

BRIEFING NOTE ON WORKING TIME

REDUCED STANDARD WORKWEEK IN THE REPUBLIC OF KOREA

International Labour Office

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First Draft

1. Background

Known for its long hours of work norm, the Republic of Korea introduced its Five-Day Working Policy in 2004 through its revised Labour Standards Act (LSA) that effectively made Saturday an official non-working day and reduced the standard legal work week from 44 to 40 hours. The Korean LSA aims “*to guarantee and improve basic livelihoods for workers by prescribing working conditions, such as wages, working hours, holidays, leave, etc., in labor relations between employer and worker*” (Korea Ministry of Labor, 2009).

In 2004, before the introduction of Five-Day Working Policy, the average annual working hours per employed person in Korea was 2,392 (ILO Key Indicators of the Labour Market, 9th Edition)—which was by far the longest working hours in any OECD country. In particular, long working hours are common in the automobile, shipbuilding, banking, transportation and surveillance/security industries. There are various structural conditions that contribute to Korea’s long working hours norm: the mass production paradigm during industrialization, the corporate strategy of maintaining staffing at a minimum level, shift systems (i.e. 12-hr day/night shifts), the “blanket wage system” (i.e. workers consistently working overtime without additional pay), relatively limited regulations on working hours, the male breadwinner culture, and the economic needs of low-wage workers to work more to earn more, and, more generally, workers’ needs for income security¹. Furthermore, the take-up of paid annual leave is also low, as workers prefer to receive monetary compensation for their unused annual leave (Korea Labour Industry, 2017).

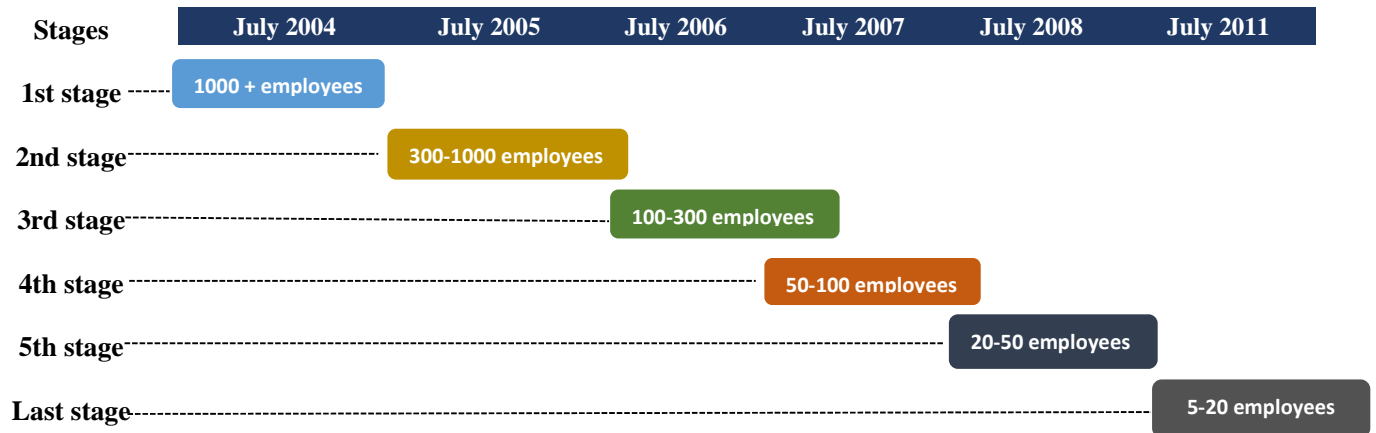
¹ Extended work periods, where 12-hour shifts are staffed by two teams for five to seven consecutive days per week, are still common in Korea. Approximately 20% of workplaces in Korea have adopted shift work with extended work periods (60–68 hours per week), and among all firms that have adopted shift work about 78% have this shift system (Mia et al., 2008).

In general, Korea’s reduced workweek policy aimed to address the negative effects of excessively long hours, enhance the living standards of workers, and boost the weak leisure industry. There was also an economic carrot for reducing its long working hours: it was estimated that at least 1 million new jobs would be created due to the reduction in working hours (Korea Labour Industry, 2017).

