May 28, 2026 National Assembly Budget Office NABO Focus Vol. 160
nabo Focus

Policy Issues and Design Direction for Sickness Benefits

Social Administration Program Evaluation Division, Analyst Ahn Tae-hoon

Background and Progress of Sickness Benefit Pilot Program

▪ Sickness Benefit Definition and Pilot Program Background

- South Korea ranks last among OECD countries for guaranteeing sick or injured workers the right to sick leave.[1)]
  - Although Korea is evaluated as having the institutional appearance of a welfare state, Korea and the U.S. are the only OECD countries where workers are not guaranteed a legal right to sickness benefits or paid sick leave.
  - In the U.S., the right to unpaid sick leave is guaranteed through the Family and Medical Leave Act for workplaces above a certain size.
- The sickness benefit scheme partially compensates for lost income when a worker is unable to work due to a non-occupational illness or injury.[2)] Following COVID-19, a pilot program[3)]was introduced in July 2022 to guarantee the right to take leave when sick.
  - During the pandemic, a social consensus was formed around creating an environment where sick workers can take leave without worrying about lost wages.
  - While the current health insurance focuses heavily on supporting treatment costs (medical security), it must include income loss caused by illness (income security) to function as a substantial social safety net.

▪ Progress Status by Phase of Sickness Benefit Pilot Program

- The government has been implementing the sickness benefit pilot program in phases since July 2022 to verify the institutional design.
  - Initially, a universal model was applied, but the operating method was gradually adjusted (e.g., shifting to a selective model considering the financial burden and policy efficiency).
- Core design elements (e.g., waiting period, benefit level, and coverage period) were also modified across phases, reflecting the experimental nature of the process to derive an optimal plan.
- This phased operation shows that the sickness benefit system is not a policy with a single correct answer, but a complex one requiring a balance among finance, equity, and efficiency.

1) Kim Ki-tae et al., A Study on the Experience and Operation Status of Sickness Benefit Systems in Major Welfare States, 2023, p. 173.

2) Industrial accident compensation insurance benefits are paid if a worker cannot or struggles to work due to an occupational illness or injury.

3) The Ministry of Health and Welfare is implementing the "Korean-style Sickness Benefit Pilot Program" (4931-309, General Account) and aims to execute the main program around July 2027.
Budget for the Pilot Program (KRW 100M): (2022) 109.9 → (2023) 204.3 → (2024) 146.1 → (2025) 36.1 → (2026) 49.9.

National Assembly Budget Office

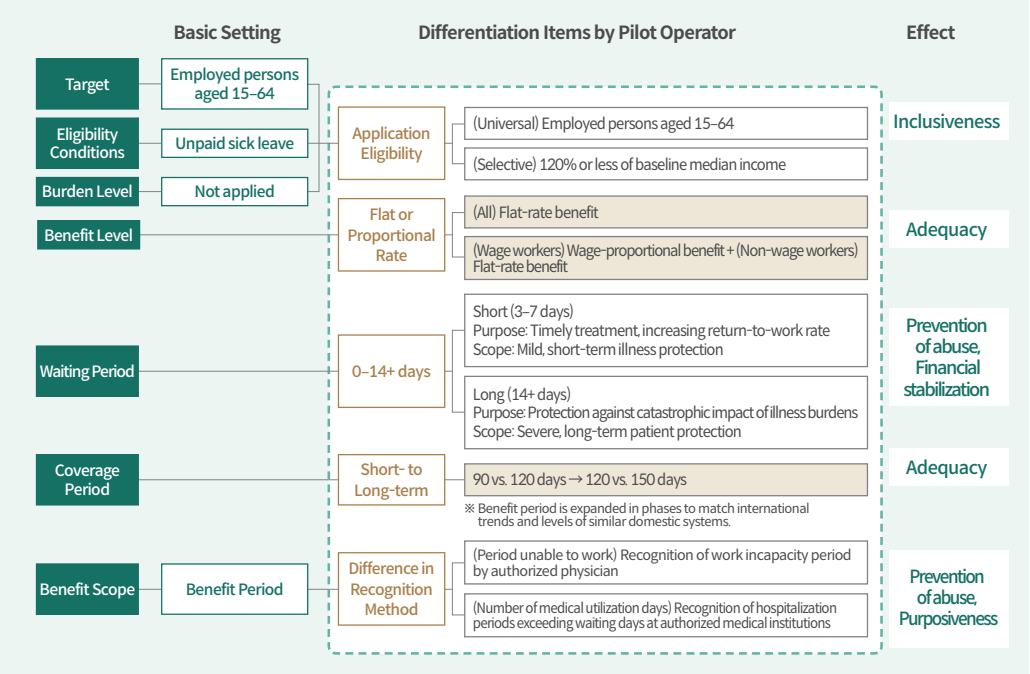
[Table 1] Comparison of Operating Models by Pilot Program Phase

