

<Materials and Note>

LABOR STANDARDS LAWS AND INDUSTRIAL PRACTICES

(WAGES)

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1. MANPOWER RESOURCES

Manpower resources represent one of Korea's major assets. A combination of climatic, environmental and historic factors have combined to produce a labor force noted for its high educational achievements, its capacity for hard work, and its receptivity to training and innovation. Korea may thus be regarded as unique among developing countries insofar as its manpower is concerned.

Over 95 percent of school-age youngsters (approximately five million) are enrolled in elementary schools. The number of students in high schools is approaching one-half million. During 1967, some 46 vocational technical high schools and junior colleges graduated approximately 12,000 students, while 30,000 students were graduated from over 70 colleges and universities. Nearly 20 percent of 108,000 college students were enrolled in engineering courses.

Although vocational training and trade schools are somewhat limited at present, the Korean government has established plans for the substantial expansion of skill training through public training institutes and in-plant training programs.

A wide variety of industrial skills are acquired by many of the roughly 175,000-200,000 servicemen discharged each year by the Korean Army, Navy and Air Force.

In addition to a plentiful supply of unskilled and semiskilled workers, Korea currently has an ample supply of skilled and technical workers. During 1967, over 10,000 Koreans, including many highly skilled and technical workers, were recruited by American and Korean contractors for employment in Viet-Nam under U.S. Department of Defense contracts. Korea has also supplied a variety of skilled, technical and professional workers to many other countries, mainly in Asia and Europe.

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Of Korea's population of 29 million, 9.7 million were reported in the civilian labor force, as of October 1966, Unemployment during 1966 was estimated by the government at 7.2 percent of the labor force. Underemployment, however, is considered a more extensive problem, with large numbers of the workforce securing less than fulltime employment and many finding jobs at skill levels lower than their education and training might permit.

2. EMPLOYMENT PRACTICE

Information on selected employment practices in Korea was obtained by the United States Forces, Korea (USFK) from 93 firms during the course of its last annual wage survey, completed in mid-January 1967, and from 126 firms during its 1966 wage survey.

1) *Bonuses*

Bonuses were paid by all 93 firms included in USFK's last survey, as follows:

Number of Bonuses per year	Number of Companies
1	12
2	46
3	19
4	14
5	2

The weighted average, based on number of employees, is 2.5 bonuses per year.

In addition to bonuses based on one month's average wages, some companies pay a flat bonus, particularly at Chu-Sok (Thanksgiving) and the Kimchi season. The most common flat-rate bonuses range from 2,500 to 5,000 Won.

Six companies paid one bonus per year of one month's salary. Of these six firms, three firms paid additional flat-rate bonuses. One firm paid six months' wages in bonuses. The weighted average of total bonuses paid was slightly over three months' salary per year, plus additional lump-sum payments.

2) *Allowances*

A wide range of allowances are provided by employers, generally in cash, but in some cases benefits are furnished in kind (e.g., meals, housing, transportation, etc.).

Among the 93 firms surveyed in 1967, the more popular allowances — in cash or kind— included: work clothes or uniforms (72%); meals (59%); cost-of-living (29%); company products (25%); recreation (24%); housing (17%), and transportation (17%).

3) *Severance Pay*

Of 126 companies surveyed in January 1966, two private firm had no formal severance pay plan, while three Korean Army installations used the government's civil service pension plan in lieu of a severance pay plan. A straight one month's salary per year of service was followed by 54 companies, while 67 companies, including Korean government corporations, had severance payment plans in which the severance pay was increased with length of service. (USFK follows the latter practice.)

4) *Relations with Trade Unions*

Workers in 52 percent of the 125 companies, including 17 government enterprises, surveyed in January 1966, were unionized. Over 14 percent of the firms with unions paid the salary of at least one employee who devoted himself full-time to union business. Over 64 percent of the 65 firms with unions agreed to check off union dues.

3. LABOR STANDARDS LAW

1) *Coverage*

The Labor Standards Law, introduced in 1953, was intended to apply to all wage earners and salaried employees engaged by private and public enterprises. By administrative regulation, the law is made applicable to firms employing 15 or more worker.

2) *Wages*

No legal minimum wages have been established. The Labor Standards Law provides authority for the Ministry of Health and Social Affairs to establish, if necessary, minimum wages by industry or occupation.

Wages must be paid at least once per month, directly to the worker, in full, unless otherwise provided by law or collective agreement.

Equal wages must be paid to male and female workers performing equal work.

