RISE OF DIGITAL ECONOMY WORK IN THE UNITED STATES AND SOUTH KOREA

The diffusion of smartphones and high-speed wireless broadband internet access in the early 21st century enabled the emergence of labor platforms in the online platform economy (OPE), through which freelance workers can connect to customers, often in real time.¹ The rapid, substantial, and global impact of ride-hailing platforms led to concern (and, in some quarters, optimism) that related technologies could rapidly disrupt labor arrangements in advanced economies at a societal scale. Responding to these concerns and to the limited ability of standard data to capture this phenomenon, a creative stream of economic research has explored OPE work through a variety of datasets and approaches.

Most of the research on OPE focuses on developments in the United States. This Policy Brief summarizes some of the lessons of this literature and considers how they might apply to the South Korean context.

¹ See Farrell and Grieg (2016a, 2016b). Researchers divide the OPE into labor platforms, in which participants sell their time or skills, and capital platforms, in which participants exchange goods or lease assets (Grieg and Sullivan 2021). This Policy Brief focuses solely on OPE labor platforms.
The main lessons include the following: The widespread “Uberization” of the US labor market is not imminent; the share of workers in the OPE remains small. The rapid growth of OPE work in taxi and limousine services appears to be an outlier; there is little evidence to date of similar growth in other sectors and plausible reasons why such growth is unlikely in the near future. Where it has emerged in force, OPE employment seems to provide important benefits to those who select into these arrangements, albeit at some cost to incumbent workers affiliated with more traditional service providers. These benefits stem in part from the flexibility of OPE work—a degree of flexibility that would be hard to realize fully in a traditional employment relationship. The creation of a new category of labor-firm relations in the United States, along the lines suggested by Harris and Krueger (2015), could enable OPE workers to retain the flexibility of the status quo while also gaining access to additional benefits, rights, and protections. This idea merits serious consideration, in the United States and other advanced economies.

Study of OPE work in South Korea is just beginning, but the evidence summarized by Chang (2021) suggests some similarities between South Korea and the United States in terms of the scale of activity, the degree of concentration in transportation services, and the flexibility of OPE work. Given South Korea’s large investment in information technology (IT), broadband, and 5G, the degree to which it has become the world’s most wired country, the concentration of its population and GDP in well-connected urban centers, the high level of education of its workforce, and the constrained opportunities for the large fraction of current workers who do not hold secure jobs in large companies, OPE work in South Korea has room to grow beyond its current scale. Healthy competition between domestic platforms and foreign ones (which are now conspicuously absent from South Korea’s digital marketplace) could help realize this potential.

South Korea’s authorities should consider amendments to their innovative dependent self-employed contractor category that bring it more in line with Harris and Krueger’s recommendations. The current emphasis on inclusion of workers in the unemployment insurance and worker’s compensation schemes may be appropriate for workers in some alternative work arrangements, but could limit entry for OPE workers. Instead, regulators should consider modifying the new category to place more emphasis on automatic withholding of national pension contributions, provision of private pension benefits by platforms, and the possibility of collective bargaining in the OPE work sector. These reforms could help address longstanding deficiencies in the financing of public and private pensions and boost the currently low level of unionization in South Korea while providing useful employment alternatives to important categories of South Korean workers. Investment in the careful measurement of OPE work and its impact on workers will also be important going forward. Toward that end, South Korean policymakers can learn important lessons from the studies reviewed in this Policy Brief.

**CHALLENGES OF MEASURING OPE WORK AND ALTERNATIVE WORK ARRANGEMENTS IN THE UNITED STATES**

Measuring OPE work accurately in the United States has proved so challenging that even experts have sometimes missed the mark. In the mid-2010s, two of the world’s leading labor economists, Lawrence Katz of Harvard and the late Alan Krueger of Princeton, were confronting a difficult problem. The rapid rise...
of digital platforms and OPE work, albeit from a small base, the fissuring of supply chains (Weil 2014), the rise in domestic outsourcing (Fort 2017), and the apparently increasing reliance on contract workers and independent contractors all suggested that traditional employment relationships were giving way to less secure work arrangements.

