

National Assembly's Committee Passes Bill on Reducing Working Hours

On February 27, 2018, the National Assembly's Environment and Labor Committee passed a revision bill of the Labor Standards Act. The bill calls for reducing the maximum statutory working hours to 52 hours a week from the current 68 hours.

In the revision bill, the Environment and Labor Committee clearly defines a "week" as the entire seven days, including Saturdays and Sundays. Divergent judicial and administrative interpretations have generated controversy and debates about whether a "week" includes Saturdays and Sundays. Maximum statutory working hours will be capped at 52 hours a week, consisting of 40 hours of regular work and 12 hours of overtime during the weekdays or on weekends.

To minimize the impact on businesses, the new cap on working hours will be enforced gradually. For firms with 300 or more employees, the law will be applied on July 1, 2018, while firms with 50 to 299 employees and those with five to 49 will be subject to the new law on January 1, 2020 and July 1, 2021, respectively. For firms with less than 30 employees, the committee prepared a special measure to allow additional overtime of eight hours a week, temporarily from July 1, 2021 to December 31, 2022, upon agreement between the labor and the management. This is an effort to minimize the financial burden on small businesses as a result of the reduced working hours.

Furthermore, the committee made plans to discuss the expansion of the flexible working hour system in workplaces, which is currently limited to two-week and three-month periods. The committee will hold such discussion in order to provide more opportunities for employers to utilize the flexible working hour system in anticipation of the 52-hour work week, which will become fully effective on December 31, 2022. Overtime pay for working on holidays has also generated controversy in Korea. Under the revision bill, employees who work eight hours or less on a holiday will be paid 150 percent of ordinary wages, and 200 percent or more for working more than eight hours on a holiday.

The revision bill would ensure that public holidays observed by government offices will be guaranteed as paid holidays in all workplaces, including private firms. Public holidays have only been acknowledged as paid holidays when designated by companies in their rules of employment (i.e., employee handbook) or collective bargaining agreements. To help businesses adapt to the change, public holidays will be guaranteed as paid holidays in firms with 300 or more employees from January 1, 2020, while firms with 30 to 299 employees and those with five to 29 employees will be subject to the change from January 1, 2021, and January 1, 2022, respectively.

21 out of the 26 special industries that have been previously exempt from overtime limits will now be covered by overtime rules. Only five industries (ground transportation, water transportation, air transportation, other transportation services, and healthcare) will remain exempt from overtime limit. However, fixed-route bus industry, a sub-sector of the ground transportation industry, will be covered by overtime rules. The 52-hour work week will be applied starting July 1, 2019 to firms with 300 or more employees working in these 21 industries previously exempt from overtime limits as special industries.

It is expected that the passage of the revision bill will quiet the controversy and confusion on overtime pay and overtime work on holidays resulting from various judicial and administrative interpretations. Employers with employees who work more than 52 hours a week should expect a rise in labor costs as a result of the reduced working hours. Many Korean businesses will face significant challenges in managing working hours of employees in the near future.

Shin & Kim offers professional solutions to effectively manage personnel management issues and to minimize the impact of reduced working hours on businesses. Should you have any questions regarding any of the foregoing, please feel free to contact us at any time.

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