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Dependent Self-Employed Contractors : Evaluating Working Conditions and Employment Insurance Coverage Based on Workers' Compensation Insurance Data

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With the advent of the 4th Industrial Revolution, diversification of employment types has been taking place rapidly, evidenced by those in special types of employment (hereinafter referred to as “dependent self-employed contractors”) and platform workers. Dependent self-employed contractors, similar to wage workers, receive earnings by providing labor services to businesses in order to sustain a living on wages, but are excluded from receiving employment insurance because they are not considered as wage workers.

The need to expand employment insurance coverage to dependent self-employed contractors to ensure stable livelihoods and smooth reemployment had been discussed as a major social agenda from the mid-2000s but had not achieved any legislative success. The Moon Jae-in administration presented extending the national employment insurance program to dependent self-employed contrac-

tors and artists as a major task, and has been preparing for its implementation through setting up “The Task Force for Employment Insurance System Improvement” and “The Employment Insurance Committee.” In addition, as the recent COVID-19 pandemic has further increased social consensus about the need to address the difficulties of vulnerable groups such as dependent self-employed contractors and to eliminate employment insurance blind spots, there are growing calls for providing employment insurance coverage for dependent self-employed contractors through the revision of the Employment Insurance Act. In May 2020, an amendment to the law for putting artists under employment insurance coverage passed the National Assembly (Promulgated on June 9, Scheduled to take effect on Dec 10), and in September 2020, partial amendments to the Employment Insurance Act (Bill No. 3779) and the Act on the Collection of Insurance Premi-

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ums, etc. for Employment Insurance and Workers’ Compensation Insurance (Bill No. 3803) were submitted to the National Assembly as government legislation.

This paper will discuss the main characteristics of dependent self-employed contractors by analyzing the workers’ compensation insurance DB, which is the only data source containing information about the working conditions of dependent self-employed contractors. Also, by examining the survey results on dependent self-employed contractors, this paper will also analyze several additional characteristics related to the eligibility criteria for employment insurance in case it is expanded to include dependent self-employed contractors.

I. Analyzing the Current Status of Dependent Self-Employed Contractors Based on Workers’ Compensation Insurance DB

The expansion of workers’ compensation insurance (WCI) coverage to dependent self-employed contractors has been taking place progressively since 2008, starting with 4 occupational categories including insurance solicitors. In January 2020, the existing category of “ready-mix truck drivers” was expanded to include operators/drivers of all 27 construction vehicles such as dump trucks, excavators, forklifts, etc. In July, 5 additional occupations were added, including door-to-door salespersons, and currently a total of 14 occupational categories are now covered

<Table 1> The Number of Workplaces Covered under WCI and the Number of Eligible Employees (as of the end of August 2020)

(Unit : person)

		No. of workplaces covered under WCI	No. of eligible workers
Total (14 occupational categories)		12,010	607,414
Effective on July 1, 2008	Subtotal	4,860	432,524
	Insurance Solicitors	1,806	351,704
	Home-visit Tutors	625	45,600
	Ready-mix Truck Drivers	1,936	3,158
	Golf Caddies	493	32,062
Effective on May 1, 2012	Subtotal	4,025	54,528
	Parcel Delivery Workers	2,321	24,845
	Quick Delivery Service Couriers	1,704	29,683
Effective on July 1, 2016	Subtotal	269	22,748
	Credit Card Solicitors	8	14,963
	Loan Solicitors	232	7,773
	Designated Drivers	29	12
Effective on January 1, 2019	Operators/Drivers of Construction Vehicles	9	15
Effective on July 1, 2020	Subtotal	2,847	97,599
	Door-to-door Salespersons	1,806	54,886
	Door-to-door Rental Equipment Examiners	12	24,099
	Home Appliance Installers	126	2,365
	Cargo Truck Owners	903	16,249

Note : The count of the expanded occupational category of “operators/drivers of construction vehicles” is incomplete due to the change in classification.
 Source : Workers’ Compensation Insurance DB, Korea Workers’ Compensation & Welfare Service.

by WCI. As of August 2020, a total of 607,000 workers in 12,000 different workplaces are legally eligible for WCI.

