

**Better Administrating the Challenging  
Groups in the National Pension  
- Korea Case -**

The International Seminar on Priority Challenges in Pension  
Administration

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## **I . Introduction**

Since the National Pension was first introduced in 1988, it has grown rapidly both in quantity and quality. Though its start was quite late in comparison with other OECD countries, it took just 11 years to be applied to the whole working force between age 18 and 59, at least by its appearance.

Currently, the rate of application of the public insurance pensions, which include the national pension scheme and 3 other public occupational pension schemes, is about 92% of the working force aged 18 to 59. The national pension occupies 86% of the total appliers and the rest 6% are covered by other three schemes for civil servants, military personnel, and private school teachers and officials.

However, the rate of contributors of the public pension schemes is only under 60% of the working force, which is quite low among OECD countries. The low rate of compliance is mainly due to the national pension. Although the national pension is compulsorily applied to nearly all working force aged 18 to 59, the real picture is different. As the unemployed, informal sector workers and self employed with no or low earnings, who must be insured, are not able to pay their contributions properly, they are just managed as the insured with no qualifying years.

Both the MOHW (Ministry of Health, Welfare and Family Affairs) and the NPS (National Pension Service) have tried very hard to manage them better, but they have always had to accept what is much short of their expectation.

Korea has a strong administration system with every citizen having his/her own residence registration number from birth and the nation-wide computerization has been well equipped since the middle of 1980s. As the national pension has been managed with computerized system since its start, it took advantage of modern technology, which differs from the developed countries with long public pension history.

However, the rapid expansion of the scheme has resulted in some side effects. One of them is low interest and high misunderstanding in the scheme from the Korean citizens. The national pension was introduced by an initiative of technocrats and scholars, with great interests from some leading politicians, but the ordinary citizens had been more or less indifferent to the scheme at the beginning. Especially, in 1999, when the scheme was applied to the urban areas, Korea was under the IMP bailout. Most of the would-be insured at the time were negative to the application of the national pension. Such historical experience gave bad impression of the national pension to many of the insured. Furthermore, the age of the national pension is now only 22, so young for people to understand well such a complicated social insurance pension. These historical backgrounds of the national pension might be an important reason why the national pension is still unpopular in Korea.

Another important reason for the rather low compliance of the National Pension is the fact that Korea is not yet economically well off to have a high coverage level in the National Pension. Many of the insured have no or low earnings. Thus, they cannot pay their

contributions even though they are compulsorily insured to the National Pension. Korea also has a high rate of self employed, and is still struggling to catch their earnings accurately.

Despite such difficult situation, the administration of the National Pension to the vulnerable groups has been gradually improved. As the pensioners are increasing, the awareness and image about the national pension are also getting better.

Considering these circumstances this paper first shows the whole pictures of the current national pension in Korea. It then reviews the administratively challenging groups in the National Pension and explains why their management is particularly difficult. Finally some measures to administer them better are suggested. The measures suggested here consist mostly of those which the government and the NPS have been continually enforcing or considering adopting as new trials.

## **II. Current State of the National Pension**

### **1. Applied Population by the National Pension**

When the National Pension was introduced in 1988, it was applied to only workplaces with 10 employees or more. Since then it has expanded its application very rapidly, to workplaces with 5 employees or more in January 1992, to rural areas in July 1995 and finally to urban areas in April 1999. From 1999, the National Pension is by law applied to the working force aged 18 to 59, except to the insured or pensioners of public occupational pension schemes, spouses of the insured or pensioners of any public pension scheme with no income, students or conscripted military personnel aged 18 to 26, beneficiaries of public assistance, and missing persons of 1 year or more.

In virtue of rapid expansion of the scheme, the number of the insured of the National Pension increased over 4 times now compared to the number at the end of the starting year of the scheme. When the scheme was applied to urban areas in 1999, the insured had inclined to the regionally insured in terms of their size. However, due to the change of the industrial structure, the insured in regions have gradually decreased, while those in workplaces have increased. Moreover, because the insured working at small workplaces with less than 5 employees have been changed to be managed as those of workplaces from the regionally insured since 2003, the size of the insured in workplaces has grown more rapidly.

Meanwhile, the voluntarily continuously insured, who are voluntarily paying their contributions after 60 to increase their pension amount or to fulfill the minimum qualifying years for old age pension, have abruptly decreased twice in 2000 and 2004 because the insured in rural areas who got their pension rights with 5 minimum qualifying years got out of the scheme in 2000, as well as the insured in urban areas, in 2004.

The voluntarily insured have always been a small number but recently the number is increasing slightly, reflecting the citizens' better understanding of the pension which now is over 20 years old.

**<Table 1> the size of the insured, as of the end of year**

(Unit: workplace, person)

Year	Total	Workplaces		Regional Insured			Voluntary	Voluntarily continuous
		Workplace	Insured	Total	Rural	Urban		
'88	4,432,695	58,583	4,431,039	-	-	-	1,370	286
'92	5,021,159	120,374	4,977,441	-	-	-	32,238	11,480
'95	7,496,623	152,463	5,541,966	1,890,187	1,890,187	-	48,710	15,760
'99	16,261,889	186,106	5,238,149	10,822,302	2,083,150	8,739,152	32,868	168,570
'00	16,209,581	211,983	5,676,138	10,419,173	2,037,722	8,381,451	34,148	80,122
'03	17,181,778	423,032	6,958,794	9,964,234	2,062,011	7,902,223	23,983	234,767
'04	17,070,217	573,727	7,580,649	9,412,566	2,009,142	7,403,424	21,752	55,250
'05	17,124,449	646,805	7,950,493	9,123,675	1,969,017	7,154,658	26,568	23,713
'06	17,739,939	773,862	8,604,823	9,086,368	1,972,784	7,113,584	26,991	21,757
'07	18,266,742	856,178	9,149,209	9,063,143	1,976,585	7,086,558	27,242	27,148
'08	18,335,409	921,597	9,493,444	8,781,483	1,940,510	6,840,973	27,614	32,868
<b>09.'09</b>	<b>18,613,865</b>	<b>972,933</b>	<b>9,894,009</b>	<b>8,647,464</b>	<b>1,913,534</b>	<b>6,733,930</b>	<b>33,460</b>	<b>38,932</b>

Source: National Pension Service statistics

Currently, nearly two thirds of the insured are men. However, most of the voluntarily insured are women. As the voluntarily insured should declare their earnings higher than the median earnings of the insured as a whole, the voluntarily insured are mostly women of the middle class.

**<Table 2> The Insured by sex (Sep. 2009)**

(Unit: person, %)

Sex	Total		Insured in Workplaces	Insured in Regions	Voluntarily Insured	Voluntarily continuously Insured
	Insured	Ratio				
<b>Total</b>	<b>18,613,865</b>	<b>(100.0)</b>	<b>9,894,009</b>	<b>8,647,464</b>	<b>33,460</b>	<b>38,932</b>
Male	11,398,834	(61.2)	6,287,598	5,090,770	8,586	11,880
Female	7,215,031	(38.8)	3,606,411	3,556,694	24,874	27,052

Source: National Pension Service statistics

The ratio of the young insured under age 40 is higher in the workplaces than in the regions, while that of the insured over 40 is higher in the regions. This indicates many of the insured

over 40 come out of the formal labor market. The voluntarily insured are mostly in their 50s, who became aware of an importance of their old age income security.