Policymakers needed to know whether the structure of work relationships in the US labor market was really changing. Assessing them was difficult, because the US government’s most comprehensive survey of alternative work arrangements, the Contingent Work Survey (CWS), had not been conducted since 2005, and there were no plans to administer another survey. Other datasets, which were not really engineered to capture these arrangements or changes in them, pointed in dramatically different directions. Administrative tax data suggested a sharp rise in alternative work arrangements, as evidenced by increases in Schedule C filings. Current Population Survey (CPS) data suggested a gradual decline in these arrangements, as evidenced by a falling percentage of self-employed workers.

In the absence of an official government survey of alternative work arrangements across the entire US workforce, Katz and Krueger partnered with the RAND Corporation to develop the RAND–Princeton Contingent Work Survey (RPCWS), as part of the RAND American Life Panel, in late 2015. Their results suggested that a massive structural shift was underway in the US economy, with the share of American workers in alternative work arrangements—defined as temporary help agency workers, on-call workers, contract workers, and independent contractors or freelancers—rising by more than 5 percentage points, from 10.7 to 15.8 percent, between 2005 and 2015 (Katz and Krueger 2016, 2019a). OPE workers (those who provided services through online intermediaries, such as Uber or Task Rabbit) appeared to account for a modest share of this rise (0.5 percent of all workers in 2015), but it also seemed to represent an engine of continued disruption. These results were dramatic—even explosive—and immediately attracted global attention from policymakers, labor advocates, and OPE entrepreneurs.

As it turns out, these results were also wrong. The Bureau of Labor Statistics (BLS) secured funding for a new CWS, which it conducted in May 2017. The results, released in June 2018, suggested a modest decline in alternative work arrangements between 2005 and 2017, from 10.7 to 10.1 percent.

Figure 1 provides the CWS estimates for 1995–2005 and compares them with the findings from the RPCWS, as reported by Katz and Krueger in their 2016 working paper. The large increase between the 2005 CWS and the 2015 RPCWS is evident. However, it is also evident that the 2017 CWS estimate indicated no increase in the incidence of alternative work arrangements over the decade since 2005.

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2 Schedule C is the form used by US tax filers to report business or professional income (or loss) from a sole proprietorship.

3 The Current Population Survey is the primary labor force survey undertaken by the US government; it is jointly sponsored by the Bureau of Labor Statistics and the Census Bureau.

4 To their credit, Katz and Krueger fully acknowledged this and undertook considerable effort to explore the inconsistencies between the 2015 RPCWS and the official 2017 CWS. See Katz and Krueger (2019b).
The new CWS included questions explicitly designed to capture OPE work, but survey responses suggested that they were widely misread or misinterpreted. After recoding data to adjust for suspected false positives, the BLS concluded that only about 1 percent of the workforce engaged in OPE work in 2017.\(^5\) A careful effort by Katz and Krueger (2019b) to reconcile the 2017 CWS with their 2015 RPCWS led the authors to conclude that appropriate adjustment for business cycle conditions across survey years, reflected by the orange bars in figure 1, suggests an increase in alternative arrangements of about 1 percentage point between the end of the 1990s and 2017.\(^6\)

Viewed in the context of the entire labor market of the country in which the work mode was invented, OPE work is simply not a big deal—at least not yet—and there is no credible evidence that it is disrupting or displacing traditional employment relationships on a societal scale. However, the scale and evolution of OPE work are not measured accurately in standard datasets or frequently administered government surveys.\(^7\)

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\(^5\) This finding appears broadly consistent with other efforts by Katz and Krueger (2016, 2019a) and Farrell, Greig, and Hamoudi (2018), who conclude that 0.5–1.5 percent of the workforce was engaged in OPE work between 2015 and 2017.

\(^6\) Careful exploration of tax data by Collins et al. (2019) suggests a similar result.

\(^7\) Abraham and Houseman (2021) provide a comprehensive review of data sources and their strengths and weaknesses. They point to possible flaws in the CWS and present recommendations for improvement.
UBER AS AN ANOMALY

The small scale of OPE work in the United States and the glacial pace of change of broader measures of alternative work arrangements seem to sit in uneasy contrast with the transformational impact of Uber and its domestic and foreign imitators on the urban transportation landscape. If OPE work is having such a visible impact there, it is natural to think that it could have similar impact elsewhere. The meteoric rise of Uber also suggests that these changes could come about almost overnight.

