

## COUNTRY NOTE

Database on Social Expenditure ([www.oecd.org/social/expenditure.htm](http://www.oecd.org/social/expenditure.htm))

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs

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## KOREA

### *Nomenclature*

MOHW	Ministry of Health and Welfare
MOEL	Ministry of Employment and Labor
MOGEF	Ministry of Gender Equality & Family
NBLS	National Basic Livelihood Security
HWIS	Korea Health and Welfare Information Service
KIHASA	Korea Institute for Health and Social Affairs

### *Monetary unit*

Social spending is expressed in millions of Won (KRW).

### *General notes*

The fiscal year starts on 1 January.

There are five social insurance schemes in Korea: (1) Statutory Pension Insurance (National Pension, Government Employees Pension, Private-school Teacher's Pension, Specific Post Office Pension, and Military Pension), (2) National Health Insurance, (3) Long-term Care Insurance for the Elderly, (4) Employment Insurance, and (5) Industrial Accident Compensation Insurance.

Korea has shown higher expenditure particularly in the health category. Rapid population ageing in the nation, has made the cost of health services rise, and new health policies have been developed to respond to various needs. Whereas the pension system in Korea has not yet matured, the number of full pensioners in Korea started to increase from 2008, when it reached its 20<sup>th</sup> year. Childcare subsidies have also been rising very rapidly since the late 2000s. Consequently, there has been a sharp increase in cash benefits in Korea over this period, which is expected to continue.

Local governments are responsible for the delivery of social services and they are also in charge of co-financing the cost of social services as partners of the central government. Most social services and accommodation programs are financed through the central government subsidy program, of which local governments have to also bear the considerable cost.

Data include expenditures by central and local governments, social insurance institutions, private enterprises, and social enterprises. However, the ALMP category has included matching funds by local governments since 2012.

Since 2011, a survey has been conducted annually over all the private fundraising organizations registered with the government, in order to calculate their expenditures in the social welfare sector within the voluntary private expenditure category, most of which is allocated to assistance programs for low-income households.

Public social expenditures for years 1990~2011 were calculated based on the combination of budgets and financial reports of the central and local governments and public institutions. Since 2012, almost all estimations have been calculated using the financial reports.

As of 2015, housing benefits have been classified into a separate category of "8.Housing",

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moving away from “9.Other Social Policy Areas”, due to the reform of Korea’s National Basic Living Security Program, which introduced different eligibility criteria (e.g. income thresholds) for respective benefit categories.

Public Pension schemes in Korea are categorized as non-means tested, given that beneficiaries receive benefits according to their past contributions. Nonetheless, the amount of retirement pension is reduced up to 50% for those enrolled in the Government Employees Pension, Private-school Teacher’s Pension, Specific Post Office Pension, and Military Pension, when the insured individuals are engaged in income-earning activities that generate more than the average income of all the insured in each of the pension plans.

The individual country notes of the OECD Benefits and Wages ([www.oecd.org/social/benefits-and-wages.htm](http://www.oecd.org/social/benefits-and-wages.htm)) provide a comprehensive description of the characteristics of social programmes (e.g. conditions for receipt, calculation of payment rates, tax treatment of social support, benefit duration, etc.) for the working-age population, including: employment insurance, social assistance, employment-conditional benefits, housing benefits, family benefits, childcare support, and support for single-parent households.

Concerning the methods of producing Korea’s SOCX data, MOHW and KIHASA appraise and approve the data for old-age, survivors, incapacity-related benefits, family, unemployment, housing, and other social policy areas. Data for health and ALMP are linked to the existing OECD database(see table 1).

Tables 2, 3, and 4 show the matrixes of function, scheme, and financial resources of Korea’s SOCX data (*For more information, please contact [socx@kihasa.re.kr](mailto:socx@kihasa.re.kr)*).

### *Break in series*

Data for the mandatory private social expenditure are underestimated due to the unavailability of maternity leave data from 1990 to 1996.

A general break in series occurred in 2008 due to changes in the government’s budget schemes and the adoption of the National Finance Information System (NAFIS).

The government’s budget schemes shifted from a Line-Item Budgeting System (LIBS) to a Performance Budgeting System.

Adoption of the National Finance Information System (NAFIS) has facilitated the classification of specific items in SOCX.