**<Table 3> the insured by age (Sep. 2009)**

(Unit: person, %)

Age	Total	Insurers of Workplaces	Regional Insured	Voluntary Insured	Voluntarily continuous Insured
<b>Total</b>	<b>18,613,865 (100.0)</b>	<b>9,894,009 (100.0)</b>	<b>8,647,464 (100.0)</b>	<b>33,460 (100.0)</b>	<b>38,932</b>
Under 30	3,707,427 (19.9)	2,304,758 (23.3)	1,402,490 (16.2)	179 (0.6)	-
30-39	5,473,307 (29.4)	3,287,614 (33.2)	2,183,714 (25.2)	1,979 (5.9)	-
40-49	5,457,611 (29.3)	2,780,647 (28.1)	2,669,097 (30.9)	7,867 (23.5)	-
50-59	3,936,406 (21.1)	1,520,990 (15.4)	2,391,981 (27.7)	23,435 (70.0)	-
60 & over	39,114 (0.2)	-	182 (0.0)	-	38,932

Source: National Pension Service statistics

The rate of workplaces with less than 5 employees is 63.1% of the whole workplaces, but that of the insured in such workplaces is only 13.9% of the total insured in workplaces. On the other hand, the insured of workplaces with 500 employees and over is 22.1% despite the rate of such workplaces being about 0.1%.

**<Table 4> Rates of the insured by size of employees in workplaces (Sep. 2009)**

(Unit: %)

	<b>Under 5</b>	<b>5-9</b>	<b>10-49</b>	<b>50-99</b>	<b>100-499</b>
Workplace	(63.1)	(20.5)	(14.0)	(1.3)	(0.9)
The insured	(13.9)	(13.0)	(25.8)	(8.8)	(16.4)
	<b>500-999</b>	<b>1000-2999</b>	<b>3000-4999</b>	<b>5000-9999</b>	<b>10000 &amp; over</b>
Workplace	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
The insured	(5.3)	(6.4)	(2.6)	(2.6)	(5.2)

Source: National Pension Service statistics

When the regionally insured with no earnings report that they are economically inactive and the NPS approves it, they can be exempted from paying contributions. As of September 2009, the size of those people is 27.0% of the total insured, and 58.0% of the insured in regions.

**<Table 5> the insured with exemption from contribution (Sep. 2009)**

(Unit: person, %)

		The total insured in regions	The total insured	Urban	Rural
		<b>8,647,464 &lt;100.0&gt;</b>	<100.0>	<b>6,733,930</b>	<b>1,913,534</b>
The insured with earnings declaration	Persons	<b>3,630,274 &lt;42.0&gt;</b>		2,692,216	938,058
	Ratio	(100)		(74.2)	(25.8)
The Insured with contribution exemption	Persons	<b>5,017,190 &lt;58.0&gt;</b>	<b>&lt;27.0&gt;</b>	4,041,714	975,476
	Ratio	(100)		(80.6)	(19.4)

Source: National Pension Service statistics

Since the scheme has been applied to the urban areas, the size of the insured with exemption from paying contributions has been more and less stable between 25% and 30% of the total insured. The fact that the insured residing in urban areas is more likely to be included in the contribution exempted group has also not been changed.

According to World Bank (2007), the rate of contributors of compulsorily applied pensions in Korea was ranked in the lowest group among OECD countries.

**<Table 6> Rates of Contributors of Compulsorily Applied Pensions (OECD)**

Countries	Year	% of Work Force	Countries	Year	% of Work Force
Austria	2004	80.8	<b>Korea</b>	<b>2004</b>	<b>58.8</b>
Belgium	1995	86.2	Mexico	2002	34.6
Canada	1992	91.9	Netherland	2002	94.0
Czech	2003	86.0	Norway	2003	92.0
Denmark	2003	92.0	Poland	2005	84.8
Finland	2003	90.3	Portugal	2003	92.0
France	2003	90.0	Slovakia	2003	58.8
Germany	2003	88.0	Spain	2003	92.0
Greece	2002	79.0	Sweden	2003	90.0
Hungary	1996	77.0	Switzerland	2003	99.0
Iceland	1993	92.0	Turkey	2002	44.9
Ireland	2002	93.0	United Kingdom	2003	94.0
Italy	2003	90.0	United States	2003	91.0
Japan	2003	94.0	<b>Average</b>	<b>-</b>	<b>83.6</b>

Note: Universal pension or tax based pension are not included.

Source: World Bank (2007), World Development Indicators

One of reasons of relatively low rate of contributors is high proportion of the self employed among the work force. The rate of self employed in Korea is, 34.0%, considerably high in comparison with other OECD countries. Although the rate of self employed has been gradually decreasing, it is still very high. The self employed are managed individually as the

insured in regions and it is difficult to catch their earnings accurately. Accordingly, many of them are poorly managed.

**<Table 7> Rates of self-employed, OECD**

Australia	14.0	Germany	11.8	Luxemburg	..	Spain	18.1
Austria	..	Greece	..	Mexico	37.0	Sweden	9.9
Belgium	..	Hungary	14.3	Netherland	..	Switzerland	11.3
Canada	9.5	Iceland	14.1	New Zealand	19.2	Turkey	49.2
Czech	16.9	Ireland	18.0	Norway	7.4	United Kingdom	13.6
Denmark	8.7	Italy	..	Poland	26.7	United States	7.6
Finland	12.8	Japan	14.9	Portugal	25.9	EU15 Countries	15.7
France	8.8	Korea	34.0	Slovakia	12.0	OECD Average	17.4

Source: OECD Fact book 2006: Economic, Environmental and Social Statistics - Labor market - employment - self-employment - self-employment rates: total as a percentage of total civilian employment.

## 2. Size of Pensioners and Their Benefit Level

The pensioners of the National Pension are 2.5 million as of Sep. 2009. Among them 2.1 million is old age pensioner<sup>1</sup> and the rest is survivors pensioners and disability pensioners. Though the size of pensioners of the National Pension is still small, the total beneficiaries of public pension schemes for the elderly are about 82% of the elderly aged 65 and over due to the social assistance basic old age pension enforced from January 2008.

