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Policy Brief

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The Republic of Korea
Extending social insurance to digital platform workers[1]

Key points

- In the Republic of Korea, a rapid increase in platform workers during the COVID-19 pandemic led to growing demand for these workers, who lacked social insurance coverage due to their employment status and administrative complexities.
- To respond to these challenges and based on a tripartite agreement, the Republic of Korea has expanded employment injury insurance and employment insurance for platform workers though legal revisions and innovative methods that utilize digitalization.
- The concept of the "labour provider" has been introduced to extend coverage to platform workers. Platform operators report on the details of the labour performed by platform workers in real time and collect social insurance contributions. This marks a shift to individual income-based taxation, where digital technologies play a crucial role in identifying income earned by and collecting contributions from platform workers working with multiple platform companies.
- Digitalization contributes to efficient, integrated and sustainable development of social protection administration. It will be a key instrument to the further expansion of social protection to all.

Introduction

This policy brief presents recent developments in extending employment injury insurance and employment insurance coverage to large numbers of platform workers in the Republic of Korea, focusing on the legal framework as well as operational processes that make use of digital technologies.

The labour flexibility policy, which was widely adopted in the Republic of Korea after the 1997 Asian Financial Crisis, gave rise to non-standard workers, such as part-time workers, self-employed workers and temporary workers. With the recent spread of digital technologies in the early 2020s, various new forms of work using platforms have emerged. In particular, the number of delivery platform workers grew significantly during the COVID-19 pandemic, as an influx of young jobseekers and self-employed individuals struggled to secure employment in a shrinking job market.

Despite the evident need for protection from various social risks, non-standard workers – including platform workers – were excluded from mandatory social insurance, notably employment injury insurance and employment insurance.

As the number of accidents involving platform delivery workers increased, the need to provide them with

[1] This brief was written by Chong Kyounghee, Social Security Officer, ILO DWT-Bangkok, with editorial inputs from Kenichi Hirose, Senior Social Protection Specialist, ILO DWT-Bangkok. This brief received financial support from ILO/Korea Partnership Programme.

employment injury insurance intensified. Also, the need for employment insurance became more pressing due to job insecurity stemming from heightened competition and instability in the platform sector.

In this context, the Korean Government and social partners agreed in 2020 on measures to extend employment injury insurance and employment insurance coverage to a significant share of platform workers.

Challenges facing the platform workers

Characteristics of the platform worker in the Republic of Korea

As shown in table 1, there were 795,000 platform workers in the Republic of Korea in 2022, representing 3 per cent of employed individuals aged 15–69 years. Of these 513,000 (65 per cent) were engaged in three types of transport platform work: food delivery drivers, designated drivers, and truck drivers.

▶ **Table 1. Number of platform workers by type, 2021–22**

Type of work	2021	2022
Food delivery drivers, designated drivers and truck drivers	502 000	513 000
Translation and consulting	53 000	85 000
Domestic work, care work and cleaning	28 000	53 000
Others	78 000	144 000
Total	661 000	795 000

Note: The number of platform workers in a broader sense was 2.2 million in 2021 and 2.9 million in 2022.[2]
Source: Kim et al. 2021; Kim et al., 2022.

Regarding contract practices, only about 6 per cent of platform workers have signed an employment contract. In the case of translation and consulting, 76.2 per cent of platform workers are not under contract; while in the sectors of domestic work, care work and cleaning, this figure stands at 65.1 per cent (Republic of Korea, KEIS and MOEL 2022).

The case of platform delivery workers

The number of platform delivery workers grew rapidly during the COVID-19 pandemic period when the Government imposed strict social distancing measures. The number of food deliveries through online and mobile platforms increased by more than ten times between 2017 and 2022 (Republic of Korea, Statistics Korea, n.d.). Consequently, the number of accidents among platform food delivery workers also increased proportionately (Republic of Korea, MOEL 2022).