2. Implementation of the Five-Day Workweek

In 2004, Korea began the first stage of implementation of the five-day, 40-hour workweek for those organizations with 1000 or more employees, such as financial and insurance businesses and the public sector. Gradually, this was followed by organizations with 300 workers or more in 2005, organizations with 100 or more in 2006, organizations with 50 or more in 2007, organizations with 20 or more in 2008, and organizations with 5-20 employees in 2011² (see Figure 1 below). For the initial stage of the implementation, the Ministry of Labor encouraged the public sector to take the lead in adopting the system and sharing good examples of how it was carried out. As one of the examples of adopting the reduced workweek, the central and local governments started the 40-hour workweek by allowing their employees to take every other Saturday off since July 1, 2004 and every Saturday off since July 1, 2005.

Figure 1. Stages of Implementation of the Reduced Workweek
Source: Korea Ministry of Labor, 2009



² Organizations with less than 5 employees were excluded from the implementation of the law.

Under the new reduced workweek in the Korean Labour Standards Act (LSA), working hours should not exceed 8 hours a day or 40 hours a week, excluding break periods. However, working hours may be extended up to 12 hours a day, provided there is an agreement between the parties concerned. If there are extended hours, the worker should be paid a 50% premium over and above his/her ordinary wages for the overtime work. However, as a way to minimize the burden of reduced working hours on employers, a reduced premium rate of 25% for the first four hours of overtime work could be applied for the first three years after the introduction of the 40-hour workweek system (Korean Ministry of Labor, 2009). Table 1 summarizes the statutory working hours in Korea.

Table 1. Statutory Working Hours in the Republic of Korea
Source: Ministry of Labour, 2009

	General ³	Mothers with a child under 1 year of age	Minors (i.e. below 18 years of age)	Workers engage in harmful or hazardous work	
Standard working hours	Daily	8	8	7	6
	Weekly	40	40	40	34
Extendable hours under agreement between 2 parties concerned	12 hours per week	2 hours a day 6 hours a week 150 hours a year * Pregnant women are not allowed to do overtime work	1 hour a day 6 hours a week	n/a	

If a flexible working hours system is adopted by an employer, it is also possible to extend the working hours under the employment rules or via a written agreement with the workers' representative⁴. For instance, provided that it is stated in the agreement, it is possible that working hours can be extended up to 48 hours in a particular week without additional pay for the extra eight hours, if the average weekly working hours over a two-week period does not exceed 40 hours. Likewise, over a three-month period, it is also possible to extend working hours up to a maximum of 12 hours a day and 52 hours a week, provided that there is a written agreement between the employee and the employer. Thus, the average weekly working hours should not exceed 40 hours over the entire period. Any excess hours above the agreed working hours during the period should be considered as overtime and be paid accordingly.

³ For the first three years of the 40-hour workweek system, workers in general may do overtime work for up to 16 hours per week

⁴ A flexible working hour system in Korea allows working hours for a particular day or week to be longer than the statutory working hours unless the average daily or weekly working hours over a given unit period exceed the statutory working hours (Article 51 of the LSA). The revised LSA allows working hours to be arranged flexibly within a unit period. In this case, the unit period, if prescribed in employment rules, should be two weeks or less and if agreed upon in writing between employer and workers' representative, should be three months or less (Korea Ministry of Labor, 2009)

Finally, to ease the impact of the reduced workweek on companies—especially for the initial roll-out period—the Ministry of Labor introduced various support programs, such as the "subsidy for working hours reduction in SMEs", the "subsidy for transforming a shift work system", etc. Further, "special tax credits for promoting employment" were also implemented by the Ministry of Finance and Economy as a support for companies in reducing working hours.

2.1 Overtime Pay

For extended hours beyond the normal working hours, the overtime premium rate should be 50% of the normal pay rate. This 50% overtime pay premium was reduced to 25% for the first four hours of overtime work during the first three years of implementation of the 40-hour workweek. Employers can pay compensatory time-off in lieu of overtime pay under a written agreement with employees. The exchange rate for one hour of overtime work is one-and-half hours of compensatory time-off.