**<Table 8> Total Beneficiaries of Public Income Security for the elderly (65+)**

(Unit: Thousand Persons, %)

65 or more In total	Basic Old Age Pension	NP + Public Occupational Pensions	Non-beneficiaries
5,210 (100.0%)	<b>3,563 (68.4%)</b>	<b>1,377(26.4%)</b> (NP 1,195+POP182)	<b>953 (18.3%)</b> {100%-(68.4% +26.4%-13.1%)}
	Only BOAP 2,879(55.3%), NP+BOAP 684(13.1%), Only NP or POPs 693(13.3%)		

Source: National pension and Basic old age pension Data Base (as of the end of August 2009). Civil servant Pension Scheme (Dec. '08), Private School Pension Schemes (June '08), Military Personnel Pension Scheme (Dec. '06)

As for the benefit level of the pensioners of the National Pension, the average amount of old age pension is as low as about 14% of the 3-years average earnings of the insured in total (A value). The reason that the benefit level is very low is mainly because of the short history of the National Pension. Most of the old age pensioners are receiving the special pension, designed for the insured at the initial period of the scheme, which can be received by only 5 qualifying

<sup>1</sup> The old age pension can be received at age 60 at present but the early old age pension can be chosen by the insured from 55 if they have satisfied with the qualification conditions. About 1 million of old age pensioners is aged 60 to 64 and the other half is 65 and over as of Sep. 2009.

years.<sup>2</sup> However, as many of the insured are having and also will have their poor contribution careers, the average pension amount in future is not expected to be high enough.

### III. Administrative Challenging Population Groups in the NP

#### 1. The Groups Excluded from the Application of the NP

Among population aged 18 to 59, the persons excluded from the application of the NP is 13 million as of April 2009. The spouses with no earnings of the insured or the pensioners occupy the highest rate of them and followed by students and military personnel. The exclusion from the application of the NP has been stipulated by the law, because though the National Pension has tried to cover the total work force between age 18 and 59, it could not ignore that the management of the population groups with no earnings was very difficult and even futile. However, as they are under the complete coverage blind point, whenever the coverage gap of public pension is mentioned, they are raised as a main issue group

**<Table 9> Types of the groups excluded from the application of the NP (4.'09)**

Types	person	%
Students and military personnel aged 18 to 27	3,343,861	25.10
The insured of public occupational pension schemes	1,449,651	10.88
The pensioners of public occupational pension schemes	109,536	.82
The beneficiaries of the Basic Livelihood	755,165	5.67
The Pensioners of the NP	79,308	.60
Spouses with no earnings	5,534,216	41.55
(of the insured of workplaces in the NP)	(2,454,797)	(44.36 )
(of the insured of regions in the NP)	(2,263,779)	(40.91 )
(of the pensioners in the NP)	(354,500)	(6.41)
(of the insured of in the POPS)	(363,226)	(6.56)
(of the pensions of in the POPS)	(97,914)	(1.77)
Others	2,047,998	15.38
Total	13,319,735	100.00

Source: NPS Statistics

#### 2. The Group Exempted from Paying Contributions

The National Pension allows the insured not to pay contributions, if they report they don't make any earnings and the National Pension Service admits it. As <table 5> shows,

<sup>2</sup> The qualifying years for the old age pension is 10. The special old age pension has been terminated in March 2009.



over one quarter of the insured in total have been always exempted from paying contributions since 1999 when the scheme was applied to the total work force. They are mostly the unemployed. Though some of them are actually working at informal sectors or as temporary workers, the NPS cannot find out who are working.

**<Table 10> Causes of exemption from paying contributions (as of 9.2009)**

(Unit: person, %)

	Total	Unemployed	Suspension from office	Cease of business	Hospitalization over 3 months	Natural disaster	Economic difficulties	In jail	missing	Schooling etc
Total	5,017,190	3,807,940	97,288	434,042	8,521	552	343,081	10,031	32,648	283,087
(%)	(100.0)	(75.9)	(1.9)	(8.7)	(0.2)	(0.0)	(6.8)	(0.2)	(0.7)	(5.6)
Urban	4,041,714	3,069,532	77,536	344,362	5,816	246	275,804	7,466	27,944	233,008
Rural	975,476	738,408	19,752	89,680	2,705	306	67,277	2,565	4,704	50,079

Note: Those of schooling etc are students and military personnel aged 27 and over or students and military personnel aged 18 to 26 with their contribution careers.

### 3. The Group not Paying Their Contributions

The rate of the total contributions collection for one month of 11. Sept.~10. Oct. 2009 is 88.1% of the total amount that needs to be collected. However, the rate of contributions collection to the insured of workplaces is much higher than those in regions. The reason why the total collection rate does not drop much in spite of low collection rate of the insured in regions is that the total amount to be collected by the insured of workplaces is much greater than that of the insured in regions. That is to say, both the number and average earnings of the insured of the workplaces are more and higher than those of the insured in regions for the purpose of contributions collection.

**<Table 11> Rates of contributions collection (11.Sep.'09 ~ 10.Oct.'09, current month)**

(Unit: million won, %)

Total	workplaces	The insured in regions			Voluntary (& voluntarily continuous)
		Total	Urban areas	Rural areas	
<b>1,877,262</b>	1,670,509	201,291	155,828	45,463	5,462
<b>(88.1)</b>	<b>(93.8)</b>	<b>(58.4)</b>	<b>(58.8)</b>	<b>(56.9)</b>	<b>(100.0)</b>

Source: NPS Statistics

The contributions in arrears can be paid later. However as for the insured in regions, the rate of contributions collected in 3 years, which the collection right is not expired, has not been over 70% of the total amounts subjected.

As the table 12 shows, a majority of the regionally insured who has not paid their contributions properly has a long unpaid duration. Although the NPS can collect them

coercively by the law, it is difficult to execute it because of strong resistances and the following bad public opinions.

**<Table 12>Unpaid Durations by the insured in regions**

(Unit: person, million won, %)

	Total	
	Persons	Amounts
<b>Total</b>	1,830,679(100.0)	4,927,604 (100.0)
4-6 months	164,588(9.0)	75,746(1.5)
7-12 months	238,395(13.0)	220,742(4.5)
13-24 months	330,408(18.0)	597,345(12.1)
25 months and over	1,097,288(60.0)	4,033,770(81.9)

Source: NPS Statistics

#### 4. The Insured with Low Earnings

The average earnings of the insured in regions have been between 50% and 60% of those of the insured in workplaces. The NPS has tried very hard to increase the average earnings of the insured in regions, but has not been much successful. The insured in regions can declare their earnings for themselves as the earnings of the insured in region cannot be clearly grasped. Accordingly the NPS cannot help having big troubles to make them declare their earnings appropriately.

The low earnings of the insured in regions will result in the low benefit and their poverty in the future. It also makes the low average earnings of the total insured. As the benefit of the National Pension is calculated on the basis of the average earnings of the total insured and his/her own average earnings of the total contribution periods, the low average earnings of the total insured makes the level of pension amount lower for everyone.

**<Table 13> Average earnings of the insured by types**

(Unit: won)

	Average earnings in total	Workplaces	Regions		
			average	Urban	Rural
Dec. '95	943,468	1,052,602	577,126	-	577,126
Apr. '99	1,095,773	1,439,751	785,159	841,170	628,839
Dec. '00	1,191,313	1,476,687	920,109	981,984	724,355
Dec. '01	1,290,706	1,607,129	960,552	1,018,510	773,458
Dec. '02	1,362,754	1,685,479	1,010,098	1,059,371	844,164
Dec. '03	1,454,948	1,769,132	1,050,021	1,091,742	914,249
Dec. '04	1,525,342	1,816,554	1,058,575	1,095,269	947,853
Dec. '05	1,586,424	1,875,458	1,074,539	1,109,098	972,024
Dec. '06	1,632,811	1,904,888	1,068,728	1,102,151	972,659

Dec. '07	1,690,829	1,956,433	1,076,608	1,107,499	987,050
Dec. '08	1,750,641	2,012,370	1,089,106	1,119,038	1,002,730
<b>Sep. '09</b>	<b>1,762,985</b>	<b>2,016,087</b>	<b>1,073,179</b>	<b>1,100,859</b>	<b>993,737</b>

Source: NPS Statistics

## IV. Causes of Low Compliance to the Scheme

The low compliance of the insured in regions could deprive their pension rights or low the amount of receivable pension in the future. Therefore, it is important to raise the compliance level and to increase the declared earnings.

