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South Korea's Labour Laws and Employment Regulations

Overview

Ranking 12th among the world's largest economic powers and 4th in Asia in 2023, South Korea is famous for its spectacular rise to a developed, high-income country in just one generation.

South Korea has experienced one of the largest economic transformations of the past 60 years. Given its limited geographical size, insufficient natural resources and population size (a labour force of 28.4 million people out of its 51.28 million population), the country has devoted special attention to technology development and innovation to promote growth, growing from a predominantly rural, agricultural nation into an urban, industrialised country. ([Santander Trade](#))

Basic Country Facts



Capital
Seoul



Population
51.5 million
[The World Bank](#)



Currency
South Korean Won (KRW)



GDP per Capita
USD 34,984 (as of 2021)
[The World Bank](#)

Korea Labour Standards

Summary of Statutory Conditions

Retirement Age	60 years old	
Min Hourly Wage	KRW 9,620 per hour	
Max working hour in a week	52 hours a week max (40 regular hours + 12 OT)	
Annual Leave for 1 st year	1 st Year: 1 day per month	2 nd Year: 1.5 days per month
Rest Day	One paid rest day per week - Sunday	
Sick Leave	No statutory paid sick leave	
Social Insurance	4 Social Insurance (NP, NHI, EI, WCI)	
Retirement/Severance Pension Scheme	Severance Payment DB, DC	
Taxation	Personal Income Tax (Progressive) + Local Income Tax (10% of Personal Income Tax)	

Source: [Ministry of Employment and Labour](#)

General Employment Rules

Labour Standards Act (LSA)

LSA is the most important piece of legislation governing conditions of employment in South Korea. This legislation provides the fundamental protection to employees including payment of wages, restrictions on wages deductions, provision of public holidays and other rules of employment that applies to all employees in Korea.

The Employment Contract

Employment contract is an agreement on the employment conditions that should be made in written format with both employer and employees keeping one copy for reference. An employment contract usually includes:

- Legal name and Resident Registration[#]
- Employment period (start date & end date - if Fixed term contract)*
- Contractual work hours with break and Location*
- Holidays*
- Annual Leaves*
- Wages (Basic salary, Allowances, Overtime rate and other payment items – Performance Bonus, Incentive, if applicable) and Pay Day.*
- Probationary period
- Employee benefits (4 Social insurance, medical check, if any)
- Duly signed by employer and employees with the company stamp affixed

**mandatory*

Probationary Period

- There is no statutory requirement of having a probationary period.
- Market Practice: probationary period **between 3-6 months**.
- No notice period is required **under a probationary period of 3 months** or less.

Working Hours (40 Regular Working Hours + 12 Overtime Working Hours)

- Working hours shall not exceed 40 hours per week and 8 hours per day, excluding rest hours.
- Working hours may be extended to a limit of 12 hours per week only if there is an agreement between the parties (employer and employee).

Time	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Regular Work		Maximum 40 hours					
Extended Work	Maximum 12 hours						

Recess/Meal Hours

- At least **30 min recess per 4 working hours**, or at least **1 hour in 8 working hours**, during work hours (**no pay** and will be excluded from the actual working hours).

Retirement Age

- The legal retirement age is 60. Majority of companies set retirement on last day of the year employee become 60 years old in legal age.

What happens to the 4 Social Insurance after reaching 60?

Social Insurance	Remarks
National Pension	Not mandatory to join. Employees can voluntarily subscribe to the plan until 65. (employees contribute 100%)
Health Insurance	Regardless of age, contribution will remain the same .
Employment Insurance	Regardless of age, employees are obligated to join . (For new joiner of 65 or above, they are exempted from ① 0.9% of unemployment insurance)
Industrial Accident Compensation Insurance	Regardless of age, contribution is the same .

Rules of Employment (ROE)

Employer employs **10 or more** must prepare ROE that includes the calculation of wages, the timing and method of payment, hours of work, paid leave, training, maternity care, workplace health and safety, the measures to prevent workplace harassment and the measures to be taken in cases of workplace harassment, disciplinary procedure and other work conditions.