In terms of the proportion of workers by workplace size, nearly half of the workers (47%) belong to large-scale workplaces with 1,000 or more employees, and 13.9% belong to workplaces with less than 5 employees. However, significant variations by occupational category are observed; the proportion of dependent self-employed contractors belonging to large workplaces is higher and noteworthy. This is mainly because 56.7% of insurance solicitors (taking up the largest portion of workers) belong to large-scale workplaces, and such a high percentage is also observed for credit card solicitors (95%) and door-to-door rental equipment examiners (89%). A high propor-

tion of workers belonging to large-scale workplaces is also evident among home-visit tutors (71.4%). On the other hand, 51.7% and 51.8% of parcel delivery workers and door-to-door salespersons, respectively, belong to small workplaces with less than 5 employees. A similar pattern is seen among cargo truck owners and home appliance installers, with 45.7% and 33.4% of them belonging to small-scale workplaces, respectively.

By gender, females account for 64.9% of all dependent self-employed contractors, almost twice that of males. By age, those in their 40s and 50s take up the highest shares, at 31.4% and 30.2%, respectively, and those in their 20s take up 7.5%. Of the total of 607,000 dependent self-employed contractors, women in their 40s and 50s account

<Table 2> Number of Workers by Size of Workplace

(Unit : person, %)

Type	Total	Less than 5 persons	5~29 persons	30~99 persons	100~499 persons	500~999 persons	1,000 persons or more
Insurance Solicitors	351,704 (57.9)	19,298 (5.5)	13,733 (3.9)	22,651 (6.4)	53,160 (15.1)	43,377 (12.3)	199,485 (56.7)
Home-visit Tutors	45,600 (7.5)	4,381 (9.6)	1,539 (3.4)	1,019 (2.2)	3,670 (8.0)	2,447 (5.4)	32,544 (71.4)
Golf Caddies	32,062 (5.3)	2,136 (6.7)	6,719 (21.0)	18,108 (56.5)	4,783 (14.9)	11 (0.0)	305 (1.0)
Operators/Drivers of Construction Vehicles	3,173 (0.5)	182 (5.7)	2,416 (76.1)	575 (18.1)	- (0.0)	- (0.0)	- (0.0)
Parcel Delivery Workers	24,845 (4.1)	12,836 (51.7)	6,430 (25.9)	995 (4.0)	349 (1.4)	489 (2.0)	3,746 (15.1)
Quick Delivery Service Couriers	29,683 (4.9)	7,658 (25.8)	5,013 (16.9)	2,047 (6.9)	13,302 (44.8)	1,663 (5.6)	- (0.0)
Designated Drivers	12 (0.0)	11 (91.7)	1 (8.3)	- (0.0)	- (0.0)	- (0.0)	- (0.0)
Loan Solicitors	7,773 (1.3)	1,298 (16.7)	897 (11.5)	511 (6.6)	1,818 (23.4)	1,478 (19.0)	1,771 (22.8)
Credit Card Solicitors	14,963 (2.5)	1 (0.0)	- (0.0)	- (0.0)	647 (4.3)	51 (0.3)	14,264 (95.3)
Door-to-door Salespersons	54,886 (9.0)	28,444 (51.8)	3,749 (6.8)	784 (1.4)	3,857 (7.0)	6,206 (11.3)	11,846 (21.6)
Door-to-door Rental Equipment Examiners	24,099 (4.0)	63 (0.3)	3 (0.0)	- (0.0)	2,526 (10.5)	- (0.0)	21,507 (89.2)
Home Appliance Installers	2,365 (0.4)	790 (33.4)	489 (20.7)	173 (7.3)	856 (36.2)	- (0.0)	57 (2.4)
Cargo Truck Owners	16,249 (2.7)	7,423 (45.7)	6,525 (40.2)	1,132 (7.0)	893 (5.5)	276 (1.7)	- (0.0)
Total	607,417 (100)	84,524 (13.9)	47,514 (7.8)	47,995 (7.9)	85,861 (14.1)	55,998 (9.2)	285,525 (47.0)
Employment Insurance Insured Employees	(100)	(16.0)	(27.5)	(15.8)	(16.6)	(6.4)	(17.8)

Source : Workers' Compensation Insurance DB, Korea Workers' Compensation & Welfare Service. Employment Insurance DB, Korea Employment Information Service.