The causes of low compliance of the insured in regions could be largely due to their feeble economic activities and the difficulty of seizing their actual earnings as well as their mistrust to the NP. These three causes will be more examined as follows.

### 1. Feeble Labor Market and Economic Difficulties

The rate of self employed in Korea is quite high and the labor market is more or less rigid. As <the table 14> shows, the regular workers are mostly affiliated to the National Pension whether they are working at either formal or informal sector. However, the rate of affiliation of temporary or casual workers is quite low between 20% and 45%. It is quite certain that the most of temporary or casual workers could be excluded from the scheme. Even if they are affiliated to the NP, they should be managed mostly as the insured in region. There also is a huge possibility that they will be managed as the insured exempted from contribution payment. It considerably explains why the insured in regions are difficult to be managed.

<Table 14> Size and rate of affiliation to the NP among the insured as employees

(Unit: thousand persons, %)

	2004	2005	2006	2007
Temporary, casual/informal	1,540 (31.6)	1,630 (32.9)	2,100 (25.5)	2,170 (23.1)
Temporary, casual/formal	1,870 (41.1)	1,930 (45.4)	3,080 (32.4)	3,030 (30.1)
Regular/informal	1,520 (96.9)	1,420 (97.9)	1,500 (97.7)	1,720 (98.5)
Regular/formal	5,940 (98.1)	6,260 (99.3)	6,530 (98.5)	6,800 (99.4)
Total	10,860 (78.7)	11,230 (80.2)	13,220 (71.4)	13,720 (71.9)

Source: Kwon, Hyeok Jin, Kim, Sung-Hee, Choi, Eun-a(2008), A Study on Policies for Compliance Improvement of the non regular Workers, NPRI

The NPS and the MOHW have strived to manage the vulnerable working groups. One possible solution is to change the status of the insured from those in regions to those in workplaces. If the insured in regions are changed to those in workplaces, their contributions`

can be shared with the employers half and half and the NPS can collect their contributions more easily.

Therefore, the NPS has done their best to change the insured status since 2003 when the insured in workplaces with less than 5 employees had to be changed to be the insured in the workplaces by law. It has especially tried hard for the construction industry because the employees of construction industry work normally on the temporary or casual terms and their size is big. In virtue of such an effort, the rate of affiliation to the NP in the construction industry has rapidly increased.

**<Table 15> Size and rate of the insured of the NP in the construction industry**

(Unit: person, %)

	The insured of the NP in construction industry					Employees of construction industry			A/B
	Total(A)	Workplaces	Regions	Voluntary	Voluntarily Continuous	Total(B)	Technicians, managers	Manual workers	
2001	525,240	441,322	83,633	-	285	1,648,292	427,442	1,220,850	31.9
2002	573,392	499,708	73,647	4	33	1,804,705	452,928	1,351,777	31.8
2003	631,641	569,915	61,631	3	92	1,851,354	456,986	1,394,368	34.1
2004	665,103	615,649	49,331	33	90	1,846,377	440,186	1,406,191	36.0
2005	679,051	635,769	43,279	-	3	1,765,228	459,010	1,306,218	38.5
2006	711,260	673,381	37,839	40	-	1,773,055	422,483	1,350,572	40.1
2007	857,221	714,213	142,788	21	199	1,807,672	512,620	1,295,052	47.4
2008	879,327	737,287	141,784	20	236	1,758,794	566,500	1,192,294	50.0

Note: The reason why the insured in regions have been suddenly increased in 2007 might be that the self employed as construction technicians became to be classified into construction industry from that year.

Source: NPS, National Pension Statistics Yearbook(2001 ~ 2007); National Statistical Office, Survey on Economic Working Force(2001 ~ 2007) → Recited from Sim, Kyu-Beom, Kim, Ji-Hye, Hur, Min-Seon(2009), A Study on Some Ideas for Better Participation of the Construction casual workers in the National Pension

## 2. Defective Infrastructure for Good Administration

As the NP started its works with computerized management system since its introduction, it could have done its management more efficiently. However, it has not been catching the earnings of the insured in regions appropriately. The National Tax Office struggles to grasp most earnings from earnings activities but it has been insufficient. Therefore, it is difficult to collect social insurance contributions based on such defective earnings data.

However, as the government has tried to develop the infrastructure for capturing earnings through increase of clearer financial transactions and stricter punishment on the tax evasion and the like, managing the insured in region has gradually improved. This year the government has introduced EITC (Earned Income Tax Credit) system. The EITC is a refundable tax credit designed to encourage low-income workers and offset the burden of payroll tax. As the low-income workers can get benefits by a report of their income, it is

expected that the system can contribute to a better inspection of the income of the low-income workers.

### 3. Mistrust in the National Pension

The National Pension has been introduced when the people had little knowledge about public pension, and even did not ask about its introduction. As people do not fully understand the social insurance pension, which is quite complicated, and regard it as one kind of individual saving account, they often express their mistrust and dissatisfaction on the National Pension.

Furthermore, as soon as the scheme has been introduced, the necessity of the reform for the long term financial sustainability was constantly put forward. Such an issue-raising has finally resulted in two reforms of the National Pension within 20 years since its introduction. By these, the benefit level of the NP has dropped from 70% to 40%.

By rapid expansion of the scheme and reforms for the long term financial stability, the National Pension has grown and has been more stable. However, radical changes have also increased people's dissatisfaction of the NP.

By the NPRI's satisfaction survey for the insured in regions last year, 64.2% answered that they were dissatisfied with the NP.

The reasons for dissatisfaction were various and 43.2% referred to the compulsory affiliation. The reason of the high rate of dissatisfaction on the fund management, 15.5%, might be due to frequent references and arguments by the press or broadcast about it.

**<Table 16> Reasons of dissatisfaction (%)**

Total	Compulsory affiliation	Unreliable fund management	No earnings but the insured	Not sure to receive pension in future	High burden of contributions	Low burden on the high income earners	Low pension amount	Refusal of Lump sum payment	Others
100.0	43.2	15.5	9.9	8.6	7.4	5.2	4.9	2.3	3.0

Source: Kang, Sung Ho (2008), Estimate of non-pensioners of the National Pension and Some Measures for Administrative Enhancement of the Regional Insured, NPRI

The level of trust on the National Pension is very different between the insured and pensioners. That of the latter is 58.8%, while that of former is only 9.6% as the 2007 survey shows. It gives some hopes that as the number of pensioners grows, the level of trust will be increased. Baik and Woo(2009) finds high correlation between understanding and trust on the NP, which means the people's trust towards the NP increases with their knowledge.

