



# Guide to Hiring in South Korea

South Korea is an excellent prospect for international business expansion because of its large economy, incredibly highly educated population, and generous free trade agreements with the United States, United Kingdom, and European Union.

When your business is thinking of expanding to South Korea, you'll need to know details about important considerations like taxes, working hours, paid holidays, and other requirements under the Labor Standards Act. This guide to hiring employees will explore some specifics and offer tips for hiring in South Korea.

## **What to know before hiring in South Korea**

Here are a few aspects of South Korean hiring practices to know before beginning your candidate search:

### **1. Contract employment and termination**

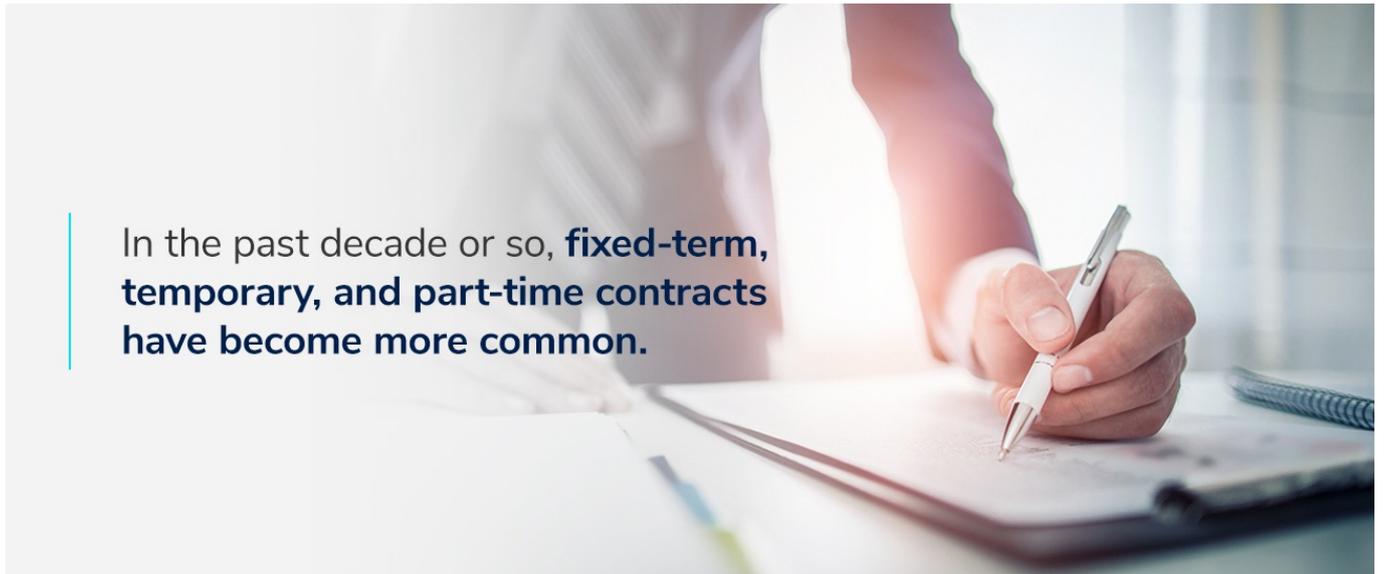
South Korean law requires companies to draw up contracts with their employees, and it

enforces the rules for giving notice and paying severance.

South Korea is not an at-will termination jurisdiction. If a company in South Korea wishes to terminate an employee's contract, it must have just cause for doing so and either [provide 30 days of notice](#) or pay the employee for 30 extra working days. Many employment contracts require even longer notice periods than 30 days — up to 12 months in some cases. As the satisfaction of the just cause requirement does not always guarantee the company will be protected, it's always recommended that HR ends employment under a mutual separation method.

South Korean labor law also requires companies to pay additional severance to terminated employees as long as they have worked for the company for at least a year, putting in at least 15 hours per week, or 60 hours per month. This severance pay should equal one month's salary for each year of employment.

Employees who have worked for a business for at least six months may sometimes make unfair termination claims if they object to the terms of their dismissal. A successful claim may lead to reinstatement or an award of up to six months' salary.



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## 2. Contract structure

The Labor Standards Act lays out certain standards companies must abide by when drawing up employment contracts.