A series of papers by labor economist Katharine Abraham and her coauthors (Abraham et al. 2021a, 2021b; Abraham and Houseman 2021) demonstrate just how anomalous Uber, and the sector in which it operates, appear to be in terms of the impact of OPE work. These papers are based on use of yet another data source, the Census Bureau’s Nonemployer Statistics (NES), to proxy the growth of OPE work. Based on tax data, NES count and tabulate the number of unincorporated single worker proprietorships and their annual receipts by year, state, and industry (North American Industry Classification System [NAICS] code).

Panel a of figure 2 shows steady, slow growth across all industries, with no evident inflection point coinciding with the rapid emergence of OPE platforms in the 2010s. Panel b shows that the NAICS code associated with taxi and limousine services (4853) saw explosive growth in the numbers of these single employee proprietorships as Uber and its competitors spread across the United States. But Abraham and her coauthors find no other sector with Uber-like growth.

The absence of rapid growth in nonemployer establishments outside of NAICS 4853 was not for lack of entrepreneurial effort. A host of new platforms have arisen in recent years in other sectors, seeking to emulate Uber’s success. Because many of these platforms are still private, they tend to disclose little about the scope of their operations.

The author of this brief supervised a group of Carnegie Mellon master’s students who were engaged by Pennsylvania’s Department of Labor and Industry to assess the impact of digital platforms in the commercial trucking and construction sectors (Yazdi et al. 2021). Their findings affirmed the general results of Abraham et al. (2021a) and pointed to several reasons why Uber, its competitors, and its sector stand out so far from the rest of the economy.

The students followed Abraham et al. (2021a) in using NES data to compare the growth of OPE work in NAICS 4853 with the growth of the sectors most closely associated with commercial trucking (484) and construction (23). They also examined relevant subsectors in trucking (4841, 4842) and construction (2361–62, 2371–73, 2379, 2381–83, 2389). They tried to identify the date at which digital platforms in these other sectors began operation in Pennsylvania—a difficult undertaking in some cases.

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8 As of spring 2021, platforms in trucking included Convoy, Uber Freight, Amazon Flex, Roadie, Draiver, and Dispatch. Platforms whose service portfolio included construction tasks included Thumbtack, Handy, Wenele, Task Rabbit, and Jobble.

9 The author gratefully acknowledges the intellectual support and guidance Professor Katharine Abraham provided to this student team as a member of its advisory board.
Figure 2

Number of nonemployer businesses in the United States, 1997–2018

a. Total number

b. Number of taxi and limousine businesses (NAICS 4853)

NAICS = North American Industry Classification System code
Note: Figures are based on Nonemployer Statistics published by the Census Bureau.
Source: Abraham et al. (2021a).

Figure 3 shows the sharp rise in OPE work in NAICS 4853 in Pennsylvania after Uber’s initial entry. It provides no evidence of any inflection point in the other sectors. This absence of an effect is also reflected in figures constructed for the relevant subsectors. It is thus not simply a consequence of aggregation bias.

Why is the effect so much greater in NAICS 4853? Yazdi et al. (2021) point to the much lower barriers to entry for new workers in this sector relative to the others, as illustrated in table 1.10 It is easy for nearly any American adult with a car and a smartphone to become a part-time Uber driver. It is more challenging

10 This section draws upon arguments expounded in Yazdi et al. (2021).
to become a part-time commercial truck driver or construction worker. Ride-hailing requires a standard driver’s license, which most American adults already possess. Driving a commercial truck requires a special license, which could take several weeks of full-time effort to obtain; a truck; and compliance with government regulations designed to ensure public safety. If an individual accepts a job hauling freight for long distances, the task could take several days to complete. If an individual wants to become a specialized construction worker instead of a commercial truck driver, it could take months or years to master the necessary skills; the required tools could be expensive to purchase and

**Figure 3**
Number of establishments in selected sectors, 2006–18

a. Taxi and limousine services (NAICS 4853) and other transit and ground passenger transportation (NAICS 4859)

b. General construction (NAICS 23) and general trucking (NAICS 484)

NAICS = North American Industry Classification System code
Source: Based on figures 1 and 2 of Yazdi et al. (2021), page 9.
dangerous to use; and, in many states, construction workers need to possess special licenses, submit work to inspections, and comply with other regulations. In addition, accepting a job on a large construction site could tie up a person’s schedule for weeks or months.

