



Key Provisions and Implications of the Proposed “Yellow Envelope Act”

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The “Yellow Envelope Act” which is a proposed amendment (the “Amendment”) to the Trade Union and Labor Relations Adjustment Act (the “Trade Union Act”) is scheduled for a vote at the plenary session of the National Assembly on August 21, 2025. The Amendment contains stronger provisions than previously discussed bills, including allowing labor unions to request collective bargaining and take industrial actions regarding business management decisions that impact working conditions.

1. Key Amendments

First, the Amendment expands the scope of “employer” to include “any person who is in a position to substantially and specifically control or determine the working conditions of employees” rather than the generally accepted definition of “employer” as a contracting party to the employment contract. This means a contractor company could become the “employer” of a subcontractor’s employee if such conditions are met.

Second, under the current provisions of the Trade Union Act, strikes are only permitted for matters related to the “determination” of working conditions. The Amendment expands permissible strikes to include business and management decisions which affect working conditions and cases where the employer clearly violates the terms of collective bargaining agreements regarding wages, working hours, dismissal, safety and health, etc.

Third, the Amendment has made it more difficult for employers to seek compensation from labor unions or employees for damages caused by labor unions’ illegal strikes. Employers are prohibited from exercising their right to claim compensation for damages based on the purpose of obstructing labor union activities, and labor unions are exempted from liability for damages if they inevitably inflict damages on the employer while resisting the employer’s illegal acts. Even when the liability is recognized, the amount of damages is determined individually for each employee by considering factors such as each individual member’s role within the labor union and level of participation in the illegal strike, thereby limiting the liability of union members for illegal strikes. Furthermore, both labor unions and employees liable for damages may request a reduction in the compensation amount from the court.

2. Anticipated Future Developments

We expect that there will be an increase in cases where a subcontractor's labor union requests collective bargaining with the contractor company. In response, the contractor companies will often refuse such demands, arguing that they are not in a position to exercise substantial and specific control over the working conditions of the subcontractors' workers. This will lead to numerous disputes over the issue of "employer" status.

There is a high likelihood of frequent strikes at the worksite, as well as illegal industrial action or occupation of the workplace. Also, labor unions may strike in opposition to management decisions, such as mergers and acquisitions (M&A), restructuring, and investments, which were previously not subject to legitimate strikes. In particular, if a contractor company is recognized as the employer of subcontractor's workers, the subcontractor's labor union may also conduct strikes in response to the management decisions of the contractor company, such as the replacement of subcontractors.

3. Response Measures of Companies

First, companies should review whether there are any facts and circumstances that could lead to the misunderstanding that they have substantial and specific control over the working conditions of subcontractors' workers.

Second, when a subcontractor's labor union requests collective bargaining, companies should review whether each agenda item requested by the labor union triggers a negotiation obligation and develop a negotiation strategy based on this. To this end, it is necessary to strengthen the organization responsible for collective bargaining including with additional training and possibly headcount.

Third, when making management decisions, it is necessary to review in advance whether such decisions will affect working conditions. If management determines that such decisions will likely affect working conditions, it would be prudent to consult closely with the labor union, if possible.

Fourth, companies must prepare in advance for strikes. It is necessary to review the scope of possible labor union activities during a strike, the scope of the employer's countermeasures, and to consider in advance methods for collecting evidence to substantiate an illegal strike.

Fifth, since the Amendment only expands the scope of "employer" and does not revise the entire Act, various interpretations will likely emerge regarding the amended Act in the future. It is important for companies to diligently monitor the development of these interpretations.

Shin & Kim will host a webinar on August 6, 2025, at 3:00 PM, to examine companies' response strategies to the Amendment. This webinar will focus on the most important amendment, which is expansion of the scope of employer, and present specific interpretation theories and practical response measures.

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