 per cent decrease in sales/output compared to the previous year. Such business owner is eligible for the employment retention subsidy, if:

- The employment adjustment initiated by him/her involves a temporary shutdown in such a way that the working hours of all employees are reduced by at least 20 per cent for a period of at least one month, and he/she pays a certain amount of remuneration to his/her insured workers to compensate for the reduced hours; or
- The workers are induced to take leave for more than one month, and the business owner pays a certain amount of remuneration to his/her insured workers during such leave period.

If the business owner pays 70 per cent of the average wage during the shutdown or individual paid leave,<sup>7</sup> the owner of a priority support firm can get a subsidy equivalent to two-thirds of what they paid, as per the article 21 of the Employment Insurance Decree. For owners of large

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7 As prescribed in the article 46 of the Labor Standard Act.

enterprises, the subsidy would be equivalent to between one-half and two-thirds of what the owner paid. This rule is still valid in principle, but the subsidy level may be increased to three-quarters for priority support firms and two-thirds for large enterprises, as allowed in the “special empowerment clause” in article 21 of the Decree, which stipulates:

When the Minister of Employment and Labor deems it necessary for employment security due to worsening unemployment, such as a rapid increase in the unemployment rate, the amount shall be equivalent to 3/4 (2/3 for large enterprise) of the money and valuables provided by the business owner to compensate for the lost wage of the insured employees (only for a period prescribed and publicly announced by the Minister of Employment and Labor within the limit of one year).

In April 2020, the above special empowerment clause was revised again to give even more room to the Minister to decide the benefit level, within the range of three-quarters to nine-tenths for priority support firms, and two-thirds for large enterprises. Based on this revision, the MOEL changed the duration and level of the special support several times through frequent issues of Ministry Notices.<sup>8</sup> Table 3 below shows examples of the changes made since 2020.

**Table 3.**

**Employee retention subsidy rates for paid shutdown and paid leave**

Business type	1-31 Jan. 2020	1 Feb. – 31 Mar. 2020	1 Apr – 30 Sep. 2020	1 Oct. 2020 – 30 Jun. 2021
Priority support firm	2/3	3/4	9/10	3/4 & 9/10*
Large firm	1/2	2/3	2/3	2/3

\* During this period the rate was briefly reduced to 3/4 before being restored to 9/10.

To provide special support based on the above, two business categories were chosen and announced through MOEL Notices:

1. Businesses where the gathering of people is limited or prohibited to prevent spread of COVID-19 (for example, restaurants, cafes, wedding halls, beauty salons, barber shops, etc.); and
2. Business categories selected by the Minister of SMEs and Startups as “business and managerial crisis sectors” (due to sales decreases in 2020 of more than 20 per cent compared to the previous year). Some examples are wool and other spinning, wool and cotton fabric manufacturing, footwear parts manufacturing, garment retail, footwear retail, sightseeing souvenir retail, and daycare centres.

As the COVID-19 crisis lengthened, the benefit period for employee retention subsidies was given an exceptional extension from 180 days to 240 days for 2020 only, through revision of article 21-3 of the Employment Insurance Decree.

<sup>8</sup> Some examples are MOEL Notice 2020-104 (8 July 2020) and MOEL Notice 2020-177 (31 December 2020). More information can be found at: <http://www.moel.go.kr/info/lawinfo/instruction/list.do>.

Also, criteria for determining that an employment adjustment was unavoidable were eased. As noted above, an employment adjustment is typically determined to be unavoidable if a business suffers from a 50 per cent increase in inventory and a 15 per cent decrease in sales/output compared to the previous year. However, if the deterioration of the employment situation caused by a disaster (such as COVID-19) continues for more than six months, the MOEL is empowered, as per the revised regulations (Employment Insurance Ordinance, art 24-2), to determine and notify business owners of different time points for comparisons of inventory levels and output/sales levels. This enables the point of comparison to be set at some point prior to the onset of the crisis when businesses were presumably operating at a “normal” level. At present, the criteria for determining an unavoidable employment adjustment have been set as follows:

- ▶ Inventory has increased by more than 50 per cent compared with the monthly average of 2019 (that is, before COVID-19), even if the rate of increase is below 50 per cent compared to the monthly average of the preceding year; or
- ▶ Sales have decreased by more than 15 per cent compared with the monthly average of 2019 (that is, before COVID-19), even though the sales decrease rate is below 15 per cent compared to the monthly average of the preceding year.