<Table 3> Statistics by Gender and Age

(Unit : person, %)

Type	Total	Under 20	Ages 20-29	Ages 30-39	Ages 40-49	Ages 50-59	60 or Older
Men	207,477 (34.2) (56.5)	1,030 (0.5) (0.5)	26,986 (13.0) (13.9)	49,260 (23.7) (25.4)	59,595 (28.7) (26.2)	49,175 (23.7) (20.7)	21,431 (10.3) (13.3)
Women	394,403 (64.9) (43.5)	249 (0.1) (0.7)	18,074 (4.6) (20.2)	59,299 (15.0) (21.9)	129,688 (32.9) (23.2)	133,444 (33.8) (21.6)	53,649 (13.6) (12.6)
Foreigners, etc.	5,534 (0.9)	2 (0.0)	513 (9.3)	2,547 (46.0)	1,480 (26.7)	821 (14.8)	171 (3.1)
Total	607,414 (100.0) (100.0)	1,281 (0.2) (0.6)	45,573 (7.5) (16.6)	111,106 (18.3) (23.8)	190,763 (31.4) (24.9)	183,440 (30.2) (21.1)	75,251 (12.4) (13.0)

Note : Numbers in blue indicate the share of employees insured under employment insurance by gender and age for the purpose of comparison.
 Source : Workers' Compensation Insurance DB, Korea Workers' Compensation & Welfare Service. Employment Insurance DB, Korea Employment Information Service.

for 43% at 262,000. In contrast to dependent self-employed contractors, employees insured under employment insurance have a larger proportion of men at 56.5%, and, by age, those in their 30s and 40s account for the highest percentages. Among women, dependent self-employed contractors have a high proportion of those in their 40s to 50s, while employees insured under employment insurance are quite evenly distributed from the 20s to the 50s.

II. Dependent Self-Employed Contractor: Hires, Separations and Seniority

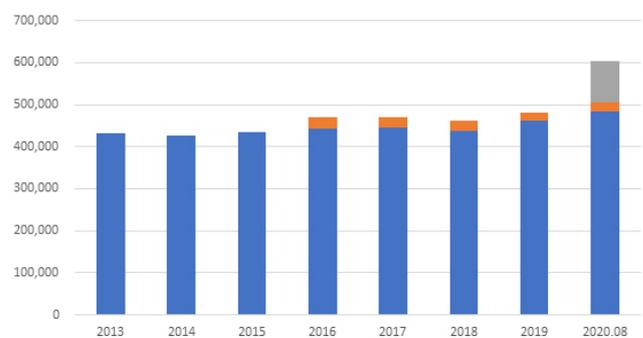
In accordance with the Workers' Compensation Insurance Act, a business owner must report to Korea Workers' Compensation & Welfare Service by the 15th of the following month if he begins or ceases to receive labor service from a dependent self-employed contractor. In other words, the business owner reports hires and separations (or severance from employment) to the Service regardless of the fact that the contractor has filed a request for exclusion from the application of the Act. The total number of dependent self-employed contractors in the WCI DB increased with the addition of new occupational categories. Overall, the average number of hires increased by 4.4% annually, but by occupational category, the number of

hires in home-visit tutors, credit card solicitors, and loan solicitors decreased by 3.9%, 4.5%, and 0.9%, respectively. In the case of quick delivery service couriers and parcel delivery workers, it went up by 27.6% and 9.1%, respectively. As for insurance solicitors, taking up the largest share of dependent self-employed contractors, the number of hires rose by 0.7%.

The average monthly separation rate for dependent self-employed contractors in 2019 was 3.3% when derived by using the number of registered workers at the end of the month and the number of workers who reported separation (number of cases) in a month. The yearly separation rate was 26.0%, using the number of registered workers

[Figure 1] Annual Trend in Total Hires (2013~Aug. 2020)

(Unit : person)



Note : Bars in orange indicate hires since 2016. Bars in gray refer to hires since 2020 with the newly added occupational categories. Excludes the number of operators/drivers of construction vehicles.
 Source : Workers' Compensation Insurance DB, Korea Workers' Compensation & Welfare Service.

in a year (excluding redundancy) and those who reported separation in a year (excluding redundancy).¹⁾ In the same way, the average monthly and yearly separation rates in 2019 for insured employees were calculated using the employment insurance data. The average monthly separation rate was 4.2%, and the average yearly separation rate was

