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Insights into the Korean Labor Environment

June 11, 2026

Contents

I. Key Updates

Lee Administration’s Labor Policies

President Lee Jae-Myung's Employment Law Policies

- Focus on strengthening worker protections
  - Yellow Envelope Act, employee presumption
- At the same time, committed to revitalizing Korea's slowing economic growth.
  - Shifted from legislating a mandatory 4.5-day workweek to encouraging voluntary adoption
  - Taking a cautious approach toward imposing separate fines for serious industrial disasters
- Planned extension of the retirement age to 65 will be phased in over 10-15 years period starting in 2028

Repeal of Comprehensive Wage System and Introduction of a 4.5-Day Workweek

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01 ★ Repeal of the Comprehensive Wage System

- To eradicate long working hours and so-called "free labor" (MOEL Guidelines issued)

02 Obligation to Measure and Record Actual Working Hours

- Obligation to track and add "actual working days and working hours" to the wage ledger
- Obligation to grant workers the right to inspect and obtain copies of the wage ledger

03 Introduction of a 4.5-Day Workweek; Reduction of Working Hours

- To reduce average working hours to below the OECD average
- Shortening the maximum weekly working hours from 52 to 48 through amendments to the Labor Standards Act
- Stated goal to legislate 4-day workweek (gradually reducing weekly hours from 40 to 36 to 32)

Protection of Workers' Rights to Rest

01 Relaxation of Annual Leave Grant Requirements

- Reduction of the continuous employment requirement from 1 year to 6 months

02 Introduction of Annual Leave Savings System

- Carryover or accumulation for use within 3 years
- Prohibition of unfavorable treatment due to the use of annual leave

03 Guarantee of the 'Right Not to Be Contacted'

- Recognition of the right to refuse to respond to emails, phone calls, text messages, etc. outside of working hours

Extension of Retirement Age and Guarantee of Retirement Income

01 Extension of Retirement Age to 65

- Gradual extension of the statutory retirement age from the current 60 to 65

Proposed Amendment	up to **63** by 2027	up to **64** from 2028 to 2031	up to **65** from 2032 onwards

- To align with the national pension eligibility age
- Will be phased in over a 15-year period starting in 2027

02 Government Support

- The government is expected to support voluntary labor-management agreements on improving wage structures and working conditions.
- Strengthening of government support, including an increase in employment subsidies for older workers

Principle of Equal Pay for Equal Work

01 Adding employment type as a prohibited discrimination ground

- According to the current Labor Standards Act, discrimination based on gender, social status, etc. is prohibited.
- 'Employment type' (e.g., permanent, fixed-term employment, sub-contracted worker) would be added as a prohibited discrimination ground.

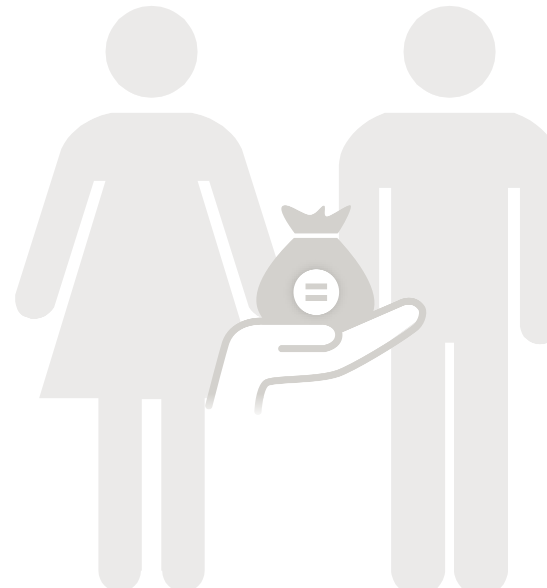
02 Introduction of Wage Distribution Disclosure System

- MOEL currently collects and discloses wages by employment type and industry through surveys on work conditions by employment type.
- The wage distribution disclosure system goes further by collecting and publicly releasing wage data based on more detailed factors, such as job, position, and length of service, providing indicators for applying the principle of equal pay for work of equal value.