Table 1
Barriers to entry into online platform work in ride-hailing, trucking, and construction

<table>
<thead>
<tr>
<th>Barrier to entry</th>
<th>Sector</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Ride-hailing</td>
</tr>
<tr>
<td>Learning curve</td>
<td>Low</td>
</tr>
<tr>
<td>Capital investment</td>
<td>Low</td>
</tr>
<tr>
<td>Regulatory requirements</td>
<td>Low</td>
</tr>
<tr>
<td>Rigidity of schedule</td>
<td>Low</td>
</tr>
</tbody>
</table>

Source: Yazdi et al. (2021).

Uber induced millions of Americans not previously in the sector to become part-time taxi drivers by developing an easy way to connect them to potential customers (Abraham et al. 2021a). Online platforms in trucking and construction are much less likely to induce workers not already in those sectors to join them, because the barriers to entry are relatively high (Yazdi et al. 2021). Platforms focused on other workers with specialized skills (attorneys, physical therapists, fortune tellers) are likely to face similar limitations.

The onset of the COVID-19 pandemic affected OPE work. Grieg and Sullivan (2021) document a sharp decline in ride-hailing activity that was not fully offset by expanding OPE work in other domains, such as delivery driving. Shutdowns and health concerns simultaneously reduced demand for and supply of ride-hailing services. As social distancing measures were relaxed and vaccine availability spread, both demand and supply partially recovered. However, press reports suggest that continuing shortages of drivers and higher fares are limiting the growth of OPE work in the sector in which it has grown the fastest for nearly a decade. Past growth in OPE work in NAICS 4853 may not be a reliable guide for future growth even in that sector.

The United States is still in the early stages of the development of OPE work; it is too soon to rule out the possibility of dramatic future change. But the evidence to date suggests that the rapid growth of Uber and its competitors is likely to be a poor guide to the evolution of OPE work in other domains. The special circumstances of NAICS 4853 are not replicated in many other domains. The US labor market does not appear to face any serious threat of imminent “Uberization.”

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BENEFITS AND COSTS FOR OPE WORKERS AND WORKERS WHO COMPETE WITH THEM

Recent economic research has stressed the significance and potential value of OPE employment as a source of supplemental income for individuals who lose their jobs (Jackson 2020; Koustas 2019); experience significant declines in income (Koustas 2018; Garin et al. 2019); or are seeking to start their own businesses (Denes, Lagaras, and Tsoutsoura 2022). Many studies indicate that Uber drivers are active on the platform only for short periods (Farrell and Grieg 2016b; Farrell, Grieg, and Hamoudi 2018; Hall and Krueger 2018) and earn relatively small amounts of money from their driving, especially if the operative definition of income is net income adjusted for allowable expenses (Abraham et al. 2021a; Garin et al. 2019). Researchers using anonymized bank account data find evidence that workers use ride-hailing platforms to offset income declines from job loss or reductions in hours in their primary employment. The results of Farrell and Grieg (2016a) suggest that OPE workers can offset much of these income declines by increasing labor supplied to online platforms. Koustas (2018) uses transaction-level data from personal financial management software to show that Uber driving can help workers smooth consumption by mitigating fluctuations in pay. This interpretation is strengthened by the findings of Abraham et al. (2021a), who show that workers entering the ride-hailing space are demographically very different from the incumbent taxi and limousine drivers who dominated these occupational ranks before the emergence of ride-hailing platforms. All of these studies focus primarily on ride-hailing.

These gains obtained by people who enter NAICS 4853 through the intermediation of online platforms come at some cost to the incumbent drivers who previously provided these services through taxi and limousine companies and other more traditional providers. Many exit the industry; those who remain experience significant income declines. Abraham et al. (2021a) find that the exit rate for these incumbent drivers rises by 13.6 percentage points within four years of Uber’s entry into a core-based statistical area (CBSA). They estimate that these drivers’ income from driving fell by about 23 percent within four years of Uber entry, although their total income fell by only about 15 percent.