2.2 Leaves

There were also some changes in the leave system under the Five-Day Workweek: the previous one-day monthly paid leave (which was in addition to paid annual leave) was abolished and also the paid one-day of menstrual leave became unpaid leave. In addition, employers are no longer obligated to compensate unused leave with money if employees do not use accumulated leaves in spite of three months' advance notice; in this case, under the new policy the unused leave will be forfeited without any compensation (Legislative Council Secretariat, 2011). The Ministry of Labour reported that companies which had adopted the 40-hour workweek "improved" their leave systems, as intended by the revised LSA. For example, companies had "abolished monthly leave, rendered menstruation leave unpaid and adjusted the number of annual leave days" (Korea Ministry of Labor, 2009).

3. Economic Outcomes

Following the implementation of the five-day work week, the Korea Labor and Society Institute (KLSI) reported in 2012 that the "total working hours decreased from 1.87 billion to 1.64 billion and jobs steadily increased" by 12.3% from 21.57 million in 2001 to 24.24 million in 2011. The estimated effect on actual weekly hours was a decline in working hours per person from 50.4 hours per week to 43.9 hours per week. The KLSI report also stated that for every 10% decrease in working hours, there was a

corresponding 9.7% increase in employment—which is a very high (5% or 6% would be more typical). Annual hours data also suggests a steep reduction in hours worked—from 2,392 average annual hours per person in 2004 to 2,090 hours in 2011 (ILO Key Indicators of the Labour Market, 9th Edition).

As from 2012, the five-day workweek targets 53.5% of all wage earners because organizations with less than five employees were excluded. And 21.8% of workers are still working overtime or a total of 52 hours per week. Also, there was a reported low growth rate in spite of increased overall employment, which was attributed to a decrease in manufacturing jobs combined with an increase in service industry jobs, such as health and welfare services. Figure 2 (below) illustrates the changes in working hours and employment over a 10-year period.

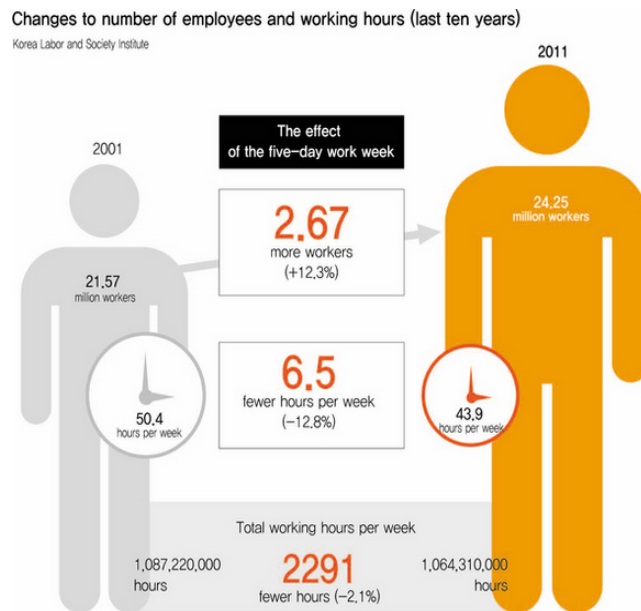


Figure 2. Number of workers and working hours reduction, 2001-2011
Source: Korea Labour and Society Institute (KLSI), 2012

In addition, there was also an unintended effect of part-time employment growth, which increased from 0.81 million (6.6% of all wage earners) in 2002 to 1.7 million jobs (9.7%) in 2011. Apparently, some companies chose to hire part-time workers to fill up the additional working hours needed to cover the reduced hours of their full-time workforce. It is also possible that the reported change in part-time employment might be related to the entry of older people into the labour market.

4. Worker Well-Being Outcomes

Despite the overall positive effects on employment, the longitudinal study conducted by the Korean Labor and Income Panel Study (1998-2008), which analysed the impacts of working hours reductions on the well-being of workers and their families, found that the reduced workweek did not have the expected positive effects on the well-being of workers. Although there was an increase in workers' satisfaction with their working hours, the reduced working hours did not have any impact on job and life satisfaction. It is possible that workers' satisfaction with reduced working hours might have been moderated by increased work intensity.

5. Conclusion

In conclusion, the Republic of Korea introduced the five-day, 40-hour standard legal workweek in different stages over seven years from 2004-2011. The reduced legal workweek led to a reduction in the actual weekly and annual hours of work. In addition, there was a substantial increase in employment, including but not limited to part-time employment. However, while there was an increase in workers' satisfaction with their working hours, this did not have any impact on their job and life satisfaction.

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