Principle of Equal Pay for Equal Work

03 Gender Equality Wage Disclosure System

- Would impose obligation to disclose wage status by gender for each occupation and rank.
- Would be implemented first in public institutions and gradually expanded to private workplaces
- Allows workers to request wage information from employers to verify whether equal pay for work of equal value is being paid



Recent Statutory Amendments

Paternity Leave; Spousal Miscarriage/Stillbirth Leave

01 Paternity Leave (effective as of September 18, 2026)

- Employees who notify the company of their spouse's pregnancy and childbirth granted 20 days of paid leave.
- This leave can be taken starting from **50 days prior to the expected date of childbirth up to 120 days after** the actual date of childbirth, and can be split up to three times

02 Spousal Miscarriage or Stillbirth Leave

- Employees who request leave **due to their spouse's miscarriage or stillbirth** granted up to 5 days of leave (with the first 3 days being paid).
- This leave must be requested within 20 days from the date of the spouse's miscarriage or stillbirth.

Expanded Scope of Childcare Leave

01 Current Childcare Leave

- Up to 1 year of unpaid leave may be granted, which can be split and used in up to three separate installments
- Parents who meet the statutory requirements prescribed by law may extend their childcare leave up to 1 year and 6 months.

02 Expanded Childcare Leave (effective as of August 20, 2026)

- Expanded eligibility: Employees applying for leave due to reasons such as school closures, suspension of classes, or vacations, illness of children aged 8 or under (or in the 2nd grade of elementary school or below).
- Duration: **1 week or 2 weeks** (limited to once per year, and must be taken on a weekly basis).

Key Provisions to be Promulgated

01 Use of Annual Leave in Hour Increments (effective one year after the promulgation date)

- Employer obligated to grant requests to split annual leave in hourly increments (subject to imprisonment for up to 2 years or a fine of up to KRW 20 million).
- Employers cannot dismiss or engage in disadvantageous treatment against employees who request or use annual leave on an hourly basis (subject to a fine of up to KRW 5 million).

02 Exemption from Rest Periods (effective 6 months after the promulgation date)

- An employee working 4 hours may request to skip the legally mandated 30-min rest period (i.e., go home after 4 hours, rather than 4.5 hours).

II. Overview of the Yellow Envelope Act

What is the "Yellow Envelope Act"?

A major legislative initiative of the current Lee Jae Myung administration

Effective from 10 March 2026

Partial amendment to the Trade Union and Labor Relations Adjustment Act (TULRAA)

TULRAA governs the operation and activities of labor unions, including collective bargaining and labor disputes

"Second wave" of irregular worker protection measures

"First wave" = "illegal dispatch disputes"

What has changed

Yellow Envelope Act

Changes who can sit at bargaining table

Expands agenda for collective bargaining

Status of workers and **business management decisions that affect workers' status and working conditions** and employer’s clear violation of CBA

Expands union membership

“Non-workers” (gig workers, freelancers, civic groups, retirees, etc.) can join

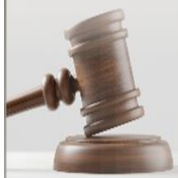
Restriction on claims for damages

Limitation on claims for tort damages against labor unions and workers + calculation of the liability ratio for workers' responsibility for damages

III. Latest Updates on the Yellow Envelope Act
– MOEL Guidelines and Enforcement Decree

1. Expansion of “Employer”

Expansion of "Employer"



Definition of Employer TULRAA Article 2(2)

Previous Law

- Business owner, person responsible for management of the business, or person who acts on behalf of the business owner regarding matters concerning workers ("**Contracting Employer**").

Yellow Envelope Act

- Business owner, person responsible for management of the business, or person who acts on behalf of the business owner regarding matters concerning workers ("**Contracting Employer**").

- Even if not a party to an employment contract, **a person in a position to substantially and concretely control and determine the worker's working conditions** ("**Non-Contracting Employer**").

Expansion of "Employer" – Determinative Factors

Core Factor Structural Control over Working Conditions

- Non-Contracting Employer's instructions **effectively determine core parts of specific working conditions** (e.g., work hours, break times, work schedule, work intensity, work environment) of relevant workers or **essentially restrict** the Contracting Employer's independent decision-making discretion.