In the case of platform food delivery workers, when a restaurant receives orders via a delivery app, it automatically notifies the delivery riders, who select multiple orders available along their route to maximize their fees.

Despite their exposure to the risk of accidents during delivery, platform food delivery workers were not covered by employment injury insurance. Furthermore, in cases where they are unable to work due to sickness or unexpected job loss, they are not entitled to receive unemployment benefits.

While more than 90 per cent of formal workers were covered by health insurance, pensions, employment insurance and employment injury insurance, less than 20 per cent of platform delivery workers were covered (Republic of Korea, MOEL 2020).

Lack of social insurance coverage

In the absence of a clear identifiable employee–employer relationship, the extension of social insurance coverage to platform workers faced both legal and administrative obstacles.

According to the Labour Standards Act, non-standard workers – including platform workers – are not classified as regular employees. Therefore, they were not subject to mandatory social insurance. There is still no agreement between employers, workers and the Government as to whether platform workers should be classified as regular employees. In addition, as instances of unemployment and job changes have become more frequent, distinguishing between employees and the self-employed has also become increasingly difficult.

[2] In the Republic of Korea, there two definitions of platform workers:
- In a broad definition, platform workers are those who conducted their work using smartphones or online platforms in the last 3 months.
- In a narrow definition, platform workers are those who responded: "I am doing my job assigned by labour platforms, not my choice."

The figures in table 1 refer to the narrow definition of platform workers.

Furthermore, complexities in relation to working arrangements posed significant challenges in regard to integrating platform workers into the existing administrative system of the social insurance institution. For instance, platform food delivery workers receive order calls from multiple businesses, and these businesses are ultimately the source of payment for the platform worker, making it difficult to determine the workers' employers and their income.

Against the backdrop of the COVID-19 pandemic and the surge in demand for platform delivery services, the Economic, Social, and Labour Council (ESLC) of the Republic of Korea adopted a tripartite agreement to enhance the social protection of platform workers.[3] This initiative led to nationwide discussions on extending social insurance coverage to platform delivery workers and promoting cooperation between social insurance institutions and platform industries.

▶ Box 1. Collective agreements by platform worker trade unions

In 2019 and 2020, several trade unions were established by platform workers. These trade unions engaged in collective bargaining with platform companies to establish labour standards for the platform industry.

The main agreements include:

- support for union activities;
- improvement of delivery fees and dispatch brokerage fees;
- protection of workers' rights;
- enhancement of social awareness;
- expansion of employment injury insurance and employment insurance coverage;
- occupational safety and health; and
- improvements in the delivery environment (such as the right to cease work in inclement weather, methods of communication with customer service centres, and prevention of abuse of power and harassment).

These agreements contributed to enhancing the work conditions of platform workers and improving service quality. They also promoted the adoption of social agreements, laying the groundwork for more platform companies and trade unions to participate in collective bargaining and social dialogue.

Extending mandatory social insurance to platform workers

Earlier attempts to cover non-standard workers

With the emergence of non-standard types of workers, the Government took an initial action to protect individuals who are not covered by the Labour Standards Act but who are providing labour similar to that of an employee, regardless of the type of contract involved.

In 2008, the Industrial Accident Compensation Insurance Act was amended by Act No. 8694 which introduced the category of "special types of workers". A special type of worker refers to a person who directly provides labour by entering into a business contract, not an employment contract, with another party to provide specific labour. The Presidential Decree specified 15 special types of workers, three of which are platform-related: delivery worker (including food delivery), designated driver, and truck driver.

However, the law was applied only to those special types of workers who mainly provide labour service to one business operation on a routine basis and receive payments that meet specific income and working hour criteria. This exclusivity requirement posed particular difficulties for platform workers, who take orders from numerous businesses through the digital platforms.

In addition, these special types of workers could voluntarily opt out of the scheme within 70 days of registration. As shown in table 2, a large majority did exercise this option, either voluntarily or sometimes under pressure from the companies making use of their services. As a result, only a very limited number of workers were effectively insured. This voluntary waiver clause faced severe criticism and was subsequently repealed in July 2021.