The followings should be reported to the Ministry of Employment and Labor:

- New rules of employment
- Any changes of content, documents including a comparison of the content before and after the change shall be resubmitted for approval.
- Proof of hearing from more than half of all workers/ labor unions that represents **more than half of all workers** (with consent and approval)
- It can be a **major key point when labor conflict gone to court.**

Wages

Minimum Wage

- Minimum Wage committee review the minimum wage every year to fit the market needs.
- **The minimum wage per hour is KRW 9,620 from 1 January 2023.**

Average Wage

$$\text{Average wages} = \frac{\{\text{Total wages for the three months prior to the date of occurrence (retirement date)}\}}{\{\text{Total number of days in the three months prior to the date of occurrence (retirement date)}\}}$$

Contractual bonus/annual incentive/unused AL payment should be added back to get Average Wage (Respective annual amount*3 months/12 months).

The following is an example of retirement date on 15 January 2023 (date of occurrence) which is **used for calculation of Severance Payment (A person who retires after working continuously for more than one year under an employer shall receive severance pay).**

Average Wage Period	15 Oct - 31 Oct	1 Nov - 30 Nov	1 Dec - 31 Dec	1 Jan - 14 Jan	Total
Total Days	17	30	31	14	92
Basic Salary	1,700,000	3,000,000	3,000,000	1,400,000	9,100,000
Overtime Allowance	200,000	270,000	90,000	200,000	760,000
Total Wage Received	1,900,000	3,270,000	3,090,000	1,600,000	9,860,000

*Average Daily Wage: KRW 9,860,000 / 92d = KRW 107,174

Ordinary Wage

- **Ordinary wage refers to wages that are ordinarily/regularly paid to employees** and are **used as the basis for calculating statutory allowance**, such as additional pay for overtime work. It is the hourly, daily, weekly or monthly wages or contract wages which are determined to be paid periodically to a worker for his/her prescribed or entire work.
- Following is an example of monthly salary at KRW 5,000,000 which is used for calculation of **Annual Leave Allowance, Overtime, Nighttime, Holiday work Allowance, etc.**

Monthly Working Hours Calculation	Ordinary Hourly Wage
(8 hours * 5 days + 8 hours) * 52 weeks / 12 months = 209 hours	KRW 5,000,000 / 209 hours = KRW 23,923 (hourly wage)

Monthly Salary

- There is no statutory regulation regarding the pay date.
- Regular pay date shall be written in the employment contract.
- Market Practice of Pay Date: **21st, 25th, last day of the current month or 5th, 10th of the following month.**
- For cases of **termination, the final payment must be settled within 14 days** from the last working day.
- For monthly salary, it will be paid in arrears and pro-rated according to the actual employment days in that month if employees served an incomplete month.

Rule	Monthly Salary	+	Allowance	-	4 Social Insurances	-	Income Tax + Local Income Tax	=	Net Pay
Example	5,000,000	+	400,000	-	600,000	-	200,000 + 20,000	=	4,580,000

Overtime, Night, Holiday Work Allowance

- Extended work after 8 hours per day.
- Night work refers to work performed between 10pm and 6am.

Standard work hours: 9am – 6pm OT application for over 8 hours work	Wage Premium	Example: Hourly Wage (KRW 20,000)
Workday 18:00 - 22:00 Workday 06:00 - 09:00 Weekend/Holiday 09:00 - 18:00	150%	KRW 30,000
Workday 22:00 - 06:00 Weekend/Holiday 18:00 - 22:00 Weekend/Holiday 06:00 - 09:00	200%	KRW 40,000
Weekend/Holiday 22:00 - 06:00	250%	KRW 50,000

Statutory Allowances and Non-taxable Allowances

Allowances	Description	Statutory	Non-taxable
Shutdown Allowances	Business closure due to the employer	✓	
Unused Annual Leave Allowances	Encash unused annual leave to Leavers	✓	
Severance Allowances	> 1 year of service upon end of employment	✓	
*Transportation Allowances	Tax Free for KRW 200,000/month		✓
*Meal Allowances	Tax Free for KRW 200,000/month		✓