### 2.2.2. Special support for designated types of businesses and designated areas <sup>9</sup>

As of March 2020, the MOEL may determine different conditions for and different levels of the employment retention subsidy for a business owner if: (1) the business belongs to an industry designated as a “special type of business for employment stability”, or (2) if the business belongs to an area designated as an “employment crisis area”. These two cases for special support programmes are the most comprehensive ones in the Republic of Korea’s employment policy systems. The designation should be done through the deliberation of the Employment Policy Council and through collaboration among the ministries concerned. Support packages include employee retention subsidies, special extended benefits, intensive employment services and other activation programmes.

The Government has selected 14 designated types of business (for example, the travel industry) based on a comprehensive analysis of the damage the COVID-19 crisis has inflicted upon them: <sup>10</sup>

- ▶ first designation: travel industry, sightseeing industry, art performance industry (16 March 2020 – 31 March 2022);
- ▶ second designation: air industry, duty-free shops, exhibition and international convention businesses, airport shuttle services (27 April 2020 – 31 March 2022);
- ▶ third designation: bus route services, movie industry, training/education facilities, aircraft parts manufacturing industry, casinos for foreigners (1 April 2021 – 31 March 2022).

9 Special support programmes for designated types of businesses are regulated by MOEL Notice 2015-90, issued in July 2015, and by subsequent notices for certain business sectors. More information is available (in Korean) at: [http://www.moel.go.kr/info/public/publicDataView.do?bbs\\_seq=20201100585](http://www.moel.go.kr/info/public/publicDataView.do?bbs_seq=20201100585).

10 Designated business types are announced via MOEL Notice. For example, the sightseeing and art performance industry were designated in April 2020 by MOEL Notice 2020-82, the text of which is available (in Korean) at: [https://www.moel.go.kr/info/lawinfo/instruction/view.do?bbs\\_seq=20200401438](https://www.moel.go.kr/info/lawinfo/instruction/view.do?bbs_seq=20200401438).

For these designated types of businesses or employment crisis areas, employment retention subsidies (via either the paid or unpaid scheme) are raised from two-thirds of what the business paid to affected workers to either three-quarters or nine-tenths of what was paid. The daily ceiling of the subsidy for an individual employee has been raised to 70,000 won (for priority support firms only). The benefit period has been extended up to 270 days (90 days longer than usual duration of 180 days), which is temporarily applicable until 31 December 2021 (MOEL Notice 2021-45, dated 16 June 2021).

As for the shipbuilding industry and the seven designated employment crisis areas (Kusan, Keoje, etc.), the Employment Policy Council made a decision in December 2020 to extend the expiry date of their designation as “special type of business” and “employment crisis area” for another year, until 31 December 2021, in view of the following factors: <sup>11</sup>

- ▶ The crisis facing the shipbuilding industry is continuing amid a sluggish global market, as evidenced by the decreasing volume of new shipbuilding orders (-47.9 per cent) and ship construction (-11 per cent).
- ▶ In particular, new shipbuilding orders of the medium-sized shipbuilders decreased by 38.7 per cent during the first half of 2020 compared to the same period of the previous year, and new orders during the second quarter (April–June) drastically decreased by 70.3 per cent compared to the same period of the previous year.
- ▶ Worsening employment indicators, such as the trends in the number of insured workers, applications for unemployment benefits, and reporting of massive change in employments.

