



issa

INTERNATIONAL SOCIAL SECURITY ASSOCIATION
ASSOCIATION INTERNATIONALE DE LA SÉCURITÉ SOCIALE
ASOCIACIÓN INTERNACIONAL DE LA SEGURIDAD SOCIAL
INTERNATIONALE VEREINIGUNG FÜR SOZIALE SICHERHEIT

Good Practices in Social Security

Good practice in operation since: 2015

Increasing pension enrolment of non-regular workers

Certificate of Merit with Special Mention, ISSA Good Practice Award – Asia and the Pacific competition 2018

National Pension Service
Republic of Korea

Summary

While the national pension enrolment rate for regular workers in Korea was 82 per cent in 2015, the rate for non-regular workers was a mere 38 per cent, showing weak retirement planning. There was a call to strengthen the social safety net and to realize “pension per person” by reducing the risk of non-regular workers falling through the cracks of the social insurance system amid a gradual rise in the number of non-regular workers such as daily and part-time workers due to labor market flexibility. However, there were a few challenges to raising their enrolment including difficulties in securing public income information and employers/workers rejecting enrolment. The National Pension Service (NPS), working with the National Tax Service, the Ministry of Employment and Labor and others, obtained daily worker’s income data and reduced the burden of premium payments for low-wage workers in small businesses via social insurance subsidy schemes. Such efforts led to a sharp rise in the enrolment rate of non-regular workers.

The issue or challenge

What was the issue or challenge addressed by your good practice? Please provide a short description.

Korea is experiencing population ageing at an unprecedented pace and is becoming an aged society. As of August 2017, those aged 65 and older (7.26 million) account for over 14 per cent of the total population of 51.75 million. Still, people’s retirement planning is found to be insufficient. As a result, the national burden of Korean citizens’ future retirement is expected to rise greatly. The NPS is in charge of the national pension, which is an important pillar of the multi-pillar old age income security system. It needs to set up plans to raise the enrolment of non-regular workers who account for the majority of those who are in blind spots in terms of retirement preparations.

Identifying labour conditions is the top priority to include non-regular workers into the pension scheme. The burden of the premium payment should be reduced so that they can safely afford contributing to social security.

Addressing the challenge

What were the main objectives of the plan or strategy to resolve the issue or challenge? List and briefly describe the main elements of the plan or strategy, focusing especially on their innovative feature(s) and expected or intended effects.

The strategy to raise the enrolment of non-regular workers was as follows:

- Secure data on daily worker’s earned income from the National Tax Service, and the Ministry of Employment and Labor to check the employment status of non-regular workers. With this information, the NPS would pursue the enrolment of eligible persons based on its survey results. One of the main elements to secure time to enrol was to strengthen the collaboration with relevant agencies to access the necessary information.

- To enable more non-regular workers to apply for the national pension, the NPS promoted premium subsidy programs for low-wage workers in small workplaces with less than ten employees and with a high frequency to hire non-regular workers. In 2012, those who were eligible for support earned less than Korean won (KRW) 1.25 million a month; less than KRW 1.30 million per month in 2013; less than KRW 1.25 million per month in 2014; less than KRW 1.40 million per month since 2015; and in 2018, the scope was significantly expanded to less than KRW 1.90 million per month. The subsidy support is 90 per cent of the premium for the new insured, and 40 per cent of the premium for the existing insured.

The main objectives for increasing the enrolment of non-regular workers were:

- to reduce blind spots in the national pension scheme and to enable more citizens to be entitled to pensions;
- to stabilize citizens' livelihood after retirement and contribute to social integration by achieving "pension per person".

The expected effects of including non-regular workers into the social insurance scheme were:

- address the imbalance between regular workers and non-regular workers in terms of social insurance enrolment and earned income;
- lessen the burden of future welfare expenditures and future generations with old-age poverty and other potential issues;
- lower the burden of pension premium payments for non-regular workers by switching their status as workplace-based insured persons, because a workplace-based insured person's pension premium is paid by the employer and the worker at 50 per cent each.

Targets to be achieved

What were the quantitative and/or qualitative targets or key performance indicators that were set for the plan or strategy? Please describe briefly.

The NPS secured data on daily workers' earned income from the National Tax Service and the Ministry of Employment and Labor. The NPS implemented pilot programs for seven months in 2014 and has run the program since 2015 when the actual project to raise the enrolment of daily workers was launched.

To manage the project's performance, select qualitative indicators have been used by the government for management assessment since 2014 (Table 1).