The extreme hour-by-hour flexibility offered to potential drivers by ride-hailing platforms has attracted creative research efforts to infer the social benefits it confers. One example is the fascinating and influential paper by Chen et al. (2019). Using the variation in driver income created by Uber’s surge pricing feature (an algorithm Chen invented) and rich data on the labor supply of more than 1 million Uber drivers, the authors estimate substantial variation over time in the reservation wages of these drivers. They then use these estimates to quantify the benefit to drivers of the flexibility offered by Uber’s labor arrangements.

The benefits are large. An alternative taxi-style arrangement in which drivers can decide on a daily basis whether to work and which of three shifts to work but are constrained to work an entire eight-hour shift yields an expected labor surplus only one-eighth as large as that of the Uber arrangement. The estimated compensating wage differentials necessary to make drivers indifferent between the highly adaptable Uber arrangement and more restricted arrangements are also large, with the median driver requiring a near doubling of wages to offset

12 The Census Bureau designs CBSAs to reflect local economies.
the disutility of reduced flexibility of the alternative taxi-style arrangement. At least for the workers who selected into these arrangements, the value of “Uber flexibility” appears high.

Denes et al. (2021) use detailed tax data from the Internal Revenue Service and the staggered expansion of OPE labor platforms across US counties to investigate the potential impact of gig work on new firm formation. The flexible income offered by platform gig work could enable would-be entrepreneurs to smooth their income during the period when the new firm is not yet generating significant revenue, inducing some individuals to take the risk of founding a firm. Research by Barrios, Hochberg, and Yi (2021) identified a connection between the local regional entry of OPE labor platforms, new business registrations, and Google searches related to entrepreneurship. Denes et al. (2021) tighten this connection, showing that the actual receipt of income from OPE labor platforms appears to raise the likelihood of firm formation. This impact appears to be especially strong for younger, less educated workers, who might encounter more difficulty obtaining credit from traditional financial sources. The new firms founded by entrepreneurs receiving OPE labor income appear to grow at least somewhat faster, survive longer, and create more jobs than other firms.

The flexibility of OPE work—an attribute that is especially evident in the ride-hailing context—is thus an important source of gains for OPE workers. The typical OPE worker is treated as an independent contractor rather than an employee, however. Under federal and state law, independent contractors are not eligible to receive the mandated benefits and protections afforded to employees, including minimum wages, overtime pay, unemployment insurance, workmen’s compensation, the right to unionize and collectively bargain, civil rights protections, and the health benefits larger employers are obligated to provide under the Affordable Care Act. If most OPE workers use their OPE labor as a supplement to income earned from regular employment or as a way of maintaining income between regular employment jobs or transitions from employment to entrepreneurship, these missing protections or benefits may be second-order concerns. They become more serious for workers who rely on OPE as an important or even primary source of income. In addition, the treatment of OPE workers as independent contractors can raise issues of neutrality of the law when platforms compete directly with employers providing similar services. A fascinating article reviewed in the next section discusses these important issues at length.

REGULATING AND PROTECTING THE OPE WORKFORCE

In their 2015 Hamilton Project paper, Harris and Krueger argue that work mediated by the OPE labor platform is neither a traditional employment relationship nor a classic independent contracting relationship. Attempting to force these innovative new arrangements into either pre-existing category limits their real and potential economic benefits. Instead, Harris and Krueger advocate for the establishment of a new category of employment relationships, which they call “independent workers,” and the creation of new laws governing these relationships that incorporate some features of current laws regulating traditional employment relationships and some features of current laws regulating independent contractors. Although the exact features of a new legally defined employment category are subject to debate and may need to vary across advanced industrial economies (or even states in the United States), the basic argument Harris and Krueger advance for a new structure is both compelling and
general. The fact that both authors worked in Democratic administrations but resist the argument backed by many progressives and labor union leaders that OPE work should be reclassified as employment is noteworthy and adds political salience to their economic arguments.\(^{13}\)

For Harris and Krueger, a key factor in analyzing work relationships of any kind is the degree of control exercised by workers over their work. Workers in traditional employment relationships surrender significant control over their work to their employers. The authors view the legally mandated protections and benefits for employees codified in US law, including the right to unionize, as a way of ensuring a balanced “social compact” for employees in the presence of this employer power. In contrast, truly independent contractors decide whom to work for and how, sometimes forgoing engagements if they are insufficiently profitable or unsuitable in other ways. They earn profits (or incur losses) and often hire their own employees. Reflecting this autonomy, independent contractors are generally not entitled to receive the protections legally mandated for employees. For instance, independent contractors have no right to form a union—such coordination would be cartelistic behavior under US antitrust law—or receive overtime, worker’s compensation, or automatic withholding of various taxes.