*Note: Transportation allowance & Meal allowance are non-taxable
Employer can arrange 2 non-taxable items in Employee's Monthly salary for Employee's tax benefit
The total amount of monthly salary employer pay is NOT changed.

e.g.: **KRW 5,000,000** monthly salary → Fixed : KRW 4,600,000
Meal Allowance: KRW 200,000
Transportation Allowance KRW 200,000
TOTAL: **KRW 5,000,000**

Taxation

General Information

- **The general rule is that a person who is a resident of Korea is assessable on their worldwide income.**
- Non-residents are only assessable on income sourced in Korea.
- A resident is an individual who has a resident in Korea for 183 days or more. A non-resident is an individual other than a resident.
- Tax Year: **1 Jan to 31 Dec in the following year.**
- Employers should file an application and withhold the tax on a monthly basis and perform year-end tax adjustment.
- Tax amount is always rounded down to nearest KRW 10.

Simplified Tax Withholding

- Monthly Income Tax is withheld by employer in accordance with Simplified Tax Withholding Table, updated by NTS (National Tax Service) on a yearly basis.
- The tax amount is determined, considering the amount of monthly taxable income and the number of tax dependents; "the more one has tax dependent(s), the less the tax amount is".

Monthly Taxable Income (KRW)		Number of Dependents (KRW)				
Over	Less than	1	2	3	4	5
3,200	3,220	91,460	73,960	38,540	33,290	28,040
3,220	3,240	93,170	75,670	40,120	33,950	28,700
3,240	3,260	95,430	77,380	41,770	34,610	29,360
3,260	3,280	97,880	79,100	43,420	35,270	30,020
3,280	3,300	100,320	80,810	45,070	35,920	30,670
3,300	3,320	102,770	82,520	46,720	36,580	31,330
3,320	3,340	105,210	84,230	48,370	37,240	31,990
3,340	3,360	107,660	85,940	49,940	37,870	32,260

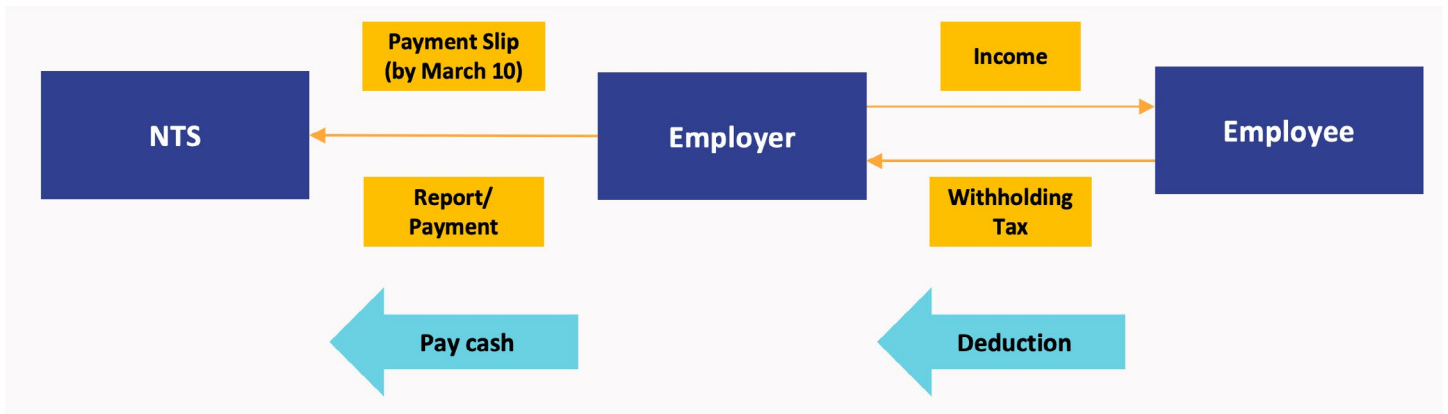
For more information, refer to [NTS](#).