**<Table 17> Level of trust on the NP by the insured and pensioners (%)**

	Total	The insured In total	workplaces	Regions	Pensioners
Very trust	2.8	1.0	1.0	1.0	19.1
A bit trust	11.7	8.6	6.8	10.3	39.7
Middle	34.6	34.8	36.1	33.5	33.2
A bit mistrust	33.0	36.1	35.7	36.4	5.5
Very trust	17.8	19.5	20.3	18.8	2.5

## V. Measures for Better Administrating the Challenging Groups

Although it is difficult to enhance administration of the challenging groups in the NP, as long as the National Pension exists, there should always be efforts for improvement. Here, some measures for it are suggested. These are mostly those which have been examined or discussed for some time. The measures suggested are as follows.

First, some measures to increase contribution careers can be useful, for examples, activating the delayed payment, subsidizing contributions, expanding credits, activating voluntary affiliation, and reducing minimum qualifying years.

Second, improvement of administrative capacity is needed, for examples, more transition of employees working at small firms or temporally from the insured in regions those in workplaces, improvement of infrastructure to inspect earnings accurately, and consolidation of collection systems.

Finally, improving the trusts in the scheme can be an important measure.

### 1. Some Measures to Promote Contribution Careers

#### A. Activating the delayed payment and subsidizing contributions

- 1) Activating the delayed payment of contributions and the return of lump sum refund

The National Pension allows the insured exempted from contribution payment to pay their contributions later when they have earnings. It also allows the return of the lump sum refund when the beneficiaries of the lump sum refund become the insured again. These provisions are useful because they can make the insured's qualifying years increased. Though these provisions are not yet popular, the users of them are recently increased slowly.

- 2) Subsidizing contributions to the low income earners

In the National Pension, subsidizing contributions by state is only limited to the farmers and fisheries at the present. Moreover, the number of subsidized persons has been very quickly declining and so only a handful of the insured can get such a subsidy.

<Table 18> National Subsidies to the Farmers and Fisheries by year

(Unit: thousand persons, %)

	Subjects subsidized	Recipients	Subsidizing Rate		Subjects subsidized	Recipients	Subsidizing Rate
Total	1,174	1,106	94.2	2002	453	442	97.5
1995	1,100	963	87.6	2003	384	374	97.5
1996	1,081	970	89.8	2004	340	332	97.7

1997	1,009	946	93.8	2005	328	321	97.9
1998	929	885	95.2	2006	350	307	87.7
1999	856	827	96.5	2007	334	291	87.2
2000	835	810	97.0	2008	320	280	87.6
2001	534	519	97.3	2009	306	269	87.8

Source: NPS Statistics

The government now is considering the expansion of subsidizing contributions to the insured in regions with low-earnings. However, this is not an easy task because there are too many persons with low-earnings and it is difficult to find out the exact amount of their earnings.

### **B. Expansion of credits**

By the 2007 revised law of the National Pension, the credits were introduced for some periods of conscripted military service and child rearing. For the conscripted military service, 6 months can be added as the contributory years when the insured can get their old age pension rights. If a person's contributory years are 9.5, he can get the pension right in virtue of the additional 6 months. The total costs for this provision will be borne by the state. For the child rearing, the credits are given from the second child. For the second child, 12 months are given as a credit, and from the third, 18 months are added. But the total credit period is limited to 50 months. The costs for this provision can be subsidized wholly or partially by the state.

The credit system is quite useful for the groups who have difficulties in fulfilling the minimum qualifying years for the old age pension (10 years). However, as the expansion needs a lot of public expenditure, it should be deliberatively considered.

### **C. Activating voluntary affiliation**

As shown in <table 1>, the voluntary affiliation is not popular. The main subjects to the voluntary affiliation are full-time house wives, and the persons who are near or over 60 years old with insufficient contribution career. The NPS has made efforts to publicize the voluntary affiliation but most of the subjects have paid little attention. However, as the pensioners increased and people became aware of the fact that the return rate of the National Pension is better than those of other financial goods, the voluntary affiliation has slightly risen recently.

For the voluntarily insured, the person has to declare his/her earnings over the median earnings of the insured in total, while the voluntarily continuously insured are exempted from this regulation. This regulation was introduced not to lower the A value (3-years average earnings the insured in total) by little amount of earnings of the voluntarily insured. Accordingly even if this regulation prevents the voluntarily insured from entering the scheme, it is not easy to abolish it as long as the National Pension has a redistribution function by the benefit formula using the A value. Nevertheless, to activate the voluntary affiliation, it is necessary for this regulation to be more flexible.

### **D. Reduction of minimum qualifying years**

The minimum number of qualifying years for old age pension is now 10. It was changed from 15 years by the 1998 revised pension law. If the minimum qualifying years are reduced,

for example 5 years like German pension, more people can get pension rights. To give more people pension rights, this idea has frequently brought out. However, the benefit by such a short contribution career will be too low to provide living expenses adequately, though it can give more pension rights. Nonetheless, this idea has not yet disappeared completely, because it could be good for many women who are full time housewives with short contribution periods.

## **2. Improvement of Administrative Capacity**

### **A. Promoting the transition of the insured status to the insured in workplaces**

It is difficult to manage the insured in regions. And as they have to pay their contributions alone, they feel the pension contribution is very burdensome. The National Pension is managing the employees who are working in workplaces under 5 employees as the insured in workplaces. However, actually the considerable number of those employees still remains as the insured in regions. They are under a blind point of administration. The NPS is trying to administer them as the law stipulated but they don't know simply who they are because they are frequently changing their workplaces and small workplaces are very fickle.

The MOHW and the NPS have endeavored to change the insured status of the temporary or casual workers from those in regions to those in workplaces. According to such an effort, construction workers managed as the insured in workplaces gradually increased. The government is also promoting better participation in the pension scheme, of the ostensible self employed working by contracts such as insurance sales persons, trailer drivers, golf caddies, etc.

### **B. Improvement of infrastructure to seize earnings appropriately**

To administer the social insurance programs better, the government has tried to improve the infrastructure to seize earnings more accurately. They have promoted to use credit cards and to issue cash receipts through tax returns and they introduced the Earned Income Tax Credit. These policies have exerted some effects gradually. However, more efforts are needed to attain more transparency in earnings activities.

### **C. Consolidation of collection organizations**

Through long and controversial debates and struggles over 10 years, the law to consolidate the contributions collection organizations of four social insurance programs to one has been passed at the beginning of the year 2009. Such a fortunate organization is the Health Insurance Corporation which will collect contributions from January 2011 for 4 social insurance programs - the health insurance, national pension, employment insurance and industrial accident compensation insurance. At present, each social insurance program is collecting contributions through the organization for each program respectively. The consolidation of collection for 4 social insurance programs was resulted from dissatisfaction by the workplaces. As the workplaces have to pay contributions for 4 social insurance programs to 4 different organizations, they have complained about its inefficiency and inconvenience.