Harris and Krueger argue strongly that OPE workers, such as Uber drivers, are not employees, because of their control over their work flow. These workers can seek potential rides from multiple platforms, set their own working hours at will, and even determine which rides offered up by a particular platform to accept at any point in time. The authors imagine a ride-hailing driver who has both Uber and Lyft apps open and ask which company is the employer of the driver at this point in time. Appealing to concepts in labor law, they argue that the driver is obviously not an employee who has been “engaged to wait” for a driving assignment, but is rather “waiting to be engaged,” a status generally associated with independent contractors.

Harris and Krueger also recognize that there are limits to this control. OPE workers lack the full autonomy of independent contractors. They depend on the platform to connect them to customers, and it is the platform, not the individual driver, that typically sets the user fees, the terms of service, and the driver’s compensation. Individual OPE workers have little ability to bargain over these terms or any other aspect of their business relationship with the platforms.\(^{14}\) For these reasons, the authors convincingly argue that OPE workers are neither employees nor independent contractors but something in between. These “independent workers” require a social compact that lies somewhere in between those codified into the laws governing employment and independent contracting.

The absence of this third category leads to a number of potential inequities and inefficiencies in the labor market. Anxious to prevent their OPE workers from being classified as employees by courts or governments, platforms deliberately avoid providing them with the benefits (such as health insurance or retirement savings programs) generally provided to employees, even when the provision of

\(^{13}\) At the time of this writing, Harris was serving as Deputy Assistant to President Biden on labor issues and Deputy Director of the Biden administration’s National Economic Council. Krueger served as Chair of the Council of Economic Advisers during the Obama administration.

\(^{14}\) The majority of OPE workers work for large platforms with many actual or potential labor suppliers. Any worker who objects to particular work circumstances can often be replaced with an alternative worker willing to accept them, significantly limiting the bargaining power of any individual worker.
such benefits might help them recruit, retain, and raise the welfare of workers. Creation of a third category would end, or at least reduce, the significant legal jeopardy associated with the provision of these benefits, making platforms more willing to provide them when doing so would not force them to surrender all the flexibility provided by the status quo. The absence of a third category—and the underprovision of benefits to OPE workers under the status quo—also raises the risk that the platforms’ success could be based on regulatory arbitrage rather than true efficiency.

What would a better social compact for independent workers look like? Harris and Krueger argue that mandated benefits like a minimum wage, overtime pay, and unemployment insurance should not be provided to independent workers (table 2). This judgment rests in part on the fact that most OPE workers are not obligated to work regular hours for an employer, making administration of hours-based benefits like overtime onerous. Harris and Krueger do recommend that OPE workers be allowed to unionize and collectively bargain with platforms over driver compensation and other potential benefits. Allowing them to do so would likely require an amendment of US antitrust law, lest courts treat these efforts as a cartel of independent contractors. The authors recommend that Congress create a limited “independent worker exception,” allowing independent workers to collectively bargain over their compensation and terms of employment but not over the prices charged to consumers or other market outcomes.

Table 2
Recommended rights of “independent workers”

<table>
<thead>
<tr>
<th>Feature</th>
<th>Traditional employees</th>
<th>Independent contractors</th>
<th>Independent workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control over work</td>
<td>Held mostly by employers</td>
<td>Held mostly by contractors</td>
<td>Some dependence on platforms</td>
</tr>
<tr>
<td>Hours-based benefits</td>
<td>Minimum wage, overtime, unemployment insurance, workmen’s compensation</td>
<td>Not applicable</td>
<td>None, because of the immeasurability of worker hours</td>
</tr>
<tr>
<td>Right to unionize</td>
<td>Granted</td>
<td>Not granted (conflicts with antitrust law)</td>
<td>Carve-out recommended for OPE workers</td>
</tr>
<tr>
<td>Other benefits</td>
<td>Health insurance, retirement, tax withholding</td>
<td>None</td>
<td>Platforms can provide without risk of being defined as employers</td>
</tr>
</tbody>
</table>

Source: Based on Harris and Krueger (2015).