32.3%, both of which were slightly higher than those of dependent self-employed contractors. Meanwhile, given that the Workplace Labor Force Survey derives the average of the monthly separation rates for one year instead of calculating the yearly separation rate, it is desirable to use the monthly separation rate data when comparing with the

<Table 4> Average Annual Fluctuations in the Number of Hires

(Unit : %)

Total	Insurance Solicitors	Home-visit Tutors	Golf Caddies	Parcel Delivery Workers	Quick Delivery Service Couriers	Loan Solicitors	Credit Card Solicitors
4.4	0.7	-3.9	3.9	9.1	27.6	-0.9	-4.5

* 2013~2019: insurance solicitors, home-visit tutors, golf caddies, parcel delivery workers, quick delivery service couriers.

* 2016~2019: loan solicitors, credit card solicitors.

**Operators/drivers of construction vehicles" is excluded due to the change in classification.

Source : Workers' Compensation Insurance DB, Korea Workers' Compensation & Welfare Service.

<Table 5> Number of Separated Workers and Separation Rate Based on 2019 WCI DB

	No. of Registered Workers (A)	No. of Separated Workers (B)	B/A
January 2019	469,434	16,029	3.4%
February 2019	469,918	14,084	3.0%
March 2019	469,814	15,827	3.4%
April 2019	469,348	14,965	3.2%
May 2019	470,689	15,008	3.2%
June 2019	472,661	15,423	3.3%
July 2019	474,681	15,281	3.2%
August 2019	476,213	14,340	3.0%
September 2019	478,553	14,710	3.1%
October 2019	480,864	16,412	3.4%
November 2019	484,986	16,785	3.5%
December 2019	486,295	19,417	4.0%
January ~ December 2019: Average			3.3%
January ~ December 2019: Accumulated	657,159 (excludes redundancy)	170,864 (excludes redundancy)	26.0%

$$\text{* Monthly separation rate} = \frac{\text{Number of workers who reported separation (number of cases) in a month}}{\text{number of registered workers at the end of the month}} \times 100$$

$$\text{** Yearly separation rate} = \frac{\text{Number of workers who reported separation from Jan ~ Dec (after removing redundancy, 170,864 persons)}}{\text{number of net registered workers from Jan ~ Dec (after removing redundancy, 657,154 persons)}} \times 100$$

Source : Workers' Compensation Insurance DB, Korea Workers' Compensation & Welfare Service.

1) If the average yearly separation rate is computed using the number of reported separations, the rate will be higher due to the cases where one person is separated several times. The criteria for computing the separation rate will depend on the purpose. For example, if the general labor turnover needs to be identified, the total number of separations can be used, and if the number of recipients after expanding employment insurance needs to be estimated, it would be more useful to use the number of separated persons excluding redundancy.

<Table 6> Number of Employees Who Lost Insured Status under Employment Insurance and Separation (Severance) Rate in 2019

	No. of Insured Employees (A)	No. of Those Who Lost Insured Status (B)	B/A
January 2019	13,308,481	902,660	6.8%
February 2019	13,423,805	457,846	3.4%
March 2019	13,504,641	701,707	5.2%
April 2019	13,611,905	554,067	4.1%
May 2019	13,665,263	513,435	3.8%
June 2019	13,687,202	502,273	3.7%
July 2019	13,722,199	612,611	4.5%
August 2019	13,756,837	511,659	3.7%
September 2019	13,791,087	491,083	3.6%
October 2019	13,866,205	498,766	3.6%
November 2019	13,904,622	514,232	3.7%
December 2019	13,840,893	539,188	3.9%
January ~ December 2019: Average			4.2%
January ~ December 2019: Accumulated	16,088,893 (excludes redundancy)	5,204,568 (excludes redundancy)	32.3%

* Monthly separation rate =
$$\frac{\text{Number of workers who lost his/her insured status (number of cases) in a month}}{\text{Number of insured employees at the end of the month}} \times 100$$

** Yearly separation rate =
$$\frac{\text{Number of workers who lost his/her insured status from Jan ~ Dec (after removing redundancy, 5,204,568 persons)}}{\text{Number of net insured employees from Jan ~Dec (after removing redundancy, 16,088,893 persons)}} \times 100$$

Source : Workers' Compensation Insurance DB, Korea Workers' Compensation & Welfare Service.