▶ Table 2. Employment injury insurance coverage of special types of workers, 2014–22

Year	Number of registered workers (A)	Number of workers who opted out (B)	Number of insured workers (A–B)
2014	437 407	394 798	42 609
2015	447 274	402 777	44 497
2016	481 763	426 227	55 536

[3] The text of the agreement is available (in Korean) on the ESLC website.

2017	483 254	423 130	60 124
2018	473 977	411 851	62 126
2019	486 295	412 125	74 170
2020	657 296	473 474	183 822
2021	764 116	1 179	762 937
2022	806 568	1 581	804 987

Notes: In July 2023, the category of "special types of workers" was abolished and replaced by the newly adopted category of "labour providers".
Source: Republic of Korea, COMWEL, n.d.

A definition of platform labour

In 2020, the Platform Labour and Jobs Task Force was established under the Committee on Job Creation to discuss the legal framework on labour rights and social protection for platform workers.

As a result of tripartite dialogue, the Committee reached the following agreement regarding the key concepts related to platform work:

- "Platform" is a digital network that coordinates transactions through algorithms;
- "Digital platform" is a structured digital environment where goods and services (labour) are exchanged; and
- "Platform labour" is a service traded on a digital platform.

The Committee presented four conditions to be classified as platform labour (Republic of Korea, Korea Committee on Job Creation 2020):

- First, services or virtual goods are traded through digital platforms. Here the services or virtual goods include legal consultation, translation work and passenger transportation services, but exclude asset rental (such as Airbnb).
- Second, a person obtains tasks – not a job – through a digital platform, allowing individuals to choose to work or not.
- Third, the digital platform mediates wages or payments. The characteristic of being paid for labour through the platform means that a labour platform has a hybrid nature between a market and a company. Using the platform for recruiting or jobseeking or posting advertisements on the website to attract customers does not constitute platform labour.
- Finally, access to platform work should open to the public and the platform does not belong to a specific person. It was not considered to be platform work when specific tasks are given to specific people (including subcontracted employees) – for instance, a home appliance repair technician being given an assignment through a platform used by the company that employs them.

Based on this definition, the Government conducts national surveys on platform work to support policy development.

Legal revision to extend mandatory social insurance to platform workers

In December 2020, based on the tripartite agreement, the Government adopted "Protection measures for platform workers in a people-centred platform economy". These measures aim at transitioning the existing system to a human-centred system and ensuring that the development of digital technology contributes to the creation of decent jobs in line with the ILO Centenary Declaration for the Future of Work.

Following these developments, amendments were made to the Employment Insurance Act in 2022 and to the Industrial Accident Compensation Insurance Act in 2023. The category of special types of workers was abolished, and a new category of "labour providers" was established. Labour providers are individuals who are not employees and meet the following conditions:

- provide labour for another person's business, not for their own;
- provide labour directly without involving a third party;
- receive payment from the business owner or the person entering into a contract that involves the provision of labour; and
- engaged in occupations as specified in the Presidential Decree No. 33593 (the list was expanded to 18 occupations).

The essential difference is the removal of the exclusivity requirement of the prior regulation. Thus, platform workers working with multiple platform companies are now regarded as labour providers.

This amendment, together with the earlier abolishment of the voluntary wavier clause, have made the social insurance coverage of platform workers mandatory.

Administrative solutions for platform workers

The introduction of mandatory coverage of platform workers gave rise to complex challenges in social insurance administration. To face these challenges, the Republic of Korea developed practical administrative solutions through innovative use of digital technologies.

The role of platform operators

The amended Act designates platform operators, which maintain data on the number of services performed by and the payment of fees to delivery workers, to act as administrative agencies. Similar to employers of regular employees, a platform operator is legally obligated to electronically report each platform worker's employment status and monthly payments and to remit the social insurance contributions of the platform worker on the behalf of "business operators using a platform" (hereafter referred to as "business operators"), which is the term used in the law to describe those who conduct business with labour provided by a platform worker[4].