Category	Phase 1 (Jul. 2022–Dec. 2024)			Phase 2 (Jul. 2023 –)		Phase 3 (Jul. 2024–)[1]
Income Criteria	None			120% or less of baseline median income		None
Payment Method	Flat rate (60% of min. wage)			Flat rate (60% of min. wage)		• Workplace insured: Proportional rate (60% of previous income) • Others: Flat rate (60% of min. wage)
Model Classification[2]	Inability to work	Inability to work	Medical utilization	Inability to work	Inability to work	Inability to work
Target Areas	Bucheon, Pohang	Jongno (Seoul), Cheonan	Suncheon, Changwon	Dalseo (Daegu), Anyang	Yongin, Iksan	Jeonju, Wonju, Chungju, Hongseong
Waiting Period	7 days	14 days	3 days	7 days	7 days	7 days
Max. Benefit Period	120 days	150 days	120 days	150 days	150 days	150 days

Note: 1) Phase 3 areas were initially operated under low-income selection and the flat rate system → From May 2025, the income criteria were abolished and the proportional rate system was applied.
2) Model Classification: Inability to work—paid for the period during which economic activity is difficult due to sickness regardless of the care method; Medical utilization—recognized only when hospitalization occurs, paid for the number of days of hospitalization and related outpatient treatment.

Source: Ministry of Health and Welfare

[Figure 1] Model Design Elements of Sickness Benefit Pilot Program



Source: Kang Hee-jung, "Evaluation of Sickness Benefit Pilot Program and Issues in Financing," National Assembly Debate Material Collection, 2025, p. 11.

Operating Performance and Evaluation of Pilot Program

▪ Pilot Program Operating Performance (Jul. 2022–Mar. 2025) and Interim Evaluation[4]

- During the pilot period, around 1.43 million KRW in sickness benefits were paid to approximately 13,945 people for an average of 30.3 days, demonstrating that the system is performing a real income compensation function.

4) Pilot program evaluation research (Korea Institute for Health and Social Affairs) is conducted yearly; excerpts taken from the 2024 research report content.

- Policy effects were confirmed as the rate of going to work on sick days decreased and that of receiving timely treatment increased, suggesting that sickness benefits positively impact public health while guaranteeing workers' right to health.

- The concentration of a significant number of recipients among non-regular workers and the low-income bracket shows that sickness benefits serve to address gaps in the existing social security system while promoting institutional equity.
  - (By Age) The number of sickness benefit recipients tended to increase with age group.

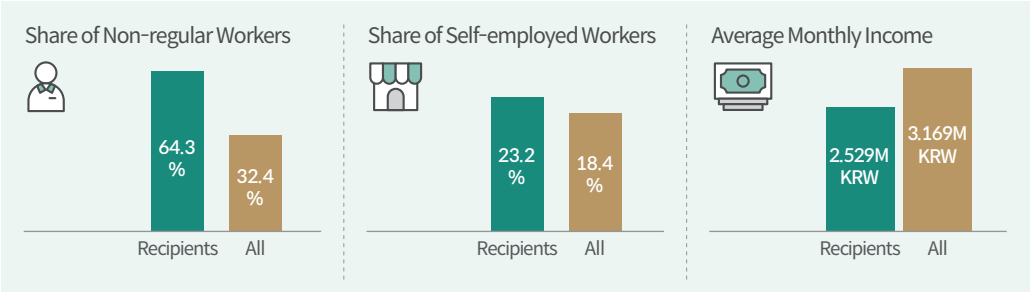
[Table 2] **Status of Sickness Benefit Pilot Program Recipients by Age Group**