Table 1. *Quantitative indicators to assess the management of the enrolment project*

Name	Definition	Subject to assessment	Management history
Increase enrolment of society's vulnerable groups	Assess efforts made to increase the number of workplace-based insured persons in small businesses including expanding premium subsidy support for the vulnerable to secure pension entitlement (positive indicator)	Number of new workplace-based insured persons in business with less than ten employees during assessment period (as per those notified from Jan. to Dec.)	It was assessed based on the volume of the insured at the end of every year. However, to strengthen performance management, it is now assessed annually by adding all newly insured every month.
Increase in insurance premium	Assess efforts made to increase insurance premium including increasing tax return filers and appropriately managing base monthly income to secure pension entitlement of the insured (positive indicator)	Total insurance premium imposed on all new insured (as per those notified from Jan. to Dec.) enrolled during assessment period	It was assessed based on the total annual premium imposed on all insured. But, to strengthen performance management, it is now assessed annually by adding premium imposed on the new insured enrolled every month.

Evaluating the results

Has there been an evaluation of the good practice? Please provide data on the impact and outcomes of the good practice by comparing targets vs actual performance, before-and-after indicators, and/or other types of statistics or measurements.

The above mentioned efforts to raise the enrolment of non-regular workers is used as a quantitative indicator.

- The number of non-regular workers applying for pension as workplace-based insured persons has risen every year, from 390,000 in 2015 to 750,000 in 2016 and reached 1.05 million in 2017, which is 2.7 times the 2015 level when the project was started.
- Based on efforts to improve the pension system and expand the scope of eligible workplace-based insured persons, continuous developments are expected following the change in the law to ease eligible criteria for construction workers planned for the second half of 2018, namely, from at least a 20-day work-month to at least an 8-day work-month (Table 2).

Table 2. *Quantitative performance indicators to assess the management of the enrolment project*

Indicator	2012	2013	2014	2015	2016	2017
Growth in enrolment of society's vulnerable group (No. of insured)*	1,917,355	1,963,451	2,057,870	2,315,147	2,712,879	3,029,863
Growth in insurance premium (KRW million)**	1,017,892	1,044,297	1,099,400	1,210,887	1,353,161	1,497,203

* Assesses performance of new workplace-based insured persons in businesses with less than ten employees

** Assesses the amount of premium imposed on all insured who are newly enrolled in the National Pension Scheme on an annual basis.

Lessons learned

Based on the organization's experience, name up to three factors which you consider as indispensable to replicate this good practice. Name up to three risks that arose/could arise in implementing this good practice. Please explain these factors and/or risks briefly.

The NPS has enrolled about 2.2 million workers (working in businesses with less than ten employees) in three years since 2015 when it started to promote the enrolment of non-regular workers. It reduced the blind spots of the NPS and laid the foundation for citizens to secure income after retirement.

To apply the NPS good practice to other organizations, the following three factors must be considered:

- First, those eligible to apply must be identifiable. The NPS worked with the National Tax Service and the Ministry of Employment and Labour, which have information on daily workers' earned income including non-regular workers.
- Second, the eligibility criteria for enrolment must be clarified. The NPS set an eight-day or a 60-hour work-month as criteria to allow non-regular workers to apply for pension as workplace-based insured persons.
- Last, there should be an institutional mechanism to induce enrolment. Since 2013, the NPS has been providing a pension premium subsidy support to low-wage workers (which, in 2018, were those earning less than KRW 1.90 million a month) in small businesses with less than ten employees, and continues to improve the standards of support.

To benchmark Korea's case, the following risks must be controlled:

- First, reverse discrimination must be considered. Premium supports are necessary as an incentive for non-regular workers. However, such measures may lead regular workers who are not insured or low-wage workers near the cut-off of the premium subsidy support feel left out. Therefore, the scope of eligibility must be managed well given its policy implications.
- Next, these efforts must be a part of long-term policy and should not be a one-off nor short-term policy. Even if a policy were to allow all non-regular workers to be accepted into the public pension scheme, it may not mean that the blind spots would be completely resolved since non-regular employment would continue due to labour market flexibility. A long-term vision and roadmap must be in place and the project must be based on sustainable strategies in order to secure a framework that enables stable enrolment.
- Finally, it will be challenging to obtain momentum in the absence of social consensus. As such projects need government budget, there must be public discussions on the purpose, use and social value of the initiative. There has to be full public support in the process of developing the policy.