### 2.2.3. Employee retention subsidy for workers on unpaid leave

According to the Article 46-2 of the Labor Standard Act, when a business owner’s employment adjustment is unavoidable due to circumstances beyond their control (as detailed below), they may pay a shutdown allowance of less than the legal rule noted in section 2.2.1 above (that is, 70 per cent of the average wage) if they have attained special approval from the Labor Relations Commission.

As for a worker who is paid no shutdown allowance or who is paid a leave allowance of less than 50 per cent of the average wage, he/she is eligible for an employment insurance subsidy, as prescribed in Article 21-3 of the Employment Insurance Decree (revised in June 2020 and December 2020). Such a case is referred to as **unpaid shutdown and unpaid leave in practical terms**.

In applying for a subsidy for workers on unpaid leave, when a business owner faces the following situations, then their employment adjustment is considered to be unavoidable:

- ▶ inventory increases by 50 per cent or more; or
- ▶ production or sales decrease by 30 per cent or more; or
- ▶ an increasing trend of inventory or a decreasing trend of sales of 20 per cent or more persists.

<sup>11</sup> The designation of employment crisis areas was announced by MOEL Notice 2020-169, December 2020. The text of the Notice is available (in Korean) at: [https://www.moel.go.kr/info/lawinfo/instruction/view.do?bbs\\_seq=20201201876](https://www.moel.go.kr/info/lawinfo/instruction/view.do?bbs_seq=20201201876).

When a business owner facing the above-mentioned situation executes an unpaid shutdown or unpaid leave instead of layoffs, this subsidy is paid to the workers. An unpaid shutdown is when a business is closed for more than 30 days and is providing payments of under 50 per cent of the shutdown allowance approved by the Labor Council. Unpaid leave refers to leave over 30 days, unpaid with the agreement of representatives of the employees.

The subsidy provided to an individual worker is determined by the MOEL (through the Review Committee on this matter established in the ESO), and will be within 50 per cent of the worker's average wage (daily ceiling: 66,000 won) up to 180 days for the year concerned, in consideration of the amount the business owner has paid to the employee.<sup>12</sup>

The above scheme is a result of the relaxation of the conditions of previous schemes; with these changes reflecting the opinion that the previous rules for the unpaid shutdown/leave subsidy were too complicated and too restrictive.

It is noted that, as an urgent and exceptional measure in the COVID-19 crisis, article 21-3(5) of the Employment Insurance Decree was newly added in June 2020 to empower the MOEL to provide the above subsidy to insured workers who do not meet the eligibility requirements. The emergency measure may be taken through deliberation by the Employment Policy Council, and have a duration of no more than six months, but when necessary, it may be extended by a maximum of another six months, until 30 June 2021.

#### **2.2.4. Expansion of the subsidy programme for the labour-management agreed employee retention**

Amid the prolonged economic downturn due to the COVID-19 crisis, there have appeared various instances of active employee retention measures through labour-management agreements. As these types of agreements were not covered under existing regulations, a new groundwork needed to be set up to provide support to such cases (article 22-2 of the Employment Insurance Decree, newly added in June 2020).

As long as labour and management agree on employee retention through wage cuts or other hardship sharing, any way of achieving such an agreement is allowed, including collective agreement signing, revision of the rules of employment, changes to employment contracts, and co declaration by labour and management.

As detailed rules regarding the selection of eligible subsidy recipients, means of support and procedures are delegated to the MOEL, the Ministry established specific guidelines to implement a subsidy programme for labour-management agreement cases in July 2020:

- ▶ All labour-management agreements signed between January 2020 and the end of 2020 qualify to apply for this employee retention subsidy programme.
- ▶ During the agreed employee retention period (that is, the lay-off prohibition period) – which is set as the duration of subsidy payments plus one month – reduction of manpower is not

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12 More information is available in MOEL Notice 2021-60, July 2021.

allowed, except natural decreases (for example, employees reaching retirement age, expiry of employment contracts, voluntary resignations).

