

Social Insurance, Retirement Allowance & Statutory Holidays

Q. What are the types of social insurance an employer must provide employees?

A. A company employing more than one employee should offer national pension, health insurance, employment insurance and industrial accident compensation insurance.

Additional information

The employer should make monthly contributions to the four types of insurance as follows. Employees' contributions shall be deducted from their wages.

* National pension: Standard monthly income¹ X 9% (Employer's contribution: 4.5%)

* Health insurance: Monthly wage² X 5.89% (Employer's contribution: 2.945%)

* Employment insurance: Average monthly

wage³ X 1.1% (Employer's contribution: 0.55%). The employer shall make additional contributions for employment security and vocational skill development programs, with an insurance premium rate of 0.25% for businesses employing less than 150 employees⁴.

* Industrial accident compensation insurance: Average monthly wage X 0.006 - 0.34 (contribution rate differs by business sector)

Q. Should an employer pay retirement allowance to a retiring employee?

A. An employer should provide a retiring employee with 30 days' average wage⁵ for every year of consecutive service. As there is no limit on the qualifying reasons for retirement, the retirement pay shall be given in any case when the employment contract is terminated due to the employee's resignation or death, arrival of the retirement age or the company's extinction.

Additional information

* Retirement benefit scheme

With the introduction of the retirement benefit scheme on Dec. 1, 2005, all employers are required to adopt either retirement annuity⁶ or a lump-sum

retirement benefit. If any employer intends to decide on a type of retirement benefit scheme, the employer shall, if a majority trade union exists at the business concerned, obtain the consent of the union, and if no such trade union exists, obtain the consent of a majority of workers.

Q. What are the statutory holidays for employees?

A. Under the Labor Standards Act, the statutory holidays are weekly holidays and Labor Day (May 1).

Additional information

* Weekly holidays

An employer shall grant a weekly holiday with pay at least once a week on average, provided that the employee concerned has worked all of the contractual working days (as determined in the rules of employment, etc.) for the preceding week. An employee who has worked on a weekly holiday shall be paid an additional 50 percent of the ordinary wage rate for the hours worked.

* Contractual holidays

Contractual holidays refer to holidays other than the statutory holidays provided by the employer specified in a collective agreement or rules of employment. Examples are company foundation day or public holidays. Whether the additional holidays will be paid or unpaid will be determined by an agreement between the employer and employees.

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1 Standard monthly income: [monthly wage X 12 months/365 days (366 days) X 30 days]

2 Monthly wage: Earned income that is taxable under the Income Tax Act

3 An individual employee's average monthly wage for a taxable year is calculated based on the aggregate wage of the previous year.

4 Premium rate for employment security and vocational skill development programs: 0.25% for businesses with less than 150 employees; 0.65% for businesses with 150 - 999 employees; 0.85% for businesses with 1,000 employees or more

5 Average wage: The amount calculated by dividing the total amount of wage paid to a relevant worker during three months immediately before the day on which a cause for calculating his/her average wage occurred by the total number of days during those three months

6 Under the retirement annuity scheme, retirement allowance funds are managed by a financial company and retirement benefits are paid either in installments or lump-sum at the time of retirement.