### *Estimations*

Expenditures for “410.10.5.2.1.3 Pre-primary education (3-5 years old) (Vouchers for Childcare Service)” are estimates based on the OECD Education database and have been computed by KIHASA since 2012.

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### *Sources*

Ministry of Health and Welfare (MOHW), Republic of Korea, except for:

**1990 onwards** 4. Health: OECD Health Statistics ([www.oecd.org/health/healthdata](http://www.oecd.org/health/healthdata))

**1998 onwards** 5.2.1.3 Childcare (pre-primary education): OECD Education database ([www.oecd.org/edu/database.htm](http://www.oecd.org/edu/database.htm)).

**1990 onwards** 6. ALMP: OECD Labour Market Policy database.

### *Background information*

MOHW, Social Protection (<http://www.mohw.go.kr>)

HWIS bokjiro, Social Services, qualitative information (<http://bokjiro.go.kr>)

Gho, K.H, Y.S. Chang, K.H. Lee, J.W. Kang, Y. A. Chung (2017), Estimation of Social Expenditure in Korea on the Basis of the OECD (in Korean only), Ministry of Health and Welfare (MOHW) & Korean Institute for Health and Social Affairs (KIHASA), Korea.

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Gho, K.H, Y.S. Chang, J. J. Kim, M.S. Jung, and J.W. Kang (2009), Estimation of Social Expenditure in Korea on the Basis of the OECD Guidelines(1990-2007) and Comparison of Old Age Benefit among OECD Members (in Korean only), Ministry of Health and Welfare (MOHW) & Korean Institute for Health and Social Affairs (KIHASA), Korea.

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Gho, K.H., Y.S., Chang and N.Y., Lee (2003), Estimation of Social Expenditures in Korea on the Basis of the OECD Guidelines: 1990-2001, Korea Institute for Health and Social Affairs, Seoul, Korea

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**Table 1. Database on Social Expenditure**