3) *Hours of Work*

Eight hours per day and 48 hours per week are established as the legal maximum hours of work. An extension of up to ten hours per day and 60 hours per week is permitted by mutual agreement, with any additional hours of work subject to government approval.

For underground work or work performed under harmful or dangerous conditions, the standard hours of work are set at six hours per day and 36 hours per week.

Minors aged 13-16 may normally work seven hours a day and 42 hours per week.

4) *Overtime*

Time and one-half is required for (a) all work performed in excess of eight 48 hours per

day or 48 hours per week (six hours per day or 36 hours per week in the case of underground or dangerous work); (b) holiday work (there are five legal national holidays); and (c) work performed between the hours of 22:00 and 06:00.

5) *Rest Periods*

Not less than a total of 30 minutes for every four hours of work or one hour per eight hour day, taken in one or more breaks, must be provided. (This may include a lunch period.)

6) *Weekly Day of Rest*

At least one day of rest per week, with pay, is stipulated in the law, after six consecutive days of work.

7) *Monthly and Annual Leave*

The law stipulates (a) one day of leave per month, with pay, which may be accumulated or taken separately, and (b) eight days leave with pay per one full year of service without absence, which may be reduced to three days per year in the event of absenteeism. An additional one day of leave is provided by law for each additional consecutive year of service.

Wages may be paid in lieu of accumulated leave in excess of 20 days per year.

Workers may normally take leave at their request unless it creates a serious impediment to operations. (See below for special leave requirements for female workers.)

8) *Dismissals*

The law stipulates that "justifiable reasons" are required for dismissals, transfers and disciplinary action.

A 30-day notice of dismissal, or equivalent wages, must be given to permanent employees, unless a worker is dismissed for cause, or if a business is discontinued by an act of God, as approved by the Ministry of Health and Social Affairs.

Dismissal for cause may be referred to a Labor Committee by an aggrieved worker. (See below for description of Labor Committees.)

9) *Temporary Reductions*

If a business is temporarily closed for reasons ascribed to the employer, workers must be paid 60 percent of their average during the period of closure, unless an exception is granted by a Labor Committee.

10) *Retirement Allowance*

Workers with over one year's service, who are retired or dismissed, must receive a minimum of one month's salary or 30 days' average wage for each year of continuous service, based on

the average monthly salary drawn during the last three months of service.

11) *Duration of Work Contracts*

Individual or collective work contracts normally shall not be for a period in excess of one year.

12) *Employment of Women*

Women may not be employed between 22:00 hours and 06:00 hours or on holidays, unless authorized by the Ministry of Health and Social Affairs.

A female employee must be granted, if requested, one day of leave per month for menstruation.

Married women receive 60 days of maternity leave with pay, of which at least 30 days must be used after the birth of a child.

A mother may receive 30 minutes per day for nursing an infant under one year.

13) *Employment Regulations*

Employers with ten or more permanent employees must file with the Ministry of Health and Social Affairs a copy of their Employment Regulations concerning a variety of employment practices and procedures to be followed by the employer.

14) *Accident Compensation*

Chapter VIII of the Labor Standards Law provides for certain compensations to be paid in the cases of accident or death resulting from employment, including:

- necessary medical care,
- 60 percent of wages during periods of medical treatment,
- compensation for physical handicaps resulting from occupational injury or disease, as determined by established schedules,
- 1,000 days' average wages to the family of a worker killed as a result of employment, plus funeral expense equal to 90 days' wages. An insurance program for industrial accident compensation is administered by the Office of Labor Affairs (OLA) of the Ministry of Health and Social Affairs.

All enterprises currently employing 100 or more workers must be covered by OLA's Industrial Accident Compensation Insurance Program. Insurance coverage is voluntary for firms employing less than 100 workers.

Premium rates established by OLA vary by industry. Following are the rates (applied against total payroll, including allowances, overtime and bonuses) for selected industries:

Wood Products	24/1,000
Paper and Paper Products	13/1,000
Rubber Products	11/1,000
Textiles	4/1,000
Metal Products	20/1,000
Machinery	17/1,000

4. LABOR WAGES(PRACTICES)

1) Occupational Wage Data

The most current and comprehensive survey of wages in Korea by occupation was conducted by the United States Forces, Korea (USFK). The survey, completed in mid-January 1967, was used to establish wage scales for some 40,000 Korean civilians employed by USFK and related organizations.

The survey covered 92 private firms, including 11 foreign firms operating in Korea. Compensation for each position surveyed included the basic wage, bonuses, cash allowances and the employer. The weighted average (by employment) of total compensation paid by those firms supplying data for the 68 key jobs surveyed is reflected in the mid-point of each of 13 trades in USFK's wage schedules for manual, non-manual and marine workers (see Table 1).

