

## Korea's New Pro-Union Yellow Envelope Act Passes

On August 24, 2025, Korea's National Assembly passed the so-called "Yellow Envelope Act" by a vote of 183 to 3, with the conservative opposition party boycotting the vote. The president is expected to quickly sign the bill into law and promulgate it, after which it will become effective six months later, probably in late March 2026. This new law represents a seismic pro-labor shift in Korea's already union-friendly legal regime.

### Yellow Envelope Act Key Elements

As explained in more detail in our newsletter dated August 5, 2025 (available [here](#)), this legislation will make significant changes to Korea's Trade Union and Labor Relations Adjustment Act (the "Union Act"):

- Expanding the scope of an "employer" under the Union Act to include businesses that substantially and concretely control the employees of a supplier or contractor. *This will enable unions representing a business's employees to demand collective bargaining with another business that substantially controls their working conditions, and protect them from replacement or disadvantageous treatment.*
- Permitting unions to include non-employee members.
- Expanding the justifications for lawful industrial action to include disputes over clear violations of the collective bargaining agreement and management decisions affecting working conditions.
- Imposing various limitations and rules on claims for damages against unions and their members.

### Reactions from Business and Labor

According to major domestic news organizations, six major business advocacy organizations reacted with alarm to passage of the new law, warning that these reforms could paralyze corporate decision-making, invite legal uncertainty, and weaken the country's manufacturing backbone. Foreign business associations AMCHAM, ECCCK and UCCCK expressed deep concerns, saying the new law would erode foreign investor confidence. Certain multinational companies have openly remarked about their possible withdrawal from the Korean market.

Labor leaders hailed the law's passage and pledged to use it to force bargaining with workers' "real" bosses, while continuing the struggle to win improved rights for workers. There is already a case where a contractor labor union has filed a criminal accusation against a service recipient company over the company's refusal

to directly bargain over worker-dispatch issues, with the knowledge that the union's position will be strengthened once the new law becomes effective and arguably may convert these kinds of management decisions into a subject for bargaining.

## Key Points for Employers

Employers who may be impacted by this law should begin to review their risk and develop their compliance approach. Recommended steps may include:

- Evaluate your outside contractor relationships and practices to determine the risk of having substantial control over their working conditions, especially if you rely on smaller, dependent or quasi-dependent outside contractors.
- Consider establishing rules for interaction with outside contractors to avoid unnecessary control over working conditions, and consider possible structural changes regarding the use of outside contractors, depending on the identified risks.
- Develop an approach for responding to demands for bargaining by contractor unions, and educate HR and labor-relations managers. Various key issues need to be carefully considered, such as unification of the bargaining channel, the criteria to determine proper subjects of bargaining, and more. The Ministry of Employment and Labor is expected to publish guidelines on key issues pertaining to the Yellow Envelope Act.
- Try to maintain positive employee relations generally, and reduce your risk of being a target or test case for unions to assert their rights under the new law.
- Prepare for potential industrial disputes over management decisions and consider contingency planning where necessary.

### Yulchon's Yellow Envelope Act Center

This new law becomes effective in approximately six months. Unions are already preparing to take advantage of the new law, particularly targeting large businesses that make use of smaller, dependent or quasi-dependent outside contractors. It is therefore crucial that businesses who may be impacted begin to prepare as soon as possible.

To provide our clients with comprehensive assistance, we have established a cross-disciplinary **Yellow Envelope Act Center**. The Center will draw on our professionals' diverse expertise to effectively advise on all the challenges posed by this new law.

# Yulchon Legal Update

## Related Areas

Labor & Employment

## Contact

### Sang Wook CHO

+82-2-528-5355  
swcho@yulchon.com

### Ji Weon JEONG

+82-2-528-5406  
jiweon@yulchon.com

### Myung Cheol LEE

+82-2-528-6494  
mclee@yulchon.com

### Jae Woo PARK

+82-2-528-5682  
parkjw@yulchon.com

### Kwang Sun LEE

+82-2-528-5095  
kslee@yulchon.com

### Soojung LEE

+82-2-528-5246  
slee@yulchon.com

### Christopher MANDEL

+82-2-528-5040  
cmandel@yulchon.com

### Jungwoo LEE

+82-2-528-5962  
jungwoolee@yulchon.com

### Tae Eun LEE

+82-2-528-5067  
telee@yulchon.com

### Jahyeong KU

+82-2-528-5227  
jhku@yulchon.com

### Yeon Chang SONG

+82-2-528-5998  
ycsong@yulchon.com