- ▶ Subsidy level: 50 per cent of the amount cut from the worker's salary, regardless of the rate of salary cut.
- ▶ Limit of subsidy amount: 500,000 won per month per individual; 2 billion won per enterprise.
- ▶ Subsidy duration: up to six months.
- ▶ Expiry of the subsidy: originally set to expire on 30 June 2021 (maximum of six months), but extended to 31 December 2021, though the maximum duration of six months remains clearly defined.
- ▶ Limitation of subsidy: duplication with the aforementioned employee retention subsidy programme (see section 2.2.1–2.2.3 above) is not allowed.

### **2.2.5. Further expansion of employee retention subsidies to cover previously excluded workers and addressing fraud**

Through a revision of the Employment Insurance Decree (article 19-4, newly added in December 2020), the employee retention subsidy for an enterprise has been extended to include dispatched workers and subcontracted workers who are working for that enterprise, even though there is no direct hiring relationship.

Although employment retention subsidies can be revoked in cases of claim through fraud or improper means, it was not practically feasible in the past. In 2019, however, article 35 of the Employment Insurance Act was revised to order the return of wrongly paid subsidies.

### **2.2.6. Employee retention subsidy disbursements in 2020: A summary of the figures**

A total of 2.288 trillion won in employee retention subsidies were disbursed in 2020, representing a massive 3,315 per cent increase on the 67 billion won disbursed in 2019. The breakdown by subsidy type is as follows:

- ▶ paid shutdown subsidies: 844 billion won;
- ▶ paid leave subsidies: 1.381 trillion won;
- ▶ unpaid shutdown/leave subsidies: 53 billion won; and
- ▶ subsidies tied to employee retention agreements by labour and management: 10 billion won

The fiscal year 2021 budget for employee retention subsidies stands at 1.373 trillion won, and the fiscal year 2022 budget plan for employee retention subsidies is set at 549 billion won.

## ► 2.3. Expansion of employment promotion subsidy programmes

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### 2.3.1. Purpose

The purpose of the Republic of Korea's employment promotion subsidy programmes is to provide subsidies to the business owners who hire people who are not easily employable under usual circumstances (such as seniors, people with disabilities, youth, female heads of household), as per the article 23 of the Employment Insurance Act and the article 26 of the Employment Insurance Decree.

In June 2020, new provisions were added in the Decree (article 26-8) to empower the Minister of Employment and Labor to modify – within a one year limit – the eligibility conditions, the ceiling of the subsidy and the number of insured workers to subsidize, through review by the Employment Policy Council, if there is a need for urgent measures to be taken for employment promotion amid the pandemic crisis.

### 2.3.2. Case study: Subsidy programme for additional hiring of youth

While there are various employment promotion subsidy programmes for different types of people, the subsidy for hiring youth is actively used and substantial financial resources have been allocated, because youth unemployment is a serious issue in the Republic of Korea. Accordingly, this programme is being singled out as an example of the employment promotion subsidy programmes, and its main features are summarized below.

The purpose of the youth hiring subsidy is to provide incentives to enterprises so that they hire unemployed young people. The programme aims to create good quality jobs for youth by subsidizing parts of the enterprises' manpower costs if they hire extra numbers of young people as regular employees.

Eligible firms for this subsidy are small- and medium-sized firms with five or more employees that hire youth (ages 15–34) as regular status employees. It is noted that startups or growth potential enterprises are eligible for this subsidy, even if they employ fewer than five people.

Eligibility conditions for this subsidy are:

1. new hiring of youth as regular employees;<sup>13</sup>
2. maintain employment of the newly hired youth for six months or longer; and
3. number of total employees should be on increasing trend.

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<sup>13</sup> The number of youths that needs to be hired to fulfill this requirement varies depending on the firm's size:

- fewer than 30 employees: 1 or more new youth hires;
- 30–99 employees: 2 or more new youth hires;
- > 100 employees: 3 or more new youth hires.