However, the National Pension has kept the opposite position at the point that the consolidated collection of contributions should cause more difficulties in management of the insured in regions. The NPS is now preparing for the consolidation in collection, but they have still some worries about compliance by the insured in regions.



### **3. Improving the Trusts in the Scheme**

The National Pension has been expanded very rapidly by the initiatives of the technocrats, scholars and politicians, not by the demands from people. Also it was reformed twice for the long term financial stability for 20 years since its introduction. The unwanted compulsory affiliation may be the first reason of low trust on the National Pension. People don't want their private economic lives be interfered by the compulsory pension affiliation. They haven't known and haven't been interested in ageing or poverty of the ageing society, because the ageing in Korea is too rapidly progressing for people to properly understand the effects of ageing. However, many people are recently aware of their insecure future, and are worrying about their old age income security. In accordance with more interests in their old lives, they are getting more concerned about National Pension.

In such circumstances, the National Pension Service is making more efforts to publicize the National Pension and giving the insured some consulting services for better old age.

## **VI. Effectiveness of Contribution Subsidy**

Despite the fact that the National Pension became applicable to the entire population in 1999, currently more than a third of the total participants inclusive of exempt payers and delinquents are not paying their contributions. A majority of those non-payers are in the poor or low-income class with insecure employment such as a typical worker, self-employed or small business owners. Many of them will have difficulties in securing the pension right after retirement. Even if they are entitled, the amount of their pension benefits may not be enough to support the minimum old-age livelihood. After all, the extensive presence of non-compliance will raise the potential risk that they would fall into the old-age poverty later.

The narrow coverage of the National Pension, or the issue, the so-called "pension blind spot," has been raised as one of the current social issues along with the long-term financial insecurity. Recognizing this issue, the Korean government put forth its effort to expand the pension coverage and compliance of the challenging groups. Besides building up the administrative ability to detect the actual income of temporary or daily workers and the self-employed, two more racial polity measures are currently under active discussions; the introduction of universal non-contributory social pension and the provision of contribution subsidy to atypical workers with low income.

Introduction of the demogrant-type basic pension which is tax-financed will clearly eradicate the pension blind spot problems. It can be introduced by reorganizing the current National Pension as the 1<sup>st</sup>-tier of the universal basic pension and the 2<sup>nd</sup>-tier of the contributory earnings-related pension. Although the basic pension is undoubtedly an effective measure for coverage expansion, it is also a very costly policy option considering the rapid population aging in Korea. The National Statistics Office predicts that the old-age dependency ratio will go up from 12% in 2005 to 72% by 2050. Such significant demographic changes signal that there will be a tremendous increase of the financial burden when introducing a universal basic pension. According to one estimate (Moon [2007]), if we pay 15% (20%) of the average income of NP participants to those aged 65 years and over, the

total payment will account for 7.2% (9.6%) of GDP in 2050. If the value-added tax revenue is to be appropriated for these expenses, the tax rate needs to be raised to 21% (29%) in 2050, which is more than double the current level of 10%.

Another policy option which is cheaper and less radical is to encourage participation of those who currently missed out from the coverage through the provision of contribution subsidy. The main purpose of contribution subsidy would be to prevent the potential old-age poverty in advance, rather than providing *ex-post* financial support after people become actually poor in their later life. However, if the contribution subsidy is to be valid, we need to know how effectively it can enhance the compliance of the challenging groups to the National Pension. In this chapter we attempt to find some empirical evidences on the effectiveness of contribution subsidy within the individually insured groups.

## 1. Current Contribution Subsidy for Farmers and Fishermen

The government has been subsidizing contributions for people in the agriculture and fishery businesses to encourage their participation ever since the National Pension extended its compulsory coverage to them in 1995. It is a temporary arrangement as the contribution subsidy will be terminated by the end of 2014. The subsidy plan is financed by revenues from the earmarked tax in the Special Accounts for Agriculture & Fishery Structure Adjustment. Currently, farmers and fishermen are assisted with half of the contributions with an income ceiling. More specifically, the scope of subsidies is as follows:

- if monthly income  $\leq$  SIA, 4.5% of income (1/2 of contribution)
- if monthly income  $>$  SIA, 4.5% of SIA (fixed amount)

where SIA (Standard Income Amount) is 3-year average income of the total insured in the National Pension.

This subsidy scheme relieves the contribution burden substantially from farmers and fishermen, and may have some positive effect on their compliance to the National Pension. Indeed, many surveyed data reveal the fact that the compliance rates of farmers and fishermen are higher than other groups among the individually insured. The fact that only a certain group (treatment group) is subsidized while others (control groups) are not, enables us to compare econometrically the differences in compliance behavior between the sub-groups.

## 2. Empirical Examination

### Data

The data used for empirical test is the 2007 Korea Welfare Panel Study (KOWEPS) by the KIHASA. The KOWEPS, which was started in 2006, surveyed over 7,000 households. It has not only the biggest sample size out of domestic panel surveys, but also covers farmers and fisheries by household type. Among them, we have selected 4,105 samples that are insured by the National Pension and aged between 18 to 59. As shown in <Table 19>, more than half of the total individually insured are not paying the contributions to the plan. The data also show that the non-compliance is more pronounced among non-regular workers; among the

individually insured the average compliance rate of non-regular workers is 32.4% while that of self-employed and employers is 67.3%.

**<Table 19> Compliance Rates of the National Pension by Economic Status**

(Units: persons, %)

Classification		Regular workers	Non-regular workers	Self-employed/employers	Others*	Total
Workplace based Insured	Paid	1,977 (99.5)	180 (86.2)	75 (82.8)	14 (14.4)	2,245 (94.3)
	Unpaid	10 (0.5)	29 (13.9)	16 (17.2)	81 (86.0)	136 (5.7)
	Sub Total	1,987 (100.0)	209 (100.0)	91 (100.0)	95 (100.0)	2,382 (100.0)
Individually Insured	Paid	120 (52.6)	108 (32.4)	461 (67.3)	134 (28.4)	824 (47.9)
	Unpaid	108 (47.4)	227 (67.6)	224 (32.7)	340 (71.6)	899 (52.2)
	exempted	80 <73.9>	166 <73.0>	109 <48.9>	298 <87.8>	653 <72.7>
	default on premiums	28 <26.1>	61 <27.0>	115 <51.1>	42 <12.2>	246 <27.3>
	Sub Total	228 (100.0)	335 (100.0)	685 (100.0)	474 (100.0)	1,723 (100.0)

\* Others include unpaid family workers, unemployed and economically inactive population.

Data: Korean Welfare Panel Study, 2007.

<Table 20> compares the major characteristics of those who pay contributions and those who do not, among the individually insured. The largest difference between these two groups is in their income levels; the average disposable household income of the non-compliance group is less than three quarters of that of the compliance group. It implies that economic difficulty is a major reason behind the failure to pay contributions. On the other hand, it is interesting to note that the average education level of the non-compliance group is actually higher than that of the compliance group. The data also show that non-compliance is more prevalent among the young age cohorts. Not only the young workers suffer relatively more from job insecurity and liquidity constraints, but they may also be less aware of the importance of savings for post-retirement consumption. Mistrust on the sustainability of the National Pension can provide an additional explanation for the low compliance among young age cohorts.