A significant characteristic of the Korean wage structure is the wide variations in compensation reported by firms for the same position. The ratio between the lowest and highest average compensation is roughly around 3 : 1. Variations are influenced, *inter alia*, by length of employment, varying patterns of bonuses and fringe benefits, and the general absence of national bargaining by trade unions. Length of service often is a more important factor in determining basic wages than job classification.

Components of total compensation roughly averaged: 55 percent in base pay, 20 percent in bonuses, 15 percent in various cash allowances and 10 percent in payments-in-kind.

TABLE 1

USFK Monthly Salaries for Selected Non-Manual Occupations Based on 40-hour Week and
Excluding Bonuses January 29, 1968

Grade	Job Title	In Won US\$1,00= Approximately 270 Won		
		Step A(Entrance)	Step E(Mid-Point) (2 1/2 yrs. in-grade)	Step J(Maxim) (9 yrs. in-grade)
GS- 1	Messenger	6,200	7,300	9,000
GS- 2	Office Machine Operator, Blue Print Operator	8,300	9,700	11,800
GS- 3	Clerk-Typist, Nurse Aide	10,400	12,300	14,900

GS- 4	Clerk, Personnal Clerk, Storekeeping Clerk, Motor Vehicle Dispatcher	12,800	14,900	18,200
GS- 5	Accounting Clerk, Payroll Clerk, Dental Hygienist	14,700	17,500	21,000
GS- 6	Interpreter-Translator (Non-technical), Photographer, Radio Operator	17,000	19,900	24,200
GS- 7	Engineering Draftsman, Laboratory Technician, Nurse(Graduate), Surveyor (Party Chief)	19,000	22,500	27,200
GS- 9	Budget Analyst, Area Traffic Manager, Soil Technician, Investigator	24,800	29,100	35,000
GS-11	Accountant, Civil Engineer, Auditor, Legal Assistant	30,100	35,600	42,000
GS-12	Construction Engineer, Supervisor, Medical Office	32,700	38,900	46,000
WB- 1	Kitchen Helper, Laborer, Light(Unskilled)	6,700	8,000	9,700
WB- 2	Janitor, Waiter	8,100	9,500	11,600
WB- 3	Gardener, Fireman(Low Pressure), Laborer, Heavy(Unskilled) Tire Repairman	9,500	11,100	13,700
WB- 4	Automotive Mechanic, Junior; Carpenter, Junior; Driver, Light(Less than 2 1/2 ton); Automotive Greaser	10,400	12,500	15,100
WB- 5	Driver, Heavy(2 1/2 ton up); Fireman (high Pressure); Machinist, Junior; Cook, Firefighter, Glazier	11,800	13,800	16,800
WB- 6	Automotive Mechanic, Carpenter, Electrician Sheetmetal Worker, Welder, Blacksmith Refrigeration Mechanic	13,100	15,400	18,900
WB- 7	Engineering Equip Mechanic, Equipment Operator, Heavy; Machinist, Aircraft Mechanic, Central Office Telephone Equip, Installer & Repairer	14,200	17,000	20,400
WB- 9	Auto Mech., Lead Foreman; Carpenter, Lead Foreman; Electrician Lead Foreman; Welder, Lead Foreman	16,800	19,700	24,000
WB-10	Machinist, Lead Foreman; Aircraft Mech., Lead Foreman; Engineering Equip Mech., Lead Foreman	17,800	21,300	25,600
WB-11	Electrician, Foreman; Auto Mech., Foreman; Sheetmetal Worker, Foreman; Welder, Foreman Carpenter, Foreman	19,400	22,800	27,500
WB-12	Machinist, Foreman; Aircraft Mech., Foreman; Engineering Equip Mech., Foreman	20,600	24,200	29,400

Bonuses: In addition to base pay, 250% of a month's pay annually as bonus, as follow:

Summer Bonus paid in July.....	one month's pay
Year-End Bonus paid in December	one month's pay
Chu-Suk Bonus paid in September	one half month's pay

Annual Leave: Employees accrue approximately 13 days of annual leave per year (calender year). Subject to appropriate approval, accrued annual leave is available for use at any time.

Annual leave accruing to an employee's credit which is not used during the leave year may be accumulated from year to year, but no more than 30 days may be carried forward into a new leave year.