The implementing agency – the Korea Workers' Compensation and Welfare Service (COMWEL) – has signed memoranda of understanding with platform operators on the real-time exchange of data (for more details, see the next section). As an incentive for reporting, subsidies are provided to platform operators based on the number of reports they provide (Republic of Korea, MOEL 2022). In addition, the National Tax Service shares platform operators' income data with COMWEL.

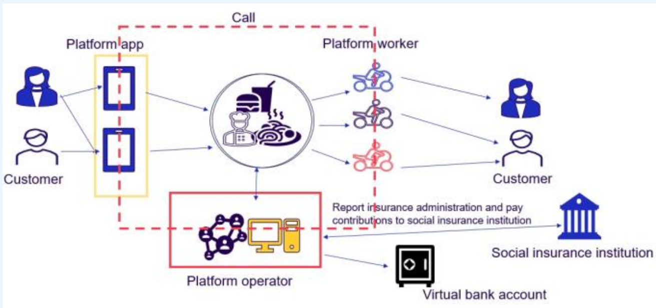
Determination and collection of contributions

Platform workers often work with multiple platforms and their income varies from month to month. Thus, the calculation and collection of contributions can pose a significant administrative burden on both platform operators and social insurance institutions.

The adopted solution was to use an application programming interface (API) with a direct network connection to platform operators. With the launch of the API in 2023, social insurance institutions can directly monitor the service orders that platform workers receive on their phones through multiple platforms and calculate their total gross income. The contributory income is calculated by deducting business expenses (between 27.4 and 28.1 per cent) from the total gross income, and the contribution is determined by applying the contribution rate. The contribution is shared equally between the platform workers and the business operators.

The process is illustrated in the figure below. All platform operators should open virtual bank accounts for withholding and paying employment injury insurance and employment insurance contributions. For each order call, the platform operator deducts contributions from the delivery fees paid by the customer and remits these to its virtual account for social insurance contributions. The platform operator pays the contributions to the social insurance institution on a monthly basis.

▶ The process of collecting contributions



Source: Compiled by the author.

Current social insurance provisions for platform workers

▶ Box 2. Overview of employment injury insurance and employment insurance in the Republic of Korea

The Industrial Accident Compensation Insurance Act (1964) is the main law related to employment injury insurance, covering work accidents, occupational diseases and commuting accidents. The Act provides for compensation benefits for occupational accidents and diseases, the facilitation of

[4] As per article 91-15 of the Industrial Accident Compensation Insurance Act. If should be noted that platform operators themselves can also be considered to be business operators using a platform if they conduct business directly with labour provided by a platform worker.

rehabilitation and return to work, and accident prevention and employee welfare programmes.

The Employment Insurance Act (1995) establishes the legal framework for employment insurance, which includes unemployment benefits, maternity and parental leave benefits, job retention programmes, re-employment programmes, vocational training and skill development programmes.

COMWEL is the implementing agency for both employment injury insurance and employment insurance, as overseen by the Ministry of Employment and Labour. COMWEL administers the registration of employees and the collection of contributions, in addition to making decisions on compensation, benefits and payments.

Employment injury insurance for platform workers

- **Coverage**: Labour providers working as delivery workers, designated drivers and truck drivers, including those working with multiple platform companies.
- **Contribution**: The contribution is calculated by multiplying the employment injury insurance contribution rate by the total contributory income received from all platform operators. The total contribution is paid by the platform operators on behalf of business operators.
- **Contribution rate**: The contribution rate ranges between 1.7 and 1.8 per cent by type of platform work. The contribution rate will be adjusted according to the rate at which particular types of labour providers experience work-related accidents. For formal workers, the employer assumes full responsibility for the industrial accident insurance contributions. However, due to the employment status of platform workers, contributions are shared equally between labour providers and business operators.
- **Benefits**: In the event of work accidents, occupational diseases, or accidents during the commute to or from work, platform workers are entitled to the same employment injury insurance benefits as regular employees.