**<Table 20> Characteristics of the Individually Insured**

Classification	Group	Total		Paid		Unpaid	
		Freq	%	Freq	%	Freq	%
Total		1,723	100	824	47.85	899	52.15
Age	18-30	181	10.55	27	3.21 <14.53>	157	17.29 <85.47>
	31-40	510	29.64	208	25.25 <40.80>	302	33.69 <59.20>
	41-50	625	36.34	326	39.60 <52.20>	299	33.35 <47.80>
	51-59	403	23.47	263	31.94 <65.20>	141	15.68 <34.80>
	average	42.8		45.7		40.1	
Education	No Schooling	7	0.39	3	0.37 <44.96>	4	0.42 <55.04>
	Elementary	155	9.01	95	11.55 <61.35>	60	6.68 <38.65>
	Middle	209	12.13	106	12.91 <50.90>	103	11.42 <49.10>
	High	811	47.09	388	47.08 <47.84>	423	47.11 <52.16>
	Over College	541	31.37	232	28.10 <42.86>	309	34.37 <57.14>
	average(year)	12.06		11.81		12.3	
gender(male)		1,192	69.17	601	50.39	591	49.61
spouse		1,340	77.79	697	52	643	48
family size	average	3.5		3.6		3.4	
head of household		1,180	68.46	609	51.6	571	48.4
Economic Status	Regular	229	13.27	120	14.60 <52.64>	108	12.05 <47.36>
	Temporary	335	19.45	108	13.16 <32.37>	227	25.23 <67.63>
	Self-employed	685	39.75	461	55.93 <67.33>	224	24.91 <32.67>
	Others*	474	27.52	134	16.31 <28.36>	340	37.82 <71.64>
Disposable HH. Income (ths. won)	under 10,000	308	17.89	106	12.88 <34.45>	202	22.49 <65.55>
	10,000-20,000	772	44.79	347	42.04 <44.92>	425	47.31 <55.08>
	20,000-30,000	385	22.36	211	25.60 <54.79>	174	19.39 <45.21>
	30,000-40,000	149	8.63	82	9.89 <54.84>	67	7.47 <45.16>
	over 40,000	109	6.33	79	9.58 <72.48>	30	3.34 <27.52>
	average	20,036.00		23,391.30		16,957.00	

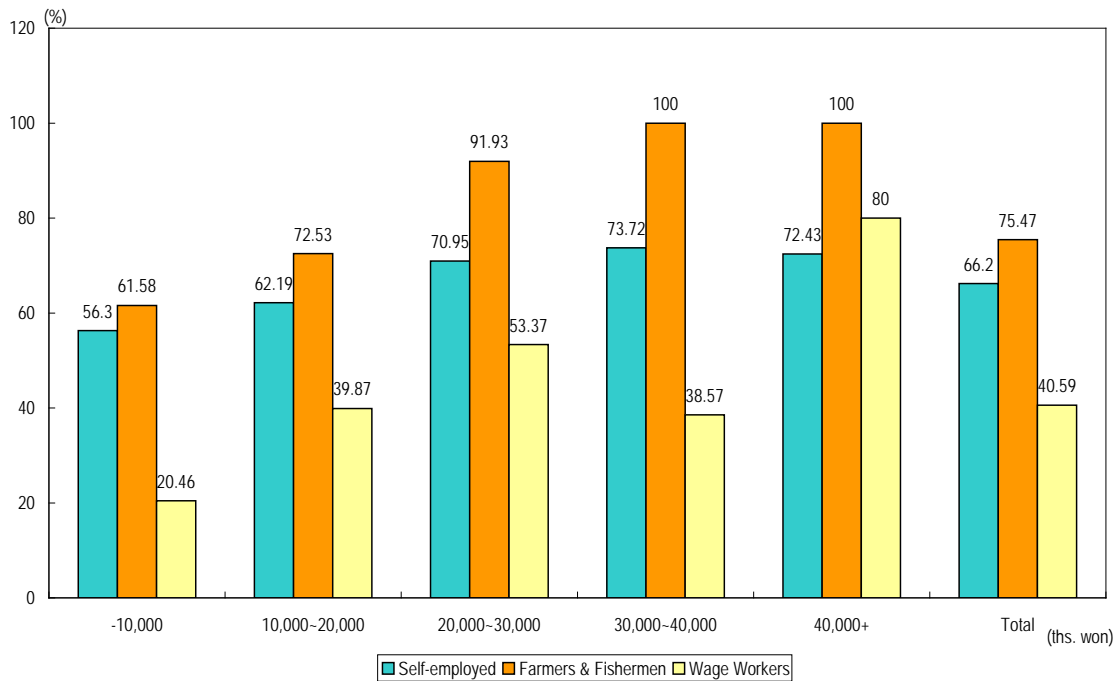
\* Others include unpaid family workers, unemployed and economically inactive population.

Data: Korean Welfare Panel Study, 2007.

The differences in compliance among sub-groups in the individually insured are more explicitly illustrated in <Figure 1> and <Figure 2>. As is seen in <Figure 1>, compliance rates of the farmers and fishermen are highest throughout all income levels, which implies the

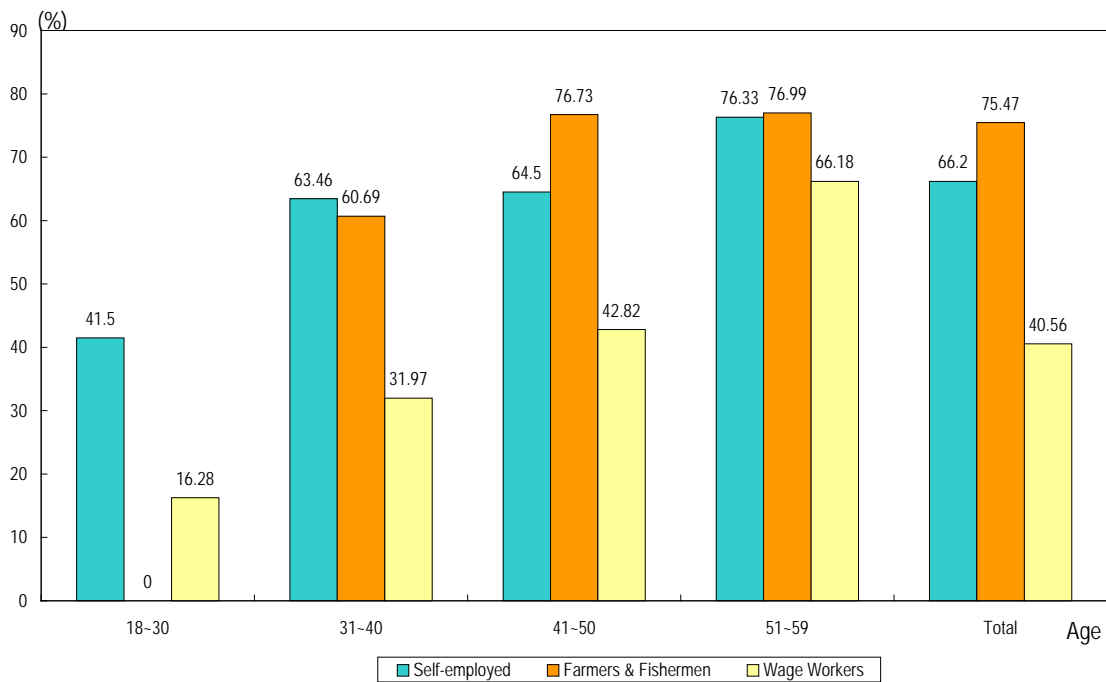
possibility that contribution subsidy plays a significant role in encouraging participation of these groups. Non-compliance, on the other hand, is pronounced among wage workers who are mostly low-paid and non-regular workers. It signals that the policy priority should be placed on these groups when the government implements the additional measures to expand pension coverage. <Figure 2> exhibits the pattern that compliance rates are increasing with the higher age cohorts for all sub-groups. It also shows that compliance gap is much wider among the young age cohorts.