Companies must establish a clear written contract in the Korean language for each employee. The contract should contain the following information:

- Job description
- Salary
- Additional compensation
- Benefits
- Work hours
- Paid leave
- Notice and termination requirements

The structure of South Korean contracts has changed over the past several years. Historically, South Korea relied on open-ended, full-time contracts, and most employees worked under these contracts until retirement. In the past decade or so, fixed-term, temporary, and part-time contracts have become more common. Here are a few facts to note about these alternative contract structures:

- Fixed-term contracts may extend for [up to two years](#).
- Part-time contracts entitle employees to the same benefits full-time employees receive, adjusted according to the hours worked.
- A termination notice is unnecessary for an employee hired on a temporary contract of [three months](#) or less.

## 3. Payroll taxes

Companies in South Korea must pay various taxes related to their employees.

All employees in South Korea belong to a mandatory social security system. Employers must [pay 4.5 percent](#) of their monthly covered payroll into it for old age, disability, and survivor's benefits. Employees contribute 4.5 percent of their gross covered monthly income

as well. An employer must also pay 0.9 percent to 1.5 percent of its payroll toward unemployment benefits.

South Korea's National Health Insurance (NHI) program provides health coverage for all South Koreans, and employers must pay into it as well. Employer and employee each [pay half](#) of the required contribution. Toward medical and long-term care benefits, the employer [pays 3.12 percent](#) and 0.23 percent of its gross covered payroll, respectively.

A company should also pay between 0.7 percent to 28.1 percent of its payroll toward the worker's compensation fund, depending on the assessed level of risk inherent in the work.

#### 4. Pay and working hours

South Korean business practices have long included extensive working hours. Employees work an average of [2,069 hours per year](#), or the equivalent of working 39.7 hours every week without a vacation. This figure is the second-highest among all countries included in the Organization for Economic Cooperation and Development (OECD), where the average is 1,763 per year.

A recent bill aimed at addressing this issue and improving employees' quality of life reduced the maximum working hours from 68 to [52 hours per week](#). It also reduced standard working hours to 40 hours per week. It allows for up to 12 overtime hours, which the employer must pay at an additional 50 percent to 100 percent of the employee's usual wages.

South Korean law also requires companies to give their employees at least [one paid day off](#) per week. In practice, that day is generally Sunday. Many business professionals also work a half-day on Saturdays.

In 2021, the minimum wage in South Korea is [8,720 Korean won](#) hourly, or 1,822,480 Korean won monthly. These figures equate to about 7.88 U.S. dollars an hour.

## 5. Paid leave

In South Korea, only the first of May — Labor Day — is a mandatory paid holiday under the law. However, in practice, virtually all South Korean employers treat other national holidays as paid holidays. Those holidays include the following:

- New Year's holidays
- First day of the first lunar month
- Independence Day
- Children's Day
- Buddha's Birthday
- Memorial Day
- 15th day of the eighth lunar month
- Harvest Festival
- National Foundation Day
- Hangul Day
- Christmas Day

Salaried South Korean employees must generally receive at least [15 paid vacation days](#) annually. If the employee has worked for less than a year, or if the employee's attendance rate is less than 80 percent per year, the employee will accrue one day of paid annual leave for every month of completed employment. After the completion of the first full year of employment, the employee will be entitled to 15 days of paid leave. After every two years of additional employment, employees can earn an extra annual paid day off, though earned vacation days per year cannot exceed 25.

Under South Korean law, employers do not have to provide sick leave for their employees, though many companies choose to provide paid sick leave on their own. The Labor Standards Act requires businesses to provide paid leave for injuries or illnesses their employees sustain on the job.

Pregnant employees in South Korea are entitled to 90 days of maternity leave and must take at least 45 consecutive days of that time after giving birth. The leave allowance increases to [120 days](#) if the mother has twins or other multiples. Depending on the company's size, employers may pay the maternity leave directly or seek assistance from employment

insurance.

If parents have worked for the company for more than a year, they may also receive parental leave. Each parent in a family may take one year of leave, though both parents may not take leave simultaneously. During parental leave, employees receive 40 percent of their base salaries from their employment insurance.

## 6. Anti-discrimination law and interview restrictions

The National Human Rights Commission of South Korea [prohibits discrimination](#) based on the following attributes:

- Age
- Gender
- Race
- Ethnicity
- Religion
- Sexual orientation
- Disability
- Social status
- Marital status
- Region of origin
- Nation of origin
- Political opinion
- Criminal record
- Medical history
- Academic career

Employment discrimination in South Korea has historically occurred along class lines and in favor of certain family connections. Job applicants from wealthy, influential families or with elite university connections often gained advantages in hiring over equally qualified candidates without those benefits.