Sick Leave: Employees accrue 8 hours of sick leave upon completion of each 28-day pay period, just as in the case of annual leave. Sick leave in excess of 3 workdays will be supported by a medical certificate which states that an employee has been physically or mentally incapacitated to perform the duties of his position. Sick leave may be accumulated from year and carried forward without any limitation.

Maternity Leave: Employees who have completed 10 months of continuous service immediately preceding the period of maternity leave are granted a total of 60 calendar days with pay in connection with childbirth; however, at least 30 calendar days of such maternity leave must be used after childbirth.

Military Leave: Military leave is authorized Korean employees called to active duty for training purposes by the Republic of Korea Government.

2) Wages by Industrial Classification

Earnings of production workers, including unskilled, skill and foremen, are published monthly by the Bank of Korea. Earnings include all cash payments, i.e., basic wages, overtime, bonuses, and cash allowances. Payments in kind are not included. Data is collected from some 2,000 enterprises.

Following are the average monthly earnings and days worked during 1967 :

	Earnings (in Won)*	Employment (Days per Month)	Weight
All Mining	8,920	26.9	100.0
Coal	10,480	27.5	66.4
Metal	7,170	27.1	18.6
Non-metal	4,870	25.1	10.8
All Manufacturing	5,480	25.3	100.0
Food	5,400	23.8	8.7
Beverage	7,380	26.6	3.5
Textile Products	4,790	25.8	29.0
Wood & Cork Products	6,860	23.8	3.0
Paper & Paper Products	5,740	26.6	2.8
Printing & Publishing	8,350	27.4	3.5
Leather & Leather Products	3,500	23.5	0.5
Rubber Products	5,060	25.7	5.3

Chemicals	5,380	24.2	6.0
Petroleum & Coal Products	6,160	26.7	3.2
Glass, Clay & Stone Products	6,900	24.5	6.8
Basic Metals	8,020	25.6	3.5
Metal Products	5,410	24.3	4.0
Machinery	4,510	26.0	3.9
Electrical Machinery	6,250	25.1	2.6
Transport Equipment	5,770	21.7	5.2
Miscellaneous	3,490	24.7	8.5

* US \$1.00=Approximately 270 Won

3) Korea Productivity Center Wage Data

Extensive data on wages for production and clerical worker have been compiled by the Korea Productivity Center (KPC). KPC most recent wage survey, published in September 1967, provides information on average monthly earnings during the period January through June, 1967.

(Although firm statistical evidence is lacking, observers generally believe that wages in the first few months of 1968 were roughly 15-30 percent higher than the wages reported during the first half of 1967).

KPC's data is based on returns from 400 firms, including both public and private enterprises. Total earnings include basic wages, bonuses, cash allowances, and the monetary value of payments in kind.

Although KPC has not presented data on wages by occupation data on average minimum and maximum wages by industry (included in Table II) reflects differentials between unskilled and skilled employees within firms.

Following are average monthly earnings, in selected mining and manufacturing industries, during the period January through June, 1967, and average minimum and maximum wages paid in each of the industries selected:

Table II

	Production Workers			Clerical Workers		
	Average	Minimum	Maximum	Average	Minimum	Maximum
Coal Mining	11,212	6,014	19,027	17,519	7,395	25,067
Metal Mining	6,325	5,145	17,058	10,876	5,157	24,592
Stone, Clay & Sand Pits	7,426	4,572	12,623	17,884	7,489	30,779
Saltern Operation	5,425	4,138	8,378	11,920	6,126	19,714
Non-metal Mining	7,525	3,754	7,782	16,852	7,000	20,500

Average (Mining)	10,568	5,323	16,112	16,928	6,683	24,547
Food	4,077	3,749	16,811	15,179	5,743	22,931
Beverage	7,023	4,914	14,250	13,454	5,487	21,147
Tobacco	9,542	6,421	15,435	14,341	8,640	18,636
Textiles	4,785	2,191	13,517	12,652	5,694	15,905
Footwear & Wearing Apparel	4,554	3,863	8,816	11,448	3,877	21,577
Wood & Cork	4,184	3,833	12,837	9,443	3,610	14,025
Furniture & Fixtures	4,654	5,687	18,043	8,152	5,280	13,493
Paper	7,801	4,251	18,665	14,785	6,813	19,904
Printing & Publishing	7,863	3,012	18,418	11,426	5,135	19,399
Leather	5,599	3,181	15,213	11,210	8,292	25,208
Rubber Products	3,995	2,250	16,025	10,365	4,297	16,297
Chemicals	8,706	3,532	16,946	15,319	5,740	20,291
Petroleum & Coal Products	6,335	3,904	10,304	9,442	4,917	16,583
Glass, Clay & Stone Products	7,186	5,309	15,530	14,554	5,946	15,713
Basic Metals	9,431	6,478	18,497	14,025	5,737	23,509
Metal Products	5,249	2,142	17,755	12,787	4,480	17,970
Machinery	6,514	2,816	18,029	10,628	3,521	16,004
Electric Machinery & Appliances	4,769	2,245	16,491	14,138	3,791	16,791
Transport Equipment	9,464	3,547	15,393	10,043	4,807	19,076
Average (Manufacturing)	6,312	3,463	15,477	13,074	5,466	18,270