Supplementary Factor Organizational Integration of Work and Economic Dependence

- **Systematic integration** of business into the Non-Contracting Employer's business.
- **Economic dependence** due to the provision of essential equipment or an exclusive/continuous transaction relationship.

Judgment of employer status is made by comprehensively considering the specific circumstances of individual cases

Core Factor + *Supplementary Factors*

2. Expansion of Labor Disputes

What is "managerial decision" in this context?

Managerial decisions that affect working terms and conditions
E.g., restructuring, factory automation, M&A, business transfer

RISK SCENARIO (HYPOTHETICAL)

Step 1 **Union asks for collective bargaining year-round over managerial decision**

Step 2 **Impasse**

Step 3 **Union majority vote + obtain right to strike**

Step 4 **Union show of force (strike)**

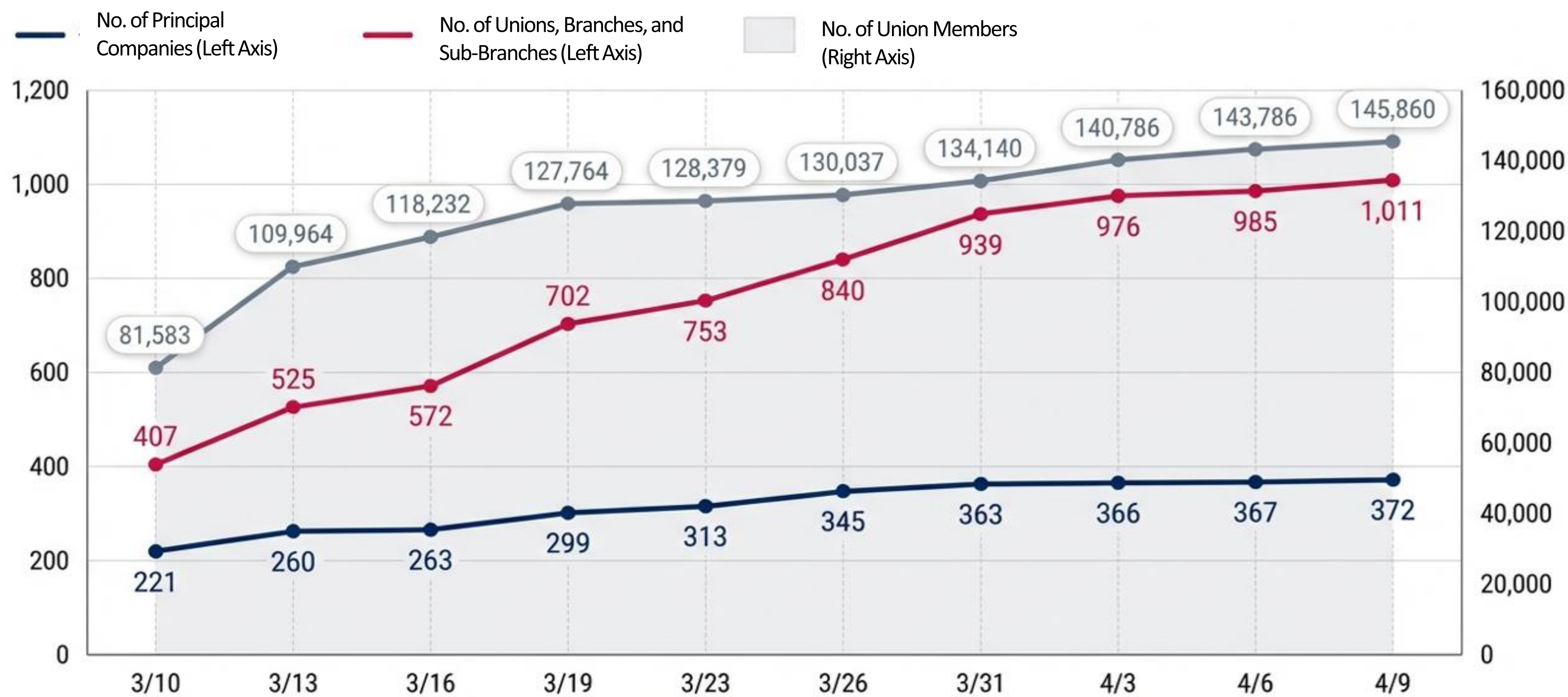
Expansion of "Labor Disputes"