Progressive Income Tax

- **Net taxable income of resident individuals is taxed at progressive tax rates ranging from 6%-45%** (excluding 10% local income surtax).
- Tax rates for non-residents are the same as those for residents. Individuals liable for payment of income tax in Korea are levied an **additional 10% local income surtax of the income tax amount**.

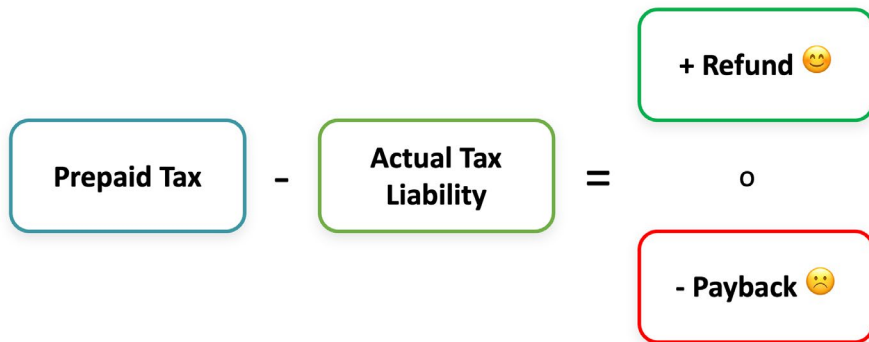
Annual Taxable Income (KRW)		Progressive Tax Rate (KRW)
Over	Less than	1
0	14,000	6%
14,000	50,000	15%
50,000	88,000	24%
88,000	150,000	35%
150,000	300,000	38%
300,000	500,000	40%
500,000	1,000,000	42%
1,000,000		45%

Withholding Tax Flow



Concept

- Year end settlement is to find out the difference between prepaid tax and actual/final tax liability (January to December of last year).
- The final tax liability varies due to tax rebate scheme from personal expenditures (e.g. credit card expense, personal pension savings, qualified donation, medical expenses, education expense etc).



Social Insurance

4 Social Insurance

- 4 social insurances are insurance programs that employees are required to be enrolled under the relevant laws.
- Korea has implemented **4 schemes of social insurance, which are: National Pension, National Health Insurance, Employment Insurance and Industrial Accident Compensation Insurance Schemes.**
- All employers must enroll their employees into the schemes and contribute their prescribed portions to the insurance authorities in accordance with the relevant laws.
- The social insurance payment is per percentage of the employee's gross monthly earnings.
- **Common practice is to fix a contribution according to contracted salary and do adjustment in March-April.**

Item	Paid by Employee	Paid by Employer	Insurance Premium Rate (Employee + Employer)
National Pension	4.5%	4.5%	9%
Health Insurance (Long-Term Care Insurance for the Elderly)	3.545% (12.81% of health insurance premium) total %: 3.9991145%	3.545% (12.81% of health insurance premium) total %: 3.9991145%	7.09% (12.81% of health insurance premium) total %: 7.998229%
Employment Insurance	① Unemployment benefit = total remuneration × 1.80%		
	0.90%	0.90%	1.80%
	Employee no need to support the ②	② Employment stability and vocational competency development = total remuneration × rate for each section (paid by employer only)	
		Less than 150 full-time workers	Total remuneration × 0.25%
		150 or more full-time workers (priority support)	Total remuneration × 0.45%
		Between 150 and 999 full-time workers	Total remuneration × 0.65%
1000 or more full-time workers	Total remuneration × 0.85%		
Industrial Accident Insurance	Varies by industry / Full company burden		Commuting Disaster 1.0/1000

Employers Obligations

- Employers should report to the government and the related parties in order to enroll employees into the various types of insurance in Korea. Electronic Data Interchange (EDI) service has been introduced since 2012 for employers to report the 4 social insurances of employees online. Employers can report commencement, termination, and amendment of employment in the system for the use of reporting insurance.