The subsidy level for one new youth hiring is up to 9 million won per annum (or 750,000 won per month) for three years. However, the number of new hirings eligible for the subsidy varies depending on the size of the firm, with an overall limit of up to a maximum 30 people per firm.

It is noteworthy that: (1) this programme has been managed on a yearly renewal basis; (2) for 2021, name of the programme has been changed slightly to the “special subsidy for youth hiring”; and (3) it provides subsidies for three new hires per firm, with a target of 90,000 new youth hires in 2021 (and as far as the budget allows).

## ► 2.4. Expansion of childcare leave benefits

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In March 2020, the Government introduced new childcare leave benefit provisions for single parents (article 95-2(3) of the Employment Insurance Decree) in order to alleviate their childcare burden, as many schools or daycare centres were closed for a substantial part of the year due to COVID-19. According to these new provisions, a single parent is paid:

- 100 per cent of their ordinary wage for the first three months of childcare leave (monthly ceiling: 2.5 million won);
- 80 per cent for the fourth to sixth months (monthly ceiling: 1.5 million won); and
- 50 per cent from the seventh month (monthly ceiling: 1.2 million won).

This new single parent scheme compares favourably with the usual childcare leave benefit of 80 per cent of the ordinary wage for the first three months and 50 per cent starting from the fourth month.

## ► 2.5. Expansion of the unemployment benefits system

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### 2.5.1. Increase of jobseeking benefits

In August 2019, the level of jobseeking benefits was increased from 50 per cent of the average wage to 60 per cent, and the benefit period was extended by 30 days from 90–240 days to 120–270 days.

Eligibility conditions for very short-term workers were reduced to 180 days during 24 months before departure date, down from the previous requirement of having worked 180 days during the 18 months before departure.

The daily ceiling of the jobseeking benefits was increased from 60,000 won to 66,000 won; while the lower limit was adjusted to 80 per cent of the minimum wage, down from the previous limit of 90 per cent.

In the meantime, sanctions were strengthened on benefits received through fraud or improper means, with heavier penalties imposed on wrongful recipients in order to prevent the negative effects of fraud or improper receipt of benefits.

### 2.5.2. Inclusion of artists under work contract in the Employment Insurance System

In December 2020, the Employment Insurance Act was amended to insert new provisions into article 77 (specifically, paragraphs 2–5) that allowed for the artists under work contract to be covered under the EIS.

Under this new programme, mandatorily covered artists include: (1) those who receive an art activity certificate issued as per the Artist Welfare Act; and (2) those who have signed culture/art service contracts as per Artist Welfare Act that aim to foster artistic creation activity, art performance and technical assistance.

Artists who are not included in the application scope are: (1) those who signed a culture/art contract after age 65 (age limit); and (2) those who do not meet the income level defined in the Employment Insurance Decree (income limit).

As of 2021, the income criteria for coverage exclusion are set at average monthly income under 500,000 won from culture/art contract work. This figure was determined in consideration of the available data on art workers' income earning activities and the minimum earnings of ordinary workers who work 15 hours a week.

Administration of eligibility is the responsibility of the business owner, who should report on eligibility acquisition/change/loss of an artist with whom an art service contract has been signed.

It is noted that artists can acquire insurance eligibility from multiple contracts (thus, duplicated acquisitions are allowed), but unemployment benefits are paid only in case of job loss from mandatorily insured jobs.

Artists are covered by the unemployment benefit and maternity leave benefit only, and the insurance premium is borne equally by the business owner and artist. The premium rate is 1.6 per cent (0.8 per cent by the artist, 0.8 per cent by the business owner) – the same as the unemployment insurance premium rate for ordinary workers.

The amount of the insurance premium is derived from the artist's "base income", which is the sum of business income and any other income, after deduction of non-taxable income and expenses, as defined in the articles 19 and 21 of the Income Tax Act. A survey on the employment insurance coverage status of the art workers conducted in 2019 shows that an amount roughly equivalent to 20 per cent of the income generated from art service contracts is typically reported as expenses.