Employment insurance for platform workers

- **Coverage**: Labour providers, such as delivery drivers and designated drivers, including those working with multiple platform companies, are covered by the unemployment benefit (jobseeking benefit) and maternity leave benefit only.
- **Exception**: Workers over 65 years of age and foreigners holding a non-resident visa. Contracts lasting less than one month and incomes below 800,000 won per month are also excluded.
- **Contribution**: The method is similar to employment injury insurance, but there are lower and upper contribution limits.
- **Contribution rate**: 1.6 per cent. The contribution is shared equally between labour providers and business operators.
- **Eligibility conditions for unemployment benefits:**
  - Having been employed for a total of 12 months within the 24 months before leaving the job;
  - At least three months of being insured as a labour provider during the 24 months before leaving the job;
  - Being unemployed despite having the will and capacity to work;
  - Previous employment was not terminated due to voluntary resignation without valid cause or being fired due to serious misconduct attributable to the worker;
  - Actively seeking reemployment.
- **Benefit claim:** In the event of unemployment, the platform worker must report their status to the Employment Job Centre to receive unemployment benefits. In the case of maternity leave, the platform worker is required to report the commencement of maternity leave within 12 months following childbirth, miscarriage or stillbirth.
- **Benefit amount and duration:** The benefit level is calculated as 60 per cent of the average wage before unemployment, with a maximum of 66,000 won per day. The benefit is paid for 120 to 270 days, depending on the length of the insured period and the age or disability status of the recipient.
- **Waiting period**: Seven days. The waiting period is two weeks in case of reduction of income by more than 50 per due to a job change, and four weeks in case of reduction of income between 30 and 50 per cent due to a job change.

Conclusion

Though it is at an early stage of implementation, it is estimated that more than 1 million labour providers in the Republic of Korea were covered by employment injury insurance and employment insurance in 2023. It is necessary to monitor the progress of implementation and evaluate its effectiveness and sustainability.

There are still remaining gaps. There is a need to further extend social protection coverage to non-standard forms of workers and other platform-based small and medium enterprises. Moreover, the expansion of coverage to include other forms of social insurance, such as health insurance and pensions, needs to be considered in the future.

Based on the recent experiences in the Republic of Korea, one can draw the following lessons.

- As new types of workers emerge due to digitalization, social insurance institutions need to respond to the resulting challenges in a timely manner. Different platforms have distinct management policies and foster diverse working conditions, which result in a variety of issues and challenges. Understanding of on-demand work is essential in formulating a regulatory framework that allows platforms to adapt their systems.
- The participation of platform operators as social insurance administrative agencies in reporting the number of workers and collecting social insurance contributions is an important feature of the policy design.
- The use of digital technologies has been crucial in effectively implementing the extension measures. The API with platform operators has enabled the seamless integration of income information with the National Tax Service, as well as enabling contribution amounts to be based on the actual income of individual workers. This transformation is part of a broader initiative aimed at shifting the management system from a workplace-centred approach to one centred on individual workers' income.
- It is important to ensure effective tripartite and social dialogue throughout the policymaking process. The tripartite agreement by the Economic, Social, and Labour Council demonstrated the commitment of all stakeholders to jointly work towards the goals of extending social insurance coverage and fostering formalization. A whole-of-government approach also facilitated this extension.

For countries that are facing similar challenges, the case of the Republic of Korea can serve as an example of how to extend social protection to growing numbers of platform workers through effective policy design and the use of digitalized processes based on national dialogue.

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ILO Regional Office for Asia and the Pacific
United Nations Building
Rajdamnern Nok Avenue
Bangkok 10200, **Thailand**

T: +66 2 288 1234

E: bangkok@ilo.org

W: http://www.ilo.org/asiapacific

@ILOAsiaPacific
ILO.ORG
LinkedIn

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