In Billion of Korean Won

MOHW & KIHASA /SOCX		Code	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002		
1)	<b>MOHW &amp; KIHASA</b>	<b>Social protection benefits</b>	<b>2,892</b>	<b>3,613</b>	<b>4,536</b>	<b>5,405</b>	<b>6,677</b>	<b>15,873</b>	<b>18,085</b>	<b>21,375</b>	<b>26,583</b>	<b>32,195</b>	<b>28,448</b>	<b>29,586</b>	<b>32,611</b>		
		OLDAGE	1,534	1,905	2,563	3,273	4,134	5,382	5,769	7,415	13,327	15,697	11,133	9,373	9,721		
		SURVIVORS	375	511	581	612	726	813	916	1,036	1,062	1,073	1,249	1,363	1,580		
		DISABILITY	526	722	910	936	1,198	1,398	1,642	1,979	2,034	1,935	2,348	2,817	3,379		
		FAMILY	74	93	115	159	192	2,148	2,467	2,763	2,339	2,495	2,769	3,317	3,704		
		UNEMPLOYMENT	-	-	-	-	-	-	10	79	799	936	471	845	835		
		HOUSING	-	-	-	-	-	-	-	-	-	-	-	-	-		
		OTHER	383	381	367	424	427	6,131	7,280	8,103	7,021	10,059	10,477	11,870	13,393		
+	2)	SOCX/Health	HEALTH Public benefits in kind	410.10.4.0.0.0	2,828	3,048	3,666	4,142	4,715	5,774	7,292	8,483	9,613	11,229	12,782	17,511	18,469
+	3)	SOCX/EDU-EAG	FAMILY Services	410.10.5.2.1.3	-	-	-	-	-	-	-	-6	-0	-0	-0	-0	
			Pre-primary education(3-5 years old) (Vouchers for Childcare Service) (adjustment for 6yo)														
			410.10.5.2.1.3								192	169	206	377	357		
+	4)	SOCX/ALMP	ACTIVE LABOUR MARKET PROGRAMMES	410.10.6.0.0.0	51	44	103	144	114	168	184	360	1,627	3,266	2,313	1,429	1,342
-	5)	<b>=SOCX</b>	<b>MANDATORY PRIVATE SOCIAL EXPENDITURE</b>	<b>410.20.90.0.0.0</b>	<b>457</b>	<b>552</b>	<b>673</b>	<b>885</b>	<b>1,349</b>	<b>1,466</b>	<b>1,670</b>	<b>2,740</b>	<b>5,213</b>	<b>3,562</b>	<b>4,806</b>	<b>3,954</b>	<b>3,669</b>
		MOHW & KIHASA	RETIREMENTPAY for retired retirees(0.7% in 2015)		9	11	13	15	20	25	27	84	169	85	87	52	47
			RETIREMENTPAY for involuntary retirees(20%)		359	424	521	597	797	984	1,091	1,872	4,226	2,606	3,474	2,599	2,330
			RETIREMENT PENSION		-	-	-	-	-	-	-	-	-	-	-	-	-
			SICKNESS		-	-	-	-	-	-	-	-	-	-	-	-	-
			MATERNITY		-	-	-	-	-	-	85	94	153	212	309	260	
			TRANSPORTATION &TELECOMFEERE Duction		-	-	-	-	16	22	34	49	66	127	155	214	
+	6)	SOCX/Health	HEALTH Mandatory private benefits in kind	410.20.4.0.0.0	89	118	139	273	532	441	530	666	676	653	905	839	817
-	7)	<b>=SOCX</b>	<b>VOLUNTARY PRIVATE SOCIAL EXPENDITURE</b>	<b>410.30.90.0.0.0</b>	<b>168</b>	<b>179</b>	<b>186</b>	<b>228</b>	<b>250</b>	<b>7,763</b>	<b>9,060</b>	<b>9,889</b>	<b>8,595</b>	<b>11,210</b>	<b>11,724</b>	<b>12,617</b>	<b>14,179</b>
		MOHW & KIHASA	THE THIRD SECTOR CORPORATIONS		101	96	95	129	133	190	229	224	301	306	357	437	586
			Fund-raising &donation etc. SUBTOTAL		-	-	-	-	-	7,433	8,672	9,479	7,829	10,390	10,739	11,498	12,823
			NON-STATUTORY WELFARE BENEFITS		-	-	-	-	-	7,383	8,619	9,424	7,793	10,363	10,711	11,435	12,739
			CORPORATE SOCIAL RESPONSIBILITY		-	-	-	-	-	50	52	54	36	27	28	62	84
+	8)	SOCX/Health	HEALTH Voluntary private benefits in kind	410.30.4.0.0.0	67	83	92	99	118	140	159	186	465	514	628	682	770
=	9)	<b>=SOCX</b>	<b>PUBLIC SOCIAL EXPENDITURE</b>	<b>410.10.90.0.0.0</b>	<b>5,300</b>	<b>6,174</b>	<b>7,676</b>	<b>8,949</b>	<b>10,557</b>	<b>13,168</b>	<b>15,519</b>	<b>18,440</b>	<b>25,341</b>	<b>33,253</b>	<b>28,752</b>	<b>33,853</b>	<b>36,520</b>

9) = 1) +2) +3) + 4) - 5) + 6) - 7) + 8)



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**Table 2. Matrix of Function × Scheme(2015)**

In Billion of Korean Won

Scheme	Function									
	Total	Old age	Survivors	Incapacity	Health	Family	ALMP	Unemployment	Housing	Other
Total	174,819	54,432	4,822	9,544	64,938	19,505	5,539	4,547	411	11,082
Social Assistance	24,680	9,824	-	1,039	6,763	-	-	-	411	6,643
National Compensation	4,050	-	1,201	1,437	-	-	-	-	-	1,412
Social Insurance	96,343	30,952	3,621	3,208	51,427	879	1,709	4,547	-	0
Social Service	34,665	1,572	-	3,523	5,045	17,815	3,829	-	-	2,881
Mandatory Private	15,082	12,084	-	338	1,703	811	-	-	-	146

**Table3. Matrix of Function×Financial Resources(2015)**

In Billion of Korean Won

Financial Resources	Function									
	Total	Old age	Survivors	Incapacity	Health	Family	ALMP	Unemployment	Housing	Other
Total	174,819	54,432	4,822	9,544	64,938	19,505	5,539	4,547	411	11,082
Central Government Revenue	45,681	7,452	1,201	2,717	8,606	13,325	2,804	-	409	9,168
Local Government Revenue	16,888	3,366	-	3,048	3,203	4,490	1,025	-	2	1,754
Social Insurance	96,343	30,952	3,621	3,208	51,427	879	1,709	4,547	-	0
Public Enterprise	826	578	-	233	-	0	-	-	-	15
Private Enterprise	15,082	12,084	-	338	1,703	811	-	-	-	146