To curb hiring discrimination and nepotism practices, South Korea passed a law in 2019

restricting the questions companies may ask in employment interviews. Prospective employers with more than 30 employees must now refrain from inquiring into the following topics or face penalties of up to [5 million won](#):

- National origin
- Marital status
- Family members
- Property ownership status
- Physical appearance, including weight and height, unless relevant to the job duties

## 7. Youth applications and university recruitment

Unemployment in South Korea is relatively low, standing [at 5.4 percent](#) in early 2021 — the highest it's been since 1999. Yet, youth unemployment rates run [over 10 percent](#). If your company is hiring for junior roles, you may expect a surge of applications. You might also consider developing business structures that allow you to capitalize on an eager and educated younger workforce.

If you're looking for the top young talent in South Korea, consider working with South Korea's most prestigious universities. The country's top three universities — Seoul National University, Korea University, and Yonsei University — host large recruiting events a couple of times a year. Participating in these events could help your company gain broader recognition and scoop up talented new hires.





## Cost of hiring an employee in South Korea

Hiring new South Korean employees may not seem expensive at first, but the direct and indirect costs can quickly add up. Here are some expenses to consider:

- Advertising new positions
- Labor costs for applicant review
- Payroll taxes
- Salaries
- Benefits
- Insurance
- Bonuses



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In general, employers should budget [about 18 percent](#) in addition to hiring and salary costs to cover [employer-paid benefits](#). They might also want to pay performance-based or incentive bonuses, as South Korean companies frequently do.

## Hiring practices in South Korea

Hiring someone in South Korea may be very similar to hiring a new employee in your native country. Still, you'll want to keep a [few best practices](#) in mind so you can tailor your approach to a new culture:

- Use the Korean language and currency: Most South Koreans study English in school, though their studies often focus more on written grammar and vocabulary than conversational fluency. Even so, your business should use as much Korean as you can in essential hiring communications. Write offer letters and contracts in Korean, and provide salary information in Korean won. Doing so will set a welcoming tone and communicate your commitment to making your new South Korean hires feel comfortable.
- Develop consistent application strategies: Because of historically discriminatory hiring practices, South Korean applicants may have different expectations for the hiring process than the applicants you are used to. They may submit photos of themselves with their applications or worry about having the right family or educational connections. You may want to devote time to alleviating these concerns upfront by

being sure to deal with all applications consistently and fairly.

- Embrace local business etiquette: South Korean business relationships tend to be relatively formal and hierarchical. As you work with new hires, focus on building strong relationships while observing respectful formalities. You may also wish to work with South Korean business experts who can help guide your team-building strategies.
- Check for Collective Bargaining Agreements (CBAs): Although CBAs are less common in South Korea than in many other countries, a few exist. Be sure to research what CBA, if any, governs your industry and what requirements it imposes.

### **What does a company need to hire employees in South Korea?**

Getting ready for hiring new employees in South Korea can be challenging. Your business will need to determine whether to incorporate as a company, a foreign branch, or a liaison office. Your company will also need to choose whether to set up a subsidiary in the country or work with a professional employer organization (PEO), also known as an Employer of Record (EOR).

Setting up a subsidiary is a labor-intensive, time-consuming process. If your company selects this route, you will need to accomplish the following tasks:

- Choosing your method of incorporation
- Developing a company seal
- Opening a bank account
- Investing at least [100 million won](#)
- Applying for and receiving a trade visa
- Registering your company
- Paying for social security registration
- Selecting and opening an office
- Filing rules of employment

Setting up a subsidiary can take weeks, even months. One appealing alternative is to work with an EOR, which enables your business to start hiring right away. An EOR acts as the legal employer for your employees and handles the responsibility of recruiting, hiring, and onboarding employees, so you can jump right into your core business operations without worrying about whether you're complying with South Korea's labor regulations or risking hefty fines.



## Hiring remote employees in South Korea

If your business travels take you back and forth between your home country and South Korea, you may need to hire many of your South Korean employees remotely. Here are a few tips for [ensuring a successful process](#):

- Become comfortable using technology: As you interview applicants, you'll want to make a good impression by showcasing your professionalism and tech savvy. Be sure you know how your video technology works so you can avoid delays and keep your interviews running smoothly.
- Interview applicants in batches: If there's a significant time difference between you and your applicants, you may find scheduling remote interviews a challenge. One effective strategy may be to schedule interview batches in which candidates can sign up for time slots. You'll be able to concentrate your interviews, free the rest of your day for other tasks, and limit the time you spend setting up your video call programs.
- Invest in a convenient onboarding platform: Once you've hired your South Korean employees, you'll want an efficient way to get them set up with the tools they need for success. You may wish to work with an EOR that uses a sophisticated platform to onboard employees efficiently.