In case of difficulties related to income verification or the calculation of average monthly income, a base income set by the MOEL is used (article 3 of the Premium Collection Act). Calculation and payment of the insurance premium is done on a monthly basis, similar to wage workers.

### **2.5.2.1. Unemployment benefits for artists**

To qualify for unemployment benefits for artists, the insured period should be a minimum of nine months among the 24-month base period. In addition, the minimum service period with artist status should be three months out of the previous 24 months. Computation of the insured period for a person who has worked in various forms of employment is done by adding respective working periods, with relevant weight applied.

The reason(s) for job loss should not include "disqualifying causes" such as dismissal due to the reasons for which the artist is responsible and voluntary resignation; however, eligibility can be acknowledged if the voluntary resignation was due to the artist's pay being decreased below a certain level.

The daily amount of jobseeking benefits for artists is 60 per cent of the daily base wage, which is capped at the same limit as other wage workers. The daily base wage is calculated by dividing the total remuneration amount during the 12 months preceding job loss by the number of days concerned (in case of difficulty related to the computation above, a base wage as determined by the MOEL is to be used).

The daily limit for art worker is the same as for other wage workers (66,000 won in 2020). There is no specific regulation on a lower limit, but in practice it is 60 per cent of the MOEL-determined base wage.

The duration of the benefit is 120–270 days (same as ordinary workers), depending on the insured period and age of the art worker. The insured period is calculated as the sum of insured periods before job loss. The waiting period is seven days from reporting date of unemployment, in principle; however, this can be extended to a maximum of four weeks in case of departure due to income decrease.

Income earned during the benefit period due to employment or other source is to be deducted, in part or in whole, as prescribed in the Employment Insurance Decree.

### 2.5.2.2. Maternity leave for artists

The eligibility criteria for receiving a maternity leave benefit for artists are the following:

- ▶ Length of the insured period prior to childbirth (including miscarriage, still birth) should be at least three months or longer;
- ▶ Benefit claim should be submitted within 12 months from the date of childbirth (including miscarriage, still birth);
- ▶ Benefit claimer has not worked/provided labour for a certain length of time before and after childbirth (including miscarriage, still birth).

However, income-earning activity during the benefit period may be allowed for fairness' sake, as compared with other workers. The detailed rules for allowing income-earning activity are set in notices from the MOEL.

The level of the maternity benefit is 100 per cent of the average wage paid during the one-year period preceding the date of childbirth. Its ceiling is 2 million won per month as of 2020 (the same as for wage workers), and the lower limit is determined by the MOEL (currently 60 per cent of the base wage).

Benefit duration is set at 90 days before and after childbirth.

### 2.5.3. Application scope expanded to include dependent contractors

From July 2021 employment insurance is allowed to dependent contractors, an expansion of the EIS that was enabled by new additions to the Employment Insurance Act (article 77-5 – 77-10, added December 2020) and the Employment Insurance Decree (articles 104-11 – 105-15, added July 2021).

The programme for dependent contractors is to be applied to those workers who signed a contract to provide labour service for someone's business (but not as an employee) in exchange for payment ("labour-providing contract"), and who engage in the "business sector" as defined by the Employment Insurance Decree.

This protection is to be gradually extended to: (1) insurance salespersons; delivery persons, after-school instructors (from July 2021); and (2) quick servicepersons and others (from January 2022).

A dependent contractor is eligible for employment insurance if: (1) they earn 800,000 won or more a month from a labour-providing contract, or (2) the aggregate sum of their monthly income from all their contracts amounts to 800,000 won or more, in case they have signed two or more labour providing contracts.

This benefit is not applicable in cases where the labour provider belongs to any one of the following:

- ▶ If they sign an employment contract, labour-providing contract, or culture/art service contract after the age of 65, or if they start self-employment after the age of 65.
- ▶ If the labour provider fails to satisfy the income level as defined in the Employment Insurance Decree, except those whose labour-providing contract duration is less than one month ("short-term labour provider").