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**Table 4. Matrix of Financial resources ×Scheme(2015)**

In Billion of Korean Won

Scheme	Financial Resources						
	Total	Central Gov. Rev.	Local Gov. Rev.		Social Insurance	Enterprise	
			Dependent Rev.	Independent Rev.		Public Ent.	Private Ent.
Total	174,819	45,681	14,000	2,887	96,343	826	15,082
Social Assistance	24,680	19,161	5,300	219	-	-	-
National Compensation	4,050	3,790	33	226	-	-	-
Social Insurance	96,343	-	-	-	96,343	-	-
Social Service	34,665	22,729	8,667	2,443	-	826	-
Enterprise	15,082	-	-	-	-	-	15,082

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Code	Title of the programme	Description of the programme and attached notes
<b>1. OLD AGE</b>		
410.10.1.1.1.1	National pension	Established in 1988, the National Pension is a defined benefit program for the public, combining earnings-related and redistributive components together. - Insured persons who have been insured for more than 10 years can be paid the Old-age Pension sometime after turning 61 years old in 2014 and the pension eligibility age is rising to 65 by 2033. - The replacement rate for 40 years of contribution is being reduced to 40% by 2028. - The contribution rate is 9% of the insured person's Standard Monthly Income. The contribution of workplace-based insured persons is equally shared by the employer and the employee, while individually insured persons pay all of their contributions by themselves. - The government's financial support is provided for some portion of contributions paid by farmers, fishermen and low-wage employees.
410.20.1.1.1.1	Retirement pension	Introduced in 2005 as the second pillar of old-age income security. The employer and employee can choose one of the following three pension types: DB (defined benefit), DC (defined contribution), and IRP (individual retirement pension). Insured persons are paid sometime after turning 55 years old.
410.10.1.1.1.3	Government Employees pension	Introduced in 1960 and funded by the government by legislation, the Government Employees Pension is paid to government employees who are 60 or older and who have fulfilled at least 20 years of service. For officials recruited after 2010, the pension eligibility age rose to 65. -The contribution rate is 7%% of the insured person's standard monthly income. The government pays the same 7% of the standard monthly income as responsibility of employer. - In 2013, about 1.07 million of officials (2.1% of the total population) were insured.
410.10.1.1.1.4	Private school teacher's pension	Introduced in 1975, KTP(The Korea Teachers Pension) adopted a benefit scheme identical to the Government Employees Pension.
410.10.1.1.1.5	Military pension	Introduced in 1963, a veteran who has served and retired for 20 or more years is entitled to the Military Pension.
410.10.1.1.1.6	Basic Pension	The Basic Pension was introduced in 2008 to provide income assistance to the elderly. Senior citizens in the lowest 70% income bracket (about 4 million aged 65 and over) receive the non-contributory benefits in a fixed amount per month.
410.10.1.2.1.1	Welfare facility care for the elderly	Changing demographic trends and the reduced prevalence of elderly parents living with their adult children have increased demand for elderly facility care. At present the main social facilities for the aged are residential homes and nursing homes.
410.20.1.1.3.1	Retirement pay for retired retirees	This covers the lump-sum retirement payment for retired employees in public and private sectors. Retired person are between 0.5% and 0.7% of the total retirees.
410.20.1.1.3.2	Retirement pay for involuntary retirees	This category includes legal retirement allowance for involuntarily retired employees such as laid off workers.
410.20.1.1.3.3	Retirement pension(lump-sum payment)	It was introduced in 2005 as the second pillar of old-age income security. The employer and employee can choose one of the following three pension types: DB (defined benefit), DC (defined contribution), and IRP (individual retirement pension). The lump-sum payment is given to those aged 55 and over.
<b>2. SURVIVORS</b>		
410.10.2.1.1.1	National pension	It is given to the spouse, children, or parents of a beneficiary (the insured person) whose livelihoods are maintained under the help of the beneficiary. Depending on the contribution, the survivor's pension