Harris and Krueger also argue that OPE workers could benefit from “pooling” their purchases of health insurance, retirement savings programs, and other benefits. Larger groups of workers could secure better benefits at lower cost, and platforms could play a role in organizing or mediating these purchases. To encourage this more efficient acquisition of health insurance and other benefits, Harris and Krueger recommend a safe harbor provision that explicitly allows platforms to play this role without risk that courts or governments would
then classify their relationship with their independent workers as traditional employment. They also argue that the antidiscrimination provisions that protect the civil rights of traditional employees—many of which are not available to independent contractors under current law—be extended to independent workers.

Although the exact set of protections given under a legal framework for independent workers is subject to debate, the utility of a third category recognizing the unique nature of these relatively new relationships seems clearly evidenced by the legal struggles in California to regulate these workers under existing law (Price 2021). In late 2019, California passed a landmark law (A.B. 5) classifying a number of OPE workers as employees. The law went into force in 2020 and was immediately challenged in court. A coalition including prominent platforms led an initiative to get a proposition (Proposition 22) on California’s fall 2020 ballot that exempted ride-hailing drivers and some other OPE workers from the law. A prominent feature of the campaign in favor of this well-funded effort were Uber drivers and similar workers who forcefully argued that A.B. 5 would hurt, not help, their economic interests.

The ballot measure passed with 58 percent of the vote in one of the country’s bluest states, which seemed to resolve the matter. However, a state judge then ruled that the initiative represented an unconstitutional limitation on the right of the California legislature to regulate labor markets. That legal judgment has been criticized and questioned. At the time of this writing, the matter remains unsettled, highlighting the challenges of regulating OPE work within existing worker categories.

**OPE WORK IN SOUTH KOREA**

Study of OPE work in South Korea is just beginning. Chang (2021) summarizes the results of the first official survey undertaken by the Korean government to investigate the phenomenon. It was jointly administered by the Korean Labor Institute and the Ministry of Employment and Labor in late 2020, using random dialing to reach 90,000 individuals. This sample size was larger than the CPS sample on which the CWS results were based, and it was obtained through a sampling framework designed to represent the national population. The survey used a definition of OPE work similar to the one employed in this Policy Brief.

Chang (2021) suggests some similarities between South Korea and the United States in terms of the overall scale and nature of OPE work. OPE workers account for 0.92 percent of all employed persons in South Korea (about 220,000 individuals) versus 1.0–1.5 percent of the workforce in the United States. Survey results suggest that 52 percent of all OPE work in South Korea and 68 percent of OPE work done offline is in the transportation domain, although the nature of that work differs, with greater weight on delivery drivers and designated drivers.15 Half of OPE workers classified their OPE work as a side job,

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15 Conducted in late 2020, the survey registered the surge in demand for delivery drivers that also occurred in the United States, partly offsetting the decline in demand for ride-hailing drivers (Grieg and Sullivan 2021). Alcohol consumption is a feature of South Korean business and social life that generates high demand for designated drivers who can meet the impaired driver, drive him or her home in the impaired driver’s vehicle, then return home or find other clients through public transportation or other means. Popular Korean apps provide a means of quickly obtaining a designated driver.
about 69 percent of OPE workers claimed they can determine their own hours, and 58 percent reported being able to decide which tasks to accept. Some OPE workers reported much lower levels of flexibility, however.

The US experience points to the value of using a range of datasets to assess the OPE workforce and its evolution over time. Building on its impressive initial efforts, the South Korean government would be well advised to continue these survey efforts on a regular basis and to explore the use of tax records, anonymized bank account information, personal financial management software, and information provided by the major OPE platforms to provide a more comprehensive picture of the OPE workforce; the degree to which OPE workers rely on their OPE jobs as a primary source of income; the relationship between OPE work and consumption smoothing; and the linkage, if any, between OPE work and transitions into entrepreneurship. The ambitious efforts to reconcile apparent discrepancies across different data sources recorded by Abraham and Houseman (2021) and the creative data work referenced in this Policy Brief offer a useful guide for government statisticians and Korean academic researchers concerning sources and methods that might be used in the South Korean context.