Workplace Labor Force Survey data. The reason for the lack of yearly separation rate is that the Workplace Labor Force Survey is designed to collect aggregate data on workplaces with one or more workers and unable to eliminate redundancy even if a number of separations may be redundant in a year. Anyway, the average monthly separation rate based on the 2019 Workplace Labor Force Survey was 4.7%. The higher average monthly separation rate for all workers in the Workplace Labor Force Survey is attributable to the high separation rate of temporary daily hire employees. The average monthly separation rate of temporary daily hire employees stands at a whopping 25.3% while that of permanent employees is 2.4%.

Meanwhile, of the total of 188,000 cases of loss of insured status, those of workers having seniority of less than

a year accounted for the highest share at 57.7%, according to the 2019 WCI data. Also, about one-fifth of the total left their jobs within three months. Only 15% of the cases had seniority of 3 years or more. Among the employment insurance policyholders who are employed in occupational categories²⁾ similar to those protected by WCI coverage, 59.4% of those who lost their insured status (number of cases) had seniority of less than a year, and 13.8% had seniority of more than 3 years, both of which were quite similar to the data of WCI policyholders

Among the various reasons for separation from employment in 2019, 53.4% of separations was due to the contract termination, reflecting the characteristics of dependent self-employed contractors as a whole. Separations due to business suspension or closure accounted for about

2) For employment insurance, the following similar occupational categories were compared: road freight transport (493), transport of parcels (494), activities auxiliary to financial service and insurance activities (66), general private educational institute (855), sports industry (911), retail sale not in stores (479), renting of construction or demolition equipment with operator (426), repair services of personal and household goods (953), retail sale of electrical household appliances and information and communications equipment (473).

<Table 7> Average Seniority of Employees Who Lost Insured Status (No. of Cases) in 2019

(Unit : person, %)

Type	Total	Less than a year		1~2 years	2~3 years	More than 3 years
		Less than 3 months				
Employment insurance (similar occupational categories)	203,203 (100%)	50,463 (24.8%)	120,689 (59.4%)	38,195 (18.8%)	16,214 (8.0%)	28,105 (13.8%)
Workers' compensation insurance	188,281 (100%)	48,092 (25.5%)	108,585 (57.7%)	35,466 (18.8%)	15,914 (8.5%)	28,314 (15.0%)

Note : The above comparison was made on the cases of loss of insured status both in the employment insurance data and the WCI data.

Source : Workers' Compensation Insurance DB, Korea Workers' Compensation & Welfare Service. Employment Insurance DB, Korea Employment Information Service.

<Table 8> Reasons for Separation in 2019 by Occupational Category

(Unit : person, %)

Reasons for Separation	Subtotal	Contract Termination	Business Suspension or Closure	No Exclusiveness	Other Reasons
Insurance Solicitors	110,444 (64.6%)	70,212 (63.6%)	1,006 (0.9%)	(0.0%)	39,226 (35.5%)
Home-visit Tutors	13,174 (7.7%)	4,207 (31.9%)	4,791 (36.4%)	(0.0%)	4,176 (31.7%)
Golf Caddies	9,161 (5.4%)	1,562 (17.1%)	639 (7.0%)	(0.0%)	6,960 (76.0%)
Operators/Drivers of Construction Vehicles	1,523 (0.9%)	364 (23.9%)	49 (3.2%)	(0.0%)	1,110 (72.9%)
Parcel Delivery Workers	2,355 (1.4%)	1,067 (45.3%)	336 (14.3%)	(0.0%)	952 (40.4%)
Quick Delivery Service Couriers	18,638 (10.9%)	8,004 (42.9%)	539 (2.9%)	1,101 (5.9%)	8,994 (48.3%)
Loan Solicitors	3,506 (2.1%)	1,669 (47.6%)	40 (1.1%)	(0.0%)	1,797 (51.3%)
Credit Card Solicitors	12,056 (7.1%)	4,205 (34.9%)	(0.0%)	(0.0%)	7,851 (65.1%)
Total	170,857 (100.0%)	91,290 (53.4%)	7,400 (4.3%)	1,101 (0.6%)	71,066 (41.6%)

Note : Appendix Table 11 of the "Regulations on Application and Handling of Assigned Jobs" of the Korea Workers' Compensation & Welfare Service classifies the reasons for separation as contract termination, business closure/suspension, no exclusiveness (limited to quick delivery service couriers and designated drivers), and other reasons.