Total	19 or younger	20–29	30–39	40–49	50–59	60–64
13,945 persons (100%)	10 persons (0.1%)	624 persons (4.5%)	1,493 persons (10.5%)	3,318 persons (23.8%)	5,619 persons (40.3%)	2,911 persons (20.9%)

Source: Ministry of Health and Welfare

- (By Gender) Among the recipients, females (56.8%) outnumbered males (43.2%).
- (By Occupation) Among the recipients, non-office workers (74.3%) outnumbered professional/office workers (25.7%).
- (By Illness) Most sickness benefit recipients suffered injuries/accidents, etc. (29.7%) followed by musculoskeletal disorders (25.5%), cancer (21.9%), and other illnesses (22.9%).
- (Sick Leave Support) The rate of days going to work when sick decreased (33.0% → 17.8%).
- (Medical Accessibility) The rates of receiving timely and sufficient treatment rose (59.9% - 70.2% and 48.1% → 55.9%, respectively).
- (Applicant Characteristics) Sickness benefit recipients tended to be self-employed and non-regular workers, and their average monthly income was also lower.

[Figure 2] **Sickness Benefit Recipients vs. All Employed Persons: Differences in Employment and Income**



Source: Prepared based on materials submitted by the Ministry of Health and Welfare

Limitations and Institutional Gaps of Pilot Program

▪ Limitations of Sickness Benefit Pilot Program

- The current pilot program (Phase 3) provides flat-rate benefits at a level of about 60% of the minimum wage for those who are not workplace insured under health insurance, posing limitations in sufficiently compensating for actual income. Given the core purpose of sickness benefits "income compensation," this constrains the system's effectiveness.
  - The National Assembly raised points regarding the low level of coverage and the need for social discussion in preparation for introducing the main program.

- The waiting period is relatively long at 3 to 14 days, making substantial support for short-term illnesses difficult, which may lower system accessibility and restrict policy effects.

▪ Institutional Gaps

- Compared to international standards, the coverage period is relatively short, rendering the protection function for long-term illnesses inadequate. This institutional design means that South Korea's sickness benefit system is still in its early stages compared to the International Labour Organization (ILO) and major OECD countries.
- The current "early stage" system performs minimum functions but must improve to meet international standards.

[Table 3] **Korea's Sickness Benefit and Institutional Gaps Compared to Major Countries**

Category	ILO Convention Criteria (No. 102 / No. 103)	Major OECD Countries	Korea (Pilot Program)
Income Replacement Rate	45–60% or more of previous income	50–100% (Mainly proportional rate method)	Workplace insured: Proportional rate (60% of previous income)
Waiting Period	Max. 3 days	1–42 days	3–14 days
Coverage Period	Min. 26–52 weeks	6 months to no limit	Max. 120–150 days
Legal Nature	Mandatory social insurance / Taxation method	Mostly linked with statutory paid sick leave	Voluntary (supplementary) benefit under National Health Insurance Act

Source: Prepared based on materials submitted by the Ministry of Health and Welfare

Major Policy Issues Related to Introduction of Sickness Benefits

▪ Uncertainty of Fiscal Estimation

- Government estimations and preceding research differ substantially in their fiscal projections; thus, the fiscal burden can vary significantly with the institutional design.
  - The Ministry of Health and Welfare estimates that when introducing a universal model targeted at all employed persons, an annual budget of approximately 111.5 to 415.1 billion KRW will be required depending on the waiting and coverage periods.
  - Conversely, some studies found that an annual budget of 0.6–2.8 trillion KRW would be consumed depending on policy design factors (e.g., waiting period, number of benefit days, and benefit level),[5] indicating that fiscal estimates can vary significantly.