It should be noted that, as per the newly added article 104-14 of the Employment Insurance Decree, a labour provider who left their previous work for the reason of income decrease is eligible for employment insurance if their income during the three months preceding the departure date decreased by 30 per cent or more compared to the same period in the previous year. The daily ceiling of the jobseeking allowance is set at 66,000 won.

Insured labour providers are eligible for maternity leave benefits if:

1. her insured period prior to the childbirth (including miscarriage or still birth) is three months or longer;
2. labour was not provided during the maternity benefit period; and
3. the application for maternity benefits is submitted within 12 months from the date of childbirth (including miscarriage or still birth) (Employment Insurance Decree, art. 104 15, added June 2021).

#### **2.5.4. Employment support for "all jobseekers": A Korean model unemployment assistance programme**

An employment support for "all jobseekers" programme was implemented in January 2021, with the intention of serving as a Korean model for unemployment assistance that would provide support for a wide range of persons seeking employment, including low-income jobseekers and young people newly entering labour market. The purpose of the programme is to provide employment support services to jobless people who, despite their ability and will to work, are unemployed and not protected by the EIP. To this end, the employment support includes an employment activation programme as well as financial aid to provide livelihood stability.

The main target of the support is those who lack adequate protection through the EIP, such as low-income jobseekers, married women, unemployed youths, small-scale self-employed workers whose businesses have closed, and dependent contractors. To this end, the Act on the Encouragement of Employment of Job Seekers and the Support of Their Livelihood Stability was enacted in June 2020, and a plan was set up to provide support for roughly 640,000 vulnerable workers in the labour market as of 2021.

Eligibility conditions are as follows:

- ▶ household income of no more than 2.44 million won per month (for a family of four) and assets of 300 million won or less;<sup>14</sup> and
- ▶ to have worked for 100 days or more during the previous two years.

Once deemed eligible, the jobseeker receives a monthly jobseeking promotion allowance of 500,000 won for six months, up to a total of 3 million won. In addition, they will gain access to various activation programmes, including individual one-on-one in-depth counseling, preparation of a customized jobseeking plan, vocational skills development training, a work experience programme, etc.

Even in cases where the applicant has no work experience during previous two years, if eligibility conditions around income and assets are met, support may be provided within the budget limit. For 2021, it is expected that 150,000 people will receive the jobseeking promotion allowance. Especially for young jobseekers who suffer from serious difficulties in getting a job, the income eligibility condition is eased to accept income levels that are higher than the limit stated above. In addition, for the vulnerable people whose income exceeds the eligibility income condition, additional support, like a certain amount of jobseeking activity expenses will be provided for. For example, if the monthly household income of a four-person family is below 4.88 million won, a certain amount of jobseeking activity expenses<sup>15</sup> will be granted, together with jobseeking support services.

An employment success allowance (1.5 million won) may be granted to those who secure a job, to be paid in two steps in order to encourage long-term stay in that job: (1) 500,000 won upon completion of six months of service; and (2) 1 million won upon 12 months of service. Dependent contractors are also eligible for this allowance.

### 2.5.5. Plan to expand the Employment Insurance System to “all workers”<sup>16</sup>

The Republic of Korea Government established a road map in December 2020 aimed at gradually expanding employment insurance services to all workers step by step, as follows:

Artists (December 2020) → Dependent contractors (July 2021) → Platform workers (January 2022)  
→ Other workers (July 2022) → Self-employed (by 2025, through social dialogue)

<sup>14</sup> Further details are available in MOEL Notice 2020-61, December 2020.

<sup>15</sup> These include: (1) counseling and testing: up to 200,000–250,000 won per month; and (2) upgrading employability: 284,000 won per month for a maximum of six months.

