Putting the Spotlight on Ordinary Wages

The Foreign Investment Ombudsman has been actively voicing concerns about an issue that could significantly affect foreign-invested companies: ordinary wages.

Over the past few months, many Korean as well as foreign-invested companies, including GM Korea, had expressed their concerns to Foreign Investment Ombudsman Dr. Ahn Choong Yong about the issue of ordinary wages, saying how it is resolved will decide whether they will continue doing business in Korea. Some even hinted at the possibility of discontinuing business. Undoubtedly, the ongoing controversy on the scope and scale of ordinary wages will have a tremendous impact on the business environment of not only foreign-invested companies, but also domestic companies, including automobile, shipping and construction companies and even small- and medium-sized companies.

The ordinary wage guarantees workers the minimum average wage and is a benchmark for calculating statutory allowances for work done overtime, at night and during holidays. Companies must pay 150 percent of the benchmark ordinary wage for overtime and arrears retroactively for a period of three years. If the scope of ordinary wages were to be extended, employees would enjoy a temporary wage increase, but companies could face severe financial difficulties. Since 1988, the allowances paid to an employee, including regular bonuses and other payments beyond hourly wages, daily wages, weekly wages or monthly wages, have been excluded from ordinary wages in accordance with ministerial instructions set by the Ministry of Employment and Labor. However, a Supreme Court ruling allowing a regular bonus to be included when calculating ordinary wages last year gave rise to substantial legal confusion, inviting an increasing number of lawsuits. It is no wonder that foreign investors are perturbed by mounting uncertainties and extra burdens related to the ordinary wage issue.

Fully understanding the impact the issue could have on the management environment of domestic and foreign companies alike, and considering how it could tarnish the image of Korea’s investment environment, Dr. Ahn has been addressing the matter on a wide public scale in an effort to minimize potential damage to foreign investors. He has stressed that the issue must be urgently addressed in order to create desperately needed jobs and avoid confusion in the investment environment. He has appealed to high-level government decision makers and members of the National Assembly about the need for both the labor and management to take a step back to reach a win-win solution.

The hope is that the court will reach a reasonable ruling based on a national consensus and that the government and National Assembly will enact a new labor standard law to minimize confusion and uncertainties in the investment environment in the pursuit of a predictable business environment.

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