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	benefits range from 40% to 60% of basic amount.	
410.10.2.1.1.4	Government Employees pension	The survivor's pension benefit is 70% of basic amount, provided that the beneficiary was recruited before 2010. The rate is reduced to 60% for the surviving family members of the beneficiary recruited in 2010 or later.
<b>3. INCAPACITY-RELATED BENEFITS (Disability, Occupational injury and disease, Sickness)</b>		
410.10.3.1.1.1	National pension	The Disability Pension is provided to a person having a physical or mental illness even after being treated for the disease or injury which came about during his/her insured period. The Disability Pension is paid while the beneficiary has the disability, and the benefit level is determined on the severity or conditions of physical or mental illness.
410.10.3.1.1.2	Government Employees pension	The retirees who are disabled physically or mentally after the complete cure of job-related sickness or injury are eligible for the disability pension. It is permitted in case of the disability resulting from an accident at work or occupational disease only. The qualification for disability pension is determined by the Pension Examination Council. The degree of disability ranges from 1 to 14 classes. If two or more disabilities occurred concurrently, the degree of disability for the calculation of benefit is decided by the class of the table in which the heaviest two disabilities are combined. The retirees who are eligible for disability pension can choose lump-sum compensation instead of disability pension.
410.10.3.1.1.3	Private school teacher's pension	The retirees disabled by job-related sickness or injury are eligible for the disability pension.
410.10.3.1.1.4	Military pension	The retirees disabled by job-related sickness or injury are eligible for the disability pension. The calculation of benefit is decided according to the degree of disability.
410.10.3.1.2.1	Disability benefit (Occupational Injury and Disease Insurance)	Korea's Industrial Accident Compensation Insurance (IACI) was established to protect workers from industrial accidents and work-related diseases in 1964. Since July 1, 2000, the IACI has applied to companies with at least one employee and all workers including foreign workers regardless of their status of employment. - Benefits of the Industrial Accident Compensation Insurance include both cash and in-kind benefits: medical care benefit, nursing benefit, sick leave benefit, survivors' benefit, disability benefit, and funeral expenses. - Workers with permanent disabilities are paid compensation in the form of an annuity or lump-sum payments according to the degree of damage to their physical functions.
410.10.3.1.3.1	Sick leave benefit (Occupational Injury and Disease Insurance)	- 70% of the average wage is given in compensation for wage loss, provided that an insured worker is unable to work due to medical care.
410.30.3.1.4.0	Paid sick leave (other sickness daily allowance)	This category of paid sick leave is not necessarily associated with work-related accident. It is based on the company rules or agreement between labor and management.
410.10.3.1.5.1	Disability allowance	This category includes allowances for the disabled: - Disability Allowance for disabled Children under 18. - Disability Allowance for low-income persons with mild disabilities aged 18 and above - Non-contributory allowance for low-income persons with severe disabilities aged between 18 and 64.
410.10.3.2.1.1	Welfare facility care for the disabled	The government is expanding the scope of operation for the welfare institutions in order to provide better vocational, medical and social rehabilitation for the severely disabled.
<b>4. HEALTH</b>		
See <i>OECD Health Statistics</i> .		
<b>5. FAMILY</b>		
410.10.5.1.1.1	Single- parent families	Low-income single-parent families are provided with childcare allowances and school fees. The government provides support to