In late 2020, the Moon administration moved ahead of American labor market policymakers, creating a third category of workers, known as “dependent self-employed contractors (DSECs),” as a response to the growth in South Korea of alternative work arrangements, including those mediated by online platforms. Jang and Hwang (2021) provide an initial study of this change and its impact. This new category covers only some OPE workers, and the emphasis is different from that proposed by Harris and Krueger. In South Korea, priority is placed on bringing workers in this category into the unemployment insurance and workers’ compensation systems. Harris and Krueger specifically argued against including independent workers in unemployment insurance systems, because workers choose their own hours. Extending unemployment insurance coverage to workers who can (and frequently do) choose not to work could raise the cost of hiring and therefore constrain the number of openings for OPE workers seeking part-time work to supplement income from other sources. Harris and Krueger also argued that inclusion of independent workers in workers’ compensation systems should be optional (with provision not leading to a reclassification of the arrangement as regular employment), not mandated.

In addition to emphasizing social programs that Harris and Krueger judge inappropriate for many OPE workers, Korea’s DSEC system does not emphasize benefits and protections that Harris and Krueger believe OPE workers need. An extensive body of literature documents the perilous finances of the South Korean National Pension System (NPS), the high rate of poverty among seniors in South Korea, and the need for increased compliance with contributions to the system by nonregular workers (Jones and Urasawa 2014a, 2014b). By implementing automatic withholding of NPS contributions from covered workers’ pay, the DSEC system could help shore up NPS finances....
savings for retirement (for example, a healthy national pension system, employer-provided pensions, and individual worker savings), which the literature shows remains underdeveloped in South Korea (Jones and Urasawa 2014a, 2014b).

Harris and Krueger strongly recommended that OPE workers be given the right to collectively bargain with their platforms. South Korea’s overall rate of unionization (about 12 percent) remains low relative to the rest of the OECD, and unionized workers are highly concentrated in large, established companies. Korean OPE workers have made some efforts to seek union representation (Young-Seon et al. 2020). Amendments to the DSEC system that clarify this right and promote its realization could bring additional benefits to workers.

The broader literature on South Korea’s labor market identifies a number of challenges, of which the greatest may be its extreme degree of dualism (Jones and Urasawa 2013, 2014a, 2014b). The protections and privileges awarded to regular workers in large companies make employers reluctant to hire more of these workers. As a consequence, a large fraction of Korea’s workforce is forced to accept much less attractive employment alternatives. Many of these workers wind up employed in Korea’s (too) numerous and relatively unproductive small and medium-sized enterprises (OECD 2020). The growth of OPE work could expand the range of alternative work opportunities for key categories of South Korean nonregular workers, including mothers of young children; workers who have been induced to accept “retirement” at relatively early ages; and younger South Koreans not currently engaged in employment, education, or training who might be willing to consider flexible, part-time employment. The growth of OPE work could thus help raise labor force participation rates, boost incomes, and provide greater fiscal resources with which to meet South Korea’s almost unprecedented degree of population aging and workforce decline.

Given South Korea’s significant investment in information technology (IT), broadband, and 5G; the degree to which it has become the world’s most wired country; the concentration of its population and GDP in a small number of well-connected urban centers; the high level of education of its workforce; and the constrained set of work opportunities for the large share of workers who do not hold secure jobs in large companies, OPE work in South Korea has room to grow beyond its current scale. How could this potential be more fully realized?

Foreign (especially American) OPE platforms that dominate segments of OPE work in many OECD countries outside of South Korea appear to be conspicuously absent from South Korea’s digital marketplace, which is dominated by indigenous platforms that do nearly all their business in South Korea. Efforts to bring more competition, including foreign-based competition, into the South Korean digital marketplace could generate more OPE work opportunities.

South Korea’s labor policymakers should also consider amendments to their innovative DSEC system that bring it more in line with the recommendations of Harris and Krueger. These reforms could boost OPE work by making it more attractive to the currently unemployed, address longstanding deficiencies in the financing of public and private pensions, and boost the low level of unionization in South Korea.

Investment in careful measurement of OPE work and its impact on OPE workers will be important going forward. South Koreans can learn from America’s mistakes as well as its successes.
REFERENCES