Purpose of Industrial Action	Impact on Working Conditions	Legitimacy Prior to Yellow Envelope Act	Legitimacy under Yellow Envelope Act
Merger, Split-Off	▪ Transfers, layoff ▪ Increase in personnel/workload	X	O
Transfer, Sale	▪ Transfers, layoff ▪ Increase in personnel/workload	X	O
Business (Division) Closure	▪ Transfers, layoff ▪ Increase in personnel/workload	X	O
Outsourcing	▪ Transfers, layoff ▪ Increase in personnel/workload	X	O
Layoff	▪ Layoff	X	O
Authority of BOD/Shareholders		X	X

IV. Recent Trends and Cases

Post-Implementation Trends of the Yellow Envelope Act

◘ Status of bargaining requests (as of April 9)



Demands by Industry Sector

Industry	Key Bargaining Agendas
Manufacturing	Occupational safety, working environment, welfare facilities, improvement of work methods, wages, and profit sharing
Shipbuilding	Formation of Occupational Safety and Health Committees, improvement of treatment for migrant workers, prohibition of discrimination in performance bonuses, and job security
Construction	Occupational safety, prevention of multi-level illegal subcontracting
Finance	Protection measures for emotional labor, salary increases, payment of bonuses, guaranteed rest periods, and job security
Logistics	Prevention of death from overworking, improvement of working environment, commissions/fees, exclusion from sorting tasks, and five-day work week
Public Institutions	Prevention of continuous night shifts, workforce replenishment, and prohibition of discrimination between parent and subsidiary companies
Others	Protection of employees from emotional labor, improvement of working environment, direct hiring, job security, improvement of wage structures, and improvement of vacation systems

Bargaining Agenda: Expansion to Business Management Decisions

Increasing demands for bargaining over business management decisions that affect working conditions

Hyundai Mobis
(Divesture of Lamp Business Unit)

- MOU signed with OP Mobility (French automotive parts supplier) for the sale of the Lamp Business Unit
- Labor union at Unitus challenged the sale and demanded direct bargaining with Hyundai Mobis

Samsung Electronics
(Performance Bonus Payment)

- Samsung's labor union raised demands related to performance bonuses (estimated losses of KRW 100 trillion)
- Union advocates for "abolition of the cap on Overall Performance Incentive (which is currently 50% of annual salary) and adoption of performance bonus calculation based on operating profit."

HMM (HQ Relocation)

- HMM passed a resolution to amend the Articles of Incorporation for the HQ relocation from Seoul to Busan at a regular general meeting of shareholders
- Labor union at HMM filed a complaint for unfair labor practice, stating that this is a clear violation of the law as the relocation was decided without labor-management consultation

Cases handled by K&C

K&C Case Study – Logistics Company

First ruling dismissing an application for separation of bargaining units

Key issues and Strategies

Result	**Dismissal**
Key Issues	1. Whether the application constitutes a lawful request for a decision on the separation of bargaining units 2. Whether the "employer status" under Article 2(2) of TULRAA is recognized for the principal company in this case 3. Whether there is a necessity to separate the labor unions into different bargaining units
K&C's Response	▪ Argued that there are **no significant differences in working conditions, employment types, or bargaining practices between the unions** as both the applicant union members and the non-applicant union members perform the same tasks ▪ Highlighted that the **interests of the labor unions do not differ**, so there is no need for separation of bargaining units

Response Strategies for Companies

- Conduct **objective** reviews of contracts and business operations with each subcontractor
- **Assess whether companies exercise substantial control** over the working conditions of subcontractor employees
- If there is a risk of substantial control being recognized, analyze potential bargaining agendas **and evaluate the applicability of substantial control for each specific agenda**

- Develop **short-term improvement measures**: Need to assess the possibility and extent of mitigating risks through these measures
  - Develop **mid- to long-term and structural improvement measures**

- **Establish step-by-step response strategies for bargaining agendas**
  - Establish a contingency plan for potential industrial action by labor unions

Thank you

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