Source: *Wage Levels and Differences in Korean Industries*, published by Productivity Research Institute, Korean Productivity Center, September 1967.

A comparison of average wages paid by wholly domestic firms and firms operating with foreign capital (including loans and joint ventures) is shown below:

	Production Workers		Clerical Workers	
	Domestic Capital	Foreign Capital	Domestic Capital	Foreign Capital
Mining(Average)	10,694	11,804	17,240	17,839
Food	4,063	4,635	15,152	15,737
Textiles	4,714	5,876	12,151	15,024
Paper	5,547	15,670	13,640	17,739
Petroleum & Coal Products	7,089	8,660	14,550	14,573
Basic Metals	9,828	6,098	13,559	17,326
Metal Products	5,021	9,310	12,208	14,676
Electric Machinery & Appliances	4,762	6,533	11,905	18,101
Transport Equipment	6,344	10,974	10,081	10,030
Average(Manufacturing)	5,577	9,595	13,045	13,391

Source: *Wage Levels and Differences in Korean Industries*, published by Productivity Research Institute, Korean Productivity Center, September 1967.

Construction Workers

Wages reportedly paid to construction workers in the Seoul Area are published monthly by the Construction Association of Korea in its monthly publication, "Construction Material Cost & Labor Wages Survey."

Wages paid to workers employed on a monthly basis as of December, 1967, are shown below.

Job Classification	Daily Pay For 8 hours	Job Classification	Daily Pay for 8 hour
Outdoor Electrician	700	Heavy Machine Operator	500
Electric Welder	550	Painter	450
Foundry	500	Mechanic	450
Tiler	500	Glazier	400
Brick Layer	500	Machine Operator	400
Wood Pattern-maker	500	Driver	400
Electric Power Electrician	500	Carpenter (Assistant)	300
Indoor Electrician	500	Special Laborer (Male)	280
Stone Mason	500	Ordinary Laborer (Male)	230
Carpenter (Building)	500	Female Laborer	150

4) *Government Salaries*

Salaries paid to government civil servants in Korea are traditionally low. The government's new base pay schedule, effective April 1, 1967, is shown below. In addition to base pay, many government employees receive various allowances. Blue-collar and certain groups of white-collar employees of the government-owned railways, communications facilities and monopolies receive an allowance of 30 percent of base pay. Other white-collar employees in the lowest four grades receive a flat allowance of Won 1,000 per month. Employees in certain occupational categories depending on the nature and responsibility of the work, receive allowances of varying amounts.

In order to raise salaries to more satisfactory levels, the government has announced plans to increase salaries by 30 percent each year during 1968-1971.

Government Wage Scales

Grade	Number of Employees (As of 3/31/67)	Base Pay Won Per Month		Number of Pay Steps	Length of Service Between Steps
		Minimum	Maximum		
5-B	62,287	6,990	7,470	8	9 Months
5-A	33,503	7,400	8,040	8	9 "
4-B	25,929	7,970	8,670	7	12 "
4-A	22,813	8,540	9,590	7	12 "
3-B	7,393	10,660	13,660	7	18 "

3-A	2,270	16,840	18,740	5	18	"
2-B	251	20,600	23,300	4	21	"
2-A	262	27,000	29,700	4	21	"
1	65	35,100	48,000	4	24	"

Grade	Number of Employees (As of 3/31/67)	Base Pay Won Per Month		Number of Pay Steps	Length of Service Between Steps	
		Minimum	Maximum			
8	199	6,320	6,600	7	6	Months
7	207	6,510	6,790	7	6	"
6	4,030	6,690	6,970	7	6	"
5	16,111	6,870	7,150	7	6	"
4	15,081	6,990	7,470	8	9	"
3	5,877	7,400	8,040	8	9	"
2	1,939	7,970	8,670	7	9	"
1	349	8,540	9,590	7	9	"

Manual Laborer

Won 209 to Won 246 per day

Simple Laborers (Office Boy)

Won 3,900 to Won 4,900 per month