<sup>16</sup> Detailed information is available (in Korean) at: <http://www.moel.go.kr/skin/doc.html?fn=202012231122247ce9a1834001460bbd4c6fbb266bdf7.hwp&rs=viewer/ENEWS/2020/>.

## ► 2.6. Financial data of the Employment Insurance Fund, 2019–20 <sup>17</sup>

Table 4 below presents financial data for the Republic of Korea's Employment Insurance Fund for the year 2020.

**Table 4.**

**Employment Insurance Fund inflows and outflows (in billion won), 2019–20**

Inflows	2019	2020	Change
<b>Total inflow</b>	<b>15 636</b>	<b>24 497</b>	<b>+57%</b>
Premiums	11 089	12 920	+16%
Interest income, refunded benefits, etc.	635	1 066	+68%
Loans from the Government	-	4 700	n.a.
Programme support from the Government	140	1 150	+721%
Withdrawal of Fund deposits	3 772	4 661	+24%
Outflows	2019	2020	Change
<b>Total outflow</b>	<b>15 636</b>	<b>24 497</b>	<b>+57%</b>
Expenditure for EIS programmes	13 853	20 352	+47%
Unemployment benefits	8 407	12 212	+45%
Employment security and skill development	3 667	6 163	+68%
Employment retention subsidy	67	2 288	+3 315%
Maternity protection	1 779	1 977	+11%
Administration expenses, etc.	99	114	+15%
Savings to Fund deposits	1 684	4 031	+139%

- = nil

n.a. = not applicable (calculation not possible)



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▶ **Conclusion**

Since its implementation in 1995, the Employment Insurance System of the Republic of Korea has played an important role in coping with several crises the country has faced. Mostly recently, in the wake of the COVID-19 crisis, the EIS has been a very useful tool of active labour market policies as well as the social safety net. The COVID-19 pandemic brought a severe challenge to a Korean economy that had already been suffering from recession. In dealing with the deteriorating employment and labour market situation, the Republic of Korea Government actively utilized the EIS, and this explains the frequent revisions to the EIS during 2019–21.

Through the EIS, the Government could provide prompt and flexible responses to the crisis situation. In particular, the “special empowerment clause” in the Employment Insurance Decree, being a very unique feature of the Korean system, enabled the Government (including the MOEL) to promptly and flexibly cope with the situation, without the need to go through a lengthy legal revision process.

However, it should be noted that the policy changes have been made very rapidly and widely, and sometimes in a complicated manner. Moreover, in many cases the changes were executed within the authority of the Government (via the Employment Insurance Decree, the special empowerment clause, and MOEL Notices) with such frequency that it was not easy even for the experts to keep track of all the changes.

Serious concerns have been raised about the soundness of the Employment Insurance Fund. As internal revenue (premiums, interest, government support) was about 14 trillion won in 2020; whereas expenditures for EIS programmes amounted to 20 trillion won, resulting in a huge deficit that was filled with loans from the government budget.

All of the above could cause concerns over possible abuses of authority, possible abuses of the EIS by workers and employers, and the long-term soundness of the Employment Insurance Fund. However, given that the COVID-19 crisis is still ongoing and the inevitability of utilizing the EIS as a tool to deal with the crisis, it is too early to objectively assess the contributions or shortfalls of the EIS. In this regard, if the Republic of Korea’s EIS is taken as a reference case for other countries, it is recommended that its positive aspects (prompt response to a crisis situation) as well as negative aspects (generous or possibly lavish operation of the EIS fund) should be taken into account together.

## Resources

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Employment Insurance Act, Republic of Korea

Enforcement Decree of the Employment Insurance Act, Republic of Korea

Act on the Encouragement of Employment of Job Seekers and the Support of Their Livelihood Stability,  
Republic of Korea

Employment Insurance Committee, Meeting materials from 2019 to May 2021.

MOEL (Ministry of Employment and Labor), *Employment Insurance White Paper*, 2020.

MOEL, *The Employment & Labor Policy of Korea in Coping with COVID-19*, 2021.

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