4 Major Social Insurance	Notification of Hiring	Notification of Termination	Contribution Period Starting from
Health Insurance	Within 14 days of commencement	Within 14 days of commencement	The month after the commencement month. (employees join on the 1 st – can elect contribute 1 st month or not)
National Pension	Before 15 th of the next month of the commencement month	Before 15 th of the next month of the commencement month	
Employment Insurance			
Industrial Accident Compensation Insurance			The commencement month (pro-rata to working days)

Retirement Pension Scheme

1. Retirement/Severance Allowance (Employer's Liability)

- Retirement Allowance is paid immediately by the Employer when Employee who has worked for more than a year leave the company.
- It has the advantage of having the liquidity of assets as in-house reserves because Retirement Allowance is accrued in Accounting Book of Employer as a liability until actual payment.
- However, there is a disadvantage that employee's right to receive retirement benefits is unstable when it comes to Employer's business uncertainty or difficulty.
- Thus, the Retirement Pension System has been introduced to compensate for these problems.

2. Retirement/Severance Pension (Employer's Cost)

- Retirement pension refers to a system in which Employer accumulates funds for retirement benefits to a financial company during Employee's working period, and either Employer or Employee operates the funds and Employer pays when Employee retires.
- It has the disadvantage of less asset liquidity than Retirement Allowance system because it accumulates Retirement Pension in financial institutions, not in Employer's Accounting Book, but has the advantage of stable retirement benefits.

A. Defined Benefits Retirement Pension (DB)

- DB Retirement Pension Scheme is operated and managed by Employer and the damage and risk to the operation of the pension are borne by the employer.
- Employee receives the pre-determined Retirement Benefits upon retirement.

B. Defined Contribution Retirement Pension (DC)

- DC Retirement Pension Scheme is operated and managed by Employee and the damage and risk to the operation of the pension are borne by the employee.
- Employee receives reserves and operating gains and losses upon retirement.

Leave Policies

Annual Leave

- **Every employer shall grant any employee who has worked not less than 80 percent of one year a paid leave of more than 15 days.**
- From the 4th year of service, 1 additional paid leave for every 2 years will be granted on top of 15 days.
- A total # of Annual leave shall be limited to 25 days.

1 st year	2 nd year	3 rd year	4 th year	5 th year	6 th year	...
Max: 11 (1 day per month)	15	15	16	16	17	25

Other Leave Types

Leave Type	Statutory required	Optional	Common in Market Practice
Monthly Menstrual Leave	✓ (not paid leave)		
Maternity Leave	✓		
Paternity Leave	✓		
Childcare Leave	✓		
Reduction of working hours for parents	✓		
Fertility Treatment Leave	✓		
Family Care Leave	✓		
Official Leave (Military training)	✓		
Additional Special Leave (Congratulations & Condolences)			✓
Marriage Leave, Birthday Leave, Anniversary Leave			✓
Compassionate Leave			✓
Sick Leave		✓	
Compensation Leave		✓	
Summer Leave		✓	
Exam Leave		✓	
COVID Vaccination Leave		✓	

Measures to Urge Employees to Take Annual Paid Leaves

1. Urging procedures for employees whose consecutive **work period is more than 1 year**.

Steps	Notice Period	Action	Process
First urging	July 1 – July 10 (6 months left, for 10 days)	<ul style="list-style-type: none"> Send a written notice for use of annual paid leave Content of the notification letter: notify the number of the unused annual paid leave and urge the employee to decide when to use them 	Employer → Employee
-	Within 10 days from Step 1	<ul style="list-style-type: none"> Submit the plan for annual paid leave Content of the annual paid leave plan: the dates he/she desires to take the leave 	Employee → Employer
Second urging	By October 31 (if step 2 is not taken)	<ul style="list-style-type: none"> Send a written notice for use of annual paid leave Content of the notification letter: decides the dates of annual paid leave for the employee 	Employer → Employee

