

Supreme Court Vacates Appellate Decision for Failing to Examine Whether a Comprehensive Wage Agreement Existed

(Supreme Court Decision 2025Da200387 dated August 13, 2026)

1. Background and Issue

The plaintiffs, employees of Company H, were assigned to overseas business operations and, in addition to their regular domestic compensation, received a monthly overseas assignment allowance.

The plaintiffs alleged that Company H had calculated their overtime allowances without including the overseas assignment allowance in their ordinary wages. They therefore sought payment of the difference between the overtime allowances previously paid and the amount recalculated to include the overseas assignment allowance.

Company H argued that the overseas assignment allowance did not constitute either wages or ordinary wages. It further argued that a comprehensive wage agreement existed under which the overseas assignment allowance was intended to include overtime allowances, etc.

The principal issue before the Supreme Court was whether a comprehensive wage agreement had been established under Company H's compensation regulations and related operating guidelines and, if so, whether any portion of the overseas assignment allowance should be excluded from ordinary wages.

2. Supreme Court's Decision

Appellate Court

The appellate court held that the overseas assignment allowance constituted both wages and ordinary wages and found insufficient grounds to conclude that a comprehensive wage agreement existed under which the allowance included overtime allowances and similar payments. Accordingly, the appellate court ordered Company H to pay the difference between the overtime allowances previously paid and the amount recalculated by treating the entire overseas assignment allowance as ordinary wages.

Supreme Court

The Supreme Court vacated the appellate court's judgment and remanded the case for further proceedings, holding that there exists room for consideration that a comprehensive wage agreement may have existed and that portions of the overseas assignment allowance might not constitute ordinary wages.

The Supreme Court noted that Company H's Compensation Regulations for Employees Performing Overseas Duties expressly provided that the overseas assignment allowance included overtime allowances, night work allowances, and compensation for unused leave. The Court further observed that the related operating guidelines and guidance materials provided to employees performing overseas duties contained provisions and explanations to the same effect. In the Court's view, these materials could support the existence of a comprehensive wage agreement under which the overseas assignment allowance included overtime allowances and similar payments.

The Supreme Court further noted that the operating guidelines provided that additional overtime allowances could be paid separately in light of the importance of the business. In practice, those additional payments were calculated according to predetermined monthly hours based on employees' duties and job grades, rather than their actual working hours. Accordingly, the Court found that such separately paid amounts may constitute additional payments made pursuant to the parties' agreement, rather than statutory overtime allowances.

Finally, the Supreme Court explained that compensation for work performed beyond prescribed working hours does not form part of ordinary wages. Accordingly, if the overseas assignment allowance included overtime allowances, night work allowances, or similar payments pursuant to a comprehensive wage agreement, those portions would not ordinarily constitute ordinary wages. The Court therefore held that the appellate court had erred by failing to conduct the necessary examination regarding both the existence of a comprehensive wage agreement and the proper scope of ordinary wages.

3. Significance

The significance of this landmark ruling lies in its emphasis that, when determining whether an overseas assignment allowance constitutes ordinary wages, it is necessary to examine not only the title of the allowance or whether it is paid on a regular basis, but also the substance of the wage components included in the allowance and whether a comprehensive wage agreement exists.

In particular, the Supreme Court held that even where overtime allowances are paid separately, if that amount constituted an agreed-upon additional payment determined based on job duties and job grade—rather than a statutory

allowance based on actual working hours—it could coexist with an agreement that includes statutory allowances within the overseas assignment allowance.

Key Contacts

Young Seok Ki

Partner

+82-2-316-4021

ysgi@shinkim.com

Jong Soo Kim

Partner

+82-2-316-1678

jsokim@shinkim.com

Sery Lee

Partner

+82-2-316-4034

srlee@shinkim.com

Chanyoung Cho

Partner

+82-2-316-4109

cycho@shinkim.com