<Figure 1> Compliance Rates among the Individually Insured by Income Levels



Data: Korean Welfare Panel Study, 2007.

<Figure 2> Compliance Rates among the Individually Insured by Age Cohorts



Data: Korean Welfare Panel Study, 2007.

## Regression Results

As explained above, there is a substantial compliance gap among the different sub-groups in the individually insured. Also, the compliance rate of the subsidized farmers and fishermen is higher for all income levels and age cohorts. It implies that contribution subsidy can be an effective incentive measure for coverage expansion. We want to see whether the subsidy effect for farmers and fishermen remain statistically significant even after controlling for the other variables which affect the compliance behavior of the individually insured. To see this, we set up a simple Probit regression model such that,

$$\text{Compliance rates} = f(\text{gender}, \text{education}, \text{age}, \text{age}^2, \ln d\_income, d\_agri)$$

Where  $\ln d\_income$  is a log of disposable income adjusted for family size ( $n$ ) using  $\sqrt{n}$ , and  $d\_agri$  is a dummy variable for contribution subsidy to farmers and fishermen.

The regression results are summarized in <Table 21>. In the first column, the dependent variable is the compliance rates of the total individually insured. The next two columns compare the compliance rate of farmers and fishermen with the sub-groups of self-employed/employers and wage workers, respectively. In all cases, the marginal effects of contribution subsidy to farmers and fishermen are estimated to be statistically significant. The results were also very robust in various model specifications. The first column implies that contribution subsidy raised the compliance rate of farmers and fishermen by 19 percentage point.

### <Table 21> Regression Results (Probit)

Dependent	individually insured		self-employed/employers		wage workers	
	model1	model2	model3	model4	model5	model6
gender	0.0175 (0.039)	0.0075 (0.039)	0.0059 (0.052)	-0.0004 (0.052)	0.012 (0.053)	-0.0217 (0.055)
education	0.0119* (0.006)	0.0142** (0.007)	0.0076 (0.008)	0.0101 (0.008)	0.0026 (0.009)	0.006 (0.009)
age	0.0162 (0.018)	0.019 (0.018)	0.0204 (0.026)	0.0222 (0.026)	0.0042 (0.023)	0.0103 (0.024)
age2	0.0000 (0.000)	-0.0000 (0.000)	-0.0001 (0.000)	-0.0001 (0.000)	0.0002 (0.000)	0.0001 (0.000)
ln d_income <sup>1)</sup>	0.1762*** (0.032)	0.1825*** (0.033)	0.0805** (0.032)	0.0858*** (0.033)	0.2747*** (0.048)	0.2923*** (0.049)
d_agri		0.1953*** (0.053)		0.0939* (0.053)		0.3076*** (0.061)
# of obs	1,240	1,240	690	690	706	706
Log pseudolikelihood	-779.7	-774.4	-419.9	-418.6	-425.6	-414.1

Robust standard errors in parentheses, \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

1) Adjusted for family size using  $\sqrt{n}$

When we compare the compliance rates of subsidized farmers and fishermen with the other non-subsidized self-employed and employers, contribution subsidy is estimated to increase the compliance rate of subsidized group by close to 10 percentage point although the statistical significance is not so strong. The effect of contribution subsidy is estimated to be significantly high when compared to wage workers, suggesting that the similar subsidies to individually insured wage workers may increase the compliance rates substantially. The empirical evidences for the effectiveness of contribution subsidy seems to be positive and significant even though we cannot disregard the possibility of missing out the other control variables that potentially affect the compliance rates in these simple model settings.

### 3. Policy Implications

The empirical analysis undertaken in this chapter indicates that contribution subsidy has a significant potential to extend the scope of pension coverage. Contribution subsidy was found to be positively and robustly contributed to compliance of the system by farmers and fishermen. In particular, there seems to be a strong possibility that the provision of contribution subsidy can increase the compliance rates of atypical workers with low income.

Contribution subsidy can be considered as a pre-emptive social investment, as it will alleviate poverty among the elderly in the future. It is also a policy option which costs much less compared to the financial burden of the introduction of non-contributory universal basic pension. Therefore, it would be worthwhile to provide financial incentives for voluntary participation in the pension plan to the low-income class such as atypical workers and poor self-employed, before we jump into the implementation of more drastic structural reform of the Nation Pension.

Currently, many atypical workers are not paying their contributions mainly because neither workers themselves nor their employers have enough incentives to participate in the pension plan. Thus, in designing the subsidy scheme for atypical workers, it is important that it should provide incentives both to workers to voluntarily participate in the National Pension, and to employers to convert the individually insured workers into workplace-based insured. One way to achieve this goal would be relieving the contribution burden partly from both workers and their employers.

## **VI. Summary and Conclusion**

The National Pension has rapidly expanded its application to the whole working force in just 11 years. However, it still has quite a big coverage gap. This paper reviews challenging issues for better coverage and administration, and examines their causes and some measures to make them better off. All these can be summarized as in the following charts.

The improvement of compliance of the challenging and vulnerable groups to the scheme needs many efforts by a variety of measures, and it will also take a long time for visible effects. However, the continuous efforts will finally pay off to attain the goal of – “better pension for more people”.

### **Challenging Issues of the National Pension for Better Coverage**

- ❑ **Exclusion from the scheme**
- ❑ **Exemption from the Contribution Payment**
- ❑ **No Payment of Contributions of the Insured with Earnings**
- ❑ **Low Earnings Declaration by the Insured in Regions**



### **Causes of the Challenging Issues**

- ❑ **Economical Difficulties, Low or No Earnings**
- ❑ **Insufficient Infrastructure for Better Administration**
- ❑ **Misunderstanding and Distrust on the Scheme**



### **Measures to Improve Compliance to the Scheme**

- ❑ **Some Measures to Promote Contribution Career**
  - Activating delayed payment and subsidizing contributions
  - Expansion of credits
  - Activating voluntary affiliation
  - Reduction of minimum qualifying years
- ❑ **Improvement of administrative capacity**
  - Promoting the transition of the insured status to the insured in workplaces
  - Improvement of infrastructure to seize earnings accurately



- Consolidation of collections
- **Improving the Trusts in the Scheme**

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