▪ Selection Problem of System Operating Method

- The system's characteristics and sustainability may vary depending on whether sickness benefits are operated within the health insurance system, linked with employment insurance, or designed as an independent form of social insurance.
  - Although the sickness benefit pilot program is being promoted based on the National Health Insurance Act,[6] it is necessary to compare and review operating plans integrating employment insurance or an independent form of social insurance, considering the nature of the system.
  - Self-employed individuals in Germany must pay an additional 0.6%p in national health insurance premiums to receive sickness benefits.

5) Kang Hee-jung, "Evaluation of Sickness Benefit Pilot Program and Issues in Financing," National Assembly Debate Material Collection, 2025, p. 39.

6) National Health Insurance Act, Article 50 (Supplementary Benefits) In addition to the medical care benefits prescribed in this Act, the National Health Insurance Service may provide treatment expenses for pregnancy and childbirth, funeral expenses, sickness benefits, and other benefits as prescribed by Presidential Decree.

[Figure 3] Qualification Management, Contribution Criteria, and Fiscal Method of Sickness Benefits within National Health Insurance Framework

(National Health Insurance) Nationwide universal coverage, contributions based on household-unit monthly standardized remuneration/estimated income, contribution method

Phase 1: Qualification Management		Phase 2: Contribution Criteria		Phase 3: Fiscal Method	
To whom?		Where?		Based on what?	
Issue 1	Selection of employed persons **All citizens vs. Employed persons**	Issue 1	Scope of contribution income **Comprehensive income [+property] vs. Earned income**	Issue 1	**Premium contribution method** linked with benefits **(PAYGO)** vs **Partial accumulation method** considering economic fluctuations
Issue 2	Qualification verification, link to employment insurance subscription **Utilization of qualification information vs. Worker verification**	Issue 2	Contribution income calculation method **Actual income vs. Monthly standardized remuneration/estimated income**		
Issue 3	Inclusion of dependents **Household vs. Individual**				
Issue 4	Subscription income criteria **All wage earners vs. Those exceeding baseline income**				
Issue 5	Age limit criteria **All ages vs. 15–64 years old**				

(Sickness Benefit) Coverage for employed persons, contributions based on individual-unit actual income, contribution and partial accumulation method

Note: PAYGO (Pay-As-You-Go) is a contribution-based financial management structure where current premium income covers current benefit expenditures.

Source: Kang Hee-jung, "Evaluation of Sickness Benefit Pilot Program and Issues in Financing," National Assembly Debate Material Collection, 2025, p. 22.

Policy Direction and Suggestions

- **The sickness benefit system is a complex policy where interests conflict over fiscal sources, coverage targets, protection levels, and operating systems. Thus, the government should take the lead in setting policy directions while considering international standards.**
  - In particular, core task is balancing fiscal sustainability and coverage level during the institutional design process, requiring an approach that disperses the financial burden through a phased introduction strategy.
  - According to the OECD,[7] many countries' sickness benefit systems are operated in a mixed structure combining employer-provided sick leave and social insurance, which can be understood as an institutional design to simultaneously reflect the universality of illness risks and the necessity of income compensation.[8]
- **The current implementation framework centered around the Ministry of Health and Welfare may face limitations in designing policies and deriving social consensus. Hence, a pan-government consultation and coordination framework involving related ministries (e.g., Ministry of Employment and Labor) must be established.**
  - Moving beyond simple opinion gathering, a substantial social consensus mechanism that reflects conflict structures among stakeholders will be critical to establishing the system.

7) OECD, Disability, Work and Inclusion in Korea: Towards Equitable and Adequate Social Protection for Sick Workers, OECD Publishing, Paris. 2023, p.44.

8) According to the results of a 2020 Ministry of Employment and Labor fact-finding survey, 21.4% of all workplaces operate a sick leave system (including paid and unpaid), and among them, 63.8% pay wages during the sick leave period.

Publication Registration No. | 31-9700484-001731-14 ISSN | 2672-0280
Published by | National Assembly Budget Office Publisher | Chi Dong-ha, Chief of the National Assembly Budget Office
Produced by | Social Administration Program Evaluation Division Contact | +82-2-6788-3741
National Assembly Budget Office