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	residential facilities for single parent families.
410.10.5.1.2.1 Maternity leave (Employment Insurance)	90 days' maternity leave is provided for female employees giving birth. A minimum of 45 days' leave must be taken after child birth. The employer pays for the first 60 days' leave at the rate of 100% of the female employee's ordinary wage. The Employment Insurance pays for the last 30 days with a ceiling of KRW 1,350,000. If an employee's ordinary wage is higher than the ceiling, the employer must pay the employee the difference. For small and medium enterprises, the Employment Insurance pays more for the first 60 days to reduce employers' burden up to the ceiling.
410.10.5.1.2.2 Parental leave (Employment Insurance)	Parental leave allowance is provided for each parent who takes leave at a rate of 40% of the ordinary wage, subject to a minimum of KRW 500,000 per month and up to a ceiling of one million won per month for up to one year. Parental leave can be taken until the child reaches the age of 8 years or the second grade in elementary school
410.20.5.1.2.1 Maternity leave (the employer)	See 410.10.5.1.2.1
410.10.5.1.3.1 Child Development Account(CDA)	Introduced in 2007, the CDA program supports asset-building of children under 18 in low-income household or child welfare facilities. The government wires up to KRW 30,000 per month, matching the amount of savings which children or patrons put into the children's account. Savings in CDAs are usually restricted to financing higher education and trainings, starting a small business, or buying a home when the child reaches 18 years old.
410.10.5.1.1.3 Child home care allowance	Introduced in 2009, this allowance is paid to households with a child aged 5 years and under who do not use childcare facilities or kindergartens. Different amounts are provided depending on the child's age: KRW 200,000 for child under 12 months, KRW 150,000 for child between 12 and 23 months, 100,000 KRW for children between 3 and 5 years old.
410.10.5.2.1.1 Child welfare services	Child welfare services are provided for children aged below 18. The government endeavors to provide children in need with proper accommodation at child welfare facilities and to train social workers specializing in dealing with children's problems.
410.10.5.2.1.2 Childcare subsidy (Vouchers for Childcare Service)	This category includes childcare subsidy provided for children who attend childcare facilities. In 2013 childcare subsidy became a universal childcare assistance program regardless of income level. Until 2011, 410.10.5.2.1.2 referred to the childcare subsidy provided for children aged 5 and under who attend childcare facilities and 410.10.5.2.1.3 referred to the education fee subsidy provided for children aged 3 to 5 who attend kindergartens. However, from 2012 to 2015 the budget source of the childcare subsidy provided for children aged 3 to 5 changed, consecutively by age, from the Ministry of Health and Welfare and its local government to local education offices. Finally in 2015, the transfer of the budget source was completed with 410.10.5.2.1.2 referring to the childcare subsidy provided for children aged 0 to 2 who attend childcare facilities and 410.10.5.2.1.3 referring to the education fee subsidy for children aged 3-5 who attend childcare facilities or kindergartens.
410.10.5.2.1.3 Pre-primary education(3-5 years old) (Vouchers for Childcare Service)	See OECD Education data, estimates till 2011. Since 2012, estimations by KIHASA have been made based on trends in the OECD Education data and the number of students enrolled. This category includes the education fee subsidy (equivalent amount of the above childcare subsidy) provided for children aged 3 to 5 who attend kindergartens and childcare facilities.
410.10.5.2.3.4 Protection of child & adolescent	This category includes programs managing shelters for women in order to protect them from domestic violence.
<b>6.</b>	<b>ACTIVE LABOUR MARKET PROGRAMMES</b>
	See <i>OECD Labour Market Policy database</i> .
<b>7.</b>	<b>UNEMPLOYMENT</b>

## COUNTRY NOTE

### Database on Social Expenditure ([www.oecd.org/social/expenditure.htm](http://www.oecd.org/social/expenditure.htm))

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs

410.10.7.1.1.0	Unemployment compensation / severance pay	This category includes programs from employment insurance.
<b>8. HOUSING</b>		
410.10.8.2.1.1	Housing assistance	The Basic Livelihood Security Program was amended to adopt a customized benefit system in 2015.
<b>9. OTHER SOCIAL POLICY AREAS</b>		
410.10.9.1.1.2	Livelihood care BPLS (means-tested)	The Basic Livelihood Security Program provides households in absolute poverty with cash and a package of in-kind benefits. The livelihood category covers cash benefit only. The number of recipients is about 1.5 million.
410.10.9.1.1.8	Earned Income Tax Credit(EITC)	EITC is a refundable tax credit for low-income individuals and married couples, primarily for those who have children.
410.10.9.2.1.2	Educational care(means-tested)	The government provides school-age children of households under the NBLS with education fee assistance, which covers entrance fees, tuition and textbooks up to the high school level.
410.30.9.2.2.0	Other benefits in kind	This includes expenditures in the social welfare sector by private fundraising organizations, social welfare organizations and social enterprises. It also includes social contribution activities and non-obligatory welfare services provided by private companies to their employees.
410.10.9.2.2.6	Natural disaster victims	The Disaster Relief Act was enacted in 1962 in order to assist the victims of natural disasters resulting from drought, wind, flood, fire and earthquake. Victims are provided with livelihood aid and house repair costs.