**For businesses that operate on a fiscal year (Jan 1 – Dec 31) basis*

2. Urging procedures for employees whose consecutive **work period is less than 1 year**.

Steps	Notice Period		Action
	9 days of annual paid leave	2 days of annual paid leave	
First urging	October 1 – 10 (3 months left, for 10 days)	December 1 – 5 (1 month left, for 5 days)	Employer → Employee <ul style="list-style-type: none"> Send a written notice for use of annual paid leave Content of the notification letter: notify the number of the unused annual paid leave and urge the employee to decide when to use them
-	Within 10 days from Step 1		Employee → Employer <ul style="list-style-type: none"> Submit the plan for annual paid leave Content of the annual paid leave plan: the dates he/she desires to take the leave
Second urging	By November 30 (1 month left)	By December 21 (10 days left)	Employer → Employee <ul style="list-style-type: none"> Send a written notice for use of annual paid leave Content of the notification letter: decides the dates of annual paid leave for the employee

**For new hires with a Jan 1st start date*

2023 Public Holiday

Date	Public Holiday	Remark
January 1 st	New Year's Day	
January 21-24 th	Seollal (Korean New Year's Day)	Based on Lunar Calendar, dates are changing
March 1 st	Independence Movement Day	
May 1 st	Workers' Day	Designation of Workers' Day Act
May 5 th	Children's Day	
May 27 th	Buddha's Birthday	The eighth day of April according to the lunar calendar
June 6 th	Memorial Day	
August 15 th	Liberation Day	
September 28-30 th	Chuseok (Korean Thanksgiving Day)	Based on Lunar Calendar, dates are changing
October 3 rd	National Foundation Day	
October 9 th	Hangeul (the Korean Alphabet) Day	
December 25 th	Christmas Day	

Disciplinary Action

Types of Disciplinary Action

Decided in Personnel Committee in accordance with the level of violation:

- Written Warning
- Salary Reduction: Not exceeding the amount of 1/2 of the average daily wage and the total amount of 1/10 of the monthly salary at a time.
- Suspension: No payment for 3 months max
- Dismissal

Termination

Restriction on Dismissal

- The Korean Labor Standards Act places the burden on the employer to prove a "justifiable reason to terminate." e.g. **Stealing, missing an excessive number of days of work, and violating laws related to the job**
- Managerial Reasons for Laying off an Employee in Korea: a company should prove that **without the layoff, the company would have extreme difficulty in maintaining operations**. The standard is interpreted strictly.
- Prior to layoffs the company should prove that it has exhausted all other remedies including offering voluntary retirements. The layoffs, also, must be conducted based on a "**fair and reasonable**" standard.

Notice Period or Payment in Lieu of Notice

Employer shall give the employee a notice of dismissal in advance (employer shall pay such employee a 30 days' ordinary wage at the least if they fail to provide) for any kinds of dismissal except the following:

- Where the period during which the employee has worked continuously is less than three months.
- Where continuation of the business is impossible due to natural disasters, incidents or other unavoidable circumstances.
- Where the employee has intentionally caused serious damage to the business or property loss, which falls under the reasons prescribed by Ordinance of the Ministry of Employment and Labor.

No regulation on employees voluntarily resigning.

Final Payments

According to the LSA, the final payment must be paid within 14 days after the termination day.

Final payment usually includes:

- Unpaid wages;
- Annual leave encashment or deduction;
- Payment in lieu of notice (if any);
- Pro-rated bonus, commission and double pay (if any);
- Other leave deduction (such as no pay leave, etc.);
- Severance payment.

Mandatory Training

5 Mandatory Training

Subject	Target	Frequency & Training Hour	Penalty
Industrial Safety and Health	All employees (for a company with 5 or more employees)	Once a quarter (3~6 hours)	Up to 5 Million KRW
Personal Information Protection	The person in charge	Once a year (1 hour)	Up to 500 Million KRW in the event of security accident
Improvement of Awareness of the Disabled at workplace	All employees	Once a year (1 hour)	Up to 3 Million KRW
Retirement Pension	All employees	Once a year (1 hour)	Up to 10 Million KRW
Prevention of Sexual Harassment at Workplace	All employees	Once a year (1 hour)	Up to 5 Million KRW

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South Korea's Labour Laws and Employment Regulations with Ashley Park



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8-10 August

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Brunei

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22-24 Aug

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Sources

1. [The World Bank](#)
2. [Santander Trade](#)
3. [Ministry of Employment and Labour](#)
4. [National Tax Service](#)

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