Source : Workers' Compensation Insurance DB, Korea Workers' Compensation & Welfare Service.

4.3%. In terms of occupational categories, however, the percentage of separations due to business suspension or closure was very high among home-visit tutors at 36.4%; among parcel delivery workers was also quite high at 14.3%. The largest share of separations due to the contract termination was observed among insurance solicitors at 63.6%. Among golf caddies, the share was relatively small at 17.1%.

III. Expanding Coverage of Employment Insurance

When employment insurance is expanded, it will compute and impose insurance premiums on dependent self-employed contractors on a monthly basis just as it does on wage workers, and in the following year, it will settle insurance premiums based on the report of the aggregated amount of remuneration for the year from the business owner. As for dependent self-employed contrac-

<Table 9> Distribution of Monthly Net Income of Dependent Self-employed Contractors by Occupational Category

	Average (10,000 KRW)	Percentage by Income Bracket (%)		
		Less than 1.795M KRW	1.795M ~ 3.344M KRW	3.344M KRW or more
Insurance Solicitors	251.7	51.5	29.9	18.6
Operators/Drivers of Construction Vehicles	300.1	11.4	53.2	35.4
Home-visit Tutors	143.2	77.9	20.9	1.2
Golf Caddies	257.0	20.3	59.7	20.0
Credit Card Solicitors	203.1	54.1	36.6	9.3
Parcel Delivery Workers	283.3	15.0	57.7	27.3
Quick Delivery Service Couriers	203.8	44.8	46.7	8.5
Loan Solicitors	251.1	42.5	37.2	20.3
Designated Drivers	132.7	80.7	18.2	1.1
Door-to-door Salespersons	252.0	48.4	26.5	25.1
Door-to-door Rental Equipment Examiners	221.2	53.7	27.4	18.9
Home-visit Instructors	164.5	61.2	32.8	6.0
Home Appliance Installers	314.8	8.2	53.6	38.2
Cargo Truck Owners	463.6	1.6	28.0	70.4
Total Average	249.9	44.1	34.4	21.6

Note : The income brackets are divided for the reference purpose according to the 2020 minimum wage and the upper limit of the standard remuneration requirements for job-seeking benefits.

Source : Survey on Earnings (Income) and Expenses of Dependent Self-employed Contractors, Korea Labor Institute (December 2018); Raw data from Survey on Income Level (Standard Income and Average Wage) of Dependent Self-employed Contractors for Public Notification Purposes, Korean Women's Development Institute (June 2020).

tors providing short-term labor service, their monthly insurance premiums will be imposed using the monthly aggregate of the remuneration from different occasions based on the "Report on the Provision of Labor Service (tentatively named)" submitted by the business owner on a monthly basis. The remuneration, used as basis for the computation of insurance premiums, refers to the net income, i.e. the amount calculated by subtracting money and valuables prescribed by Presidential Decree (non-taxable income and expenses) from the amount of business income and other income, as prescribed in the Income Tax Act. If it is difficult to identify income or to calculate the average monthly remuneration (e.g. in the case of new hires), the standard wage as publicly notified by the Minister of Employment and Labor will be applied. Just as in the case of wage workers, if the remuneration of dependent self-employed contractors falls below the minimum amount of the standard wage as prescribed by Presidential

Decree, their insurance premiums will be imposed on the basis of that minimum amount and unemployment benefits will also be provided.

Focusing on dependent self-employed contractors that meet the income and age criteria for being insured under employment insurance, <Table 9> shows their average monthly net income and their numbers in different income brackets by occupational category. The average monthly net income refers to the amount calculated by subtracting the expenses of dependent self-employed contractors (transportation expenses, fuel expenses, expenses for customer gifts, communication expenses, company deductions, etc.) from the average monthly gross earnings (amount before deducting tax or business expenses). The average monthly net income of all dependent self-employed contractors is estimated to be about 2.5M KRW. The occupational categories with relatively higher average monthly net income are cargo truck owners (4.6M KRW),

home appliance installers (3.1M KRW), operators/drivers of construction vehicles (3M KRW), and parcel delivery workers (2.8M KRW). On the other hand, designated drivers (1.3M KRW), home-visit tutors (1.4M KRW), home-visit instructors (1.6M KRW), credit card solicitors (2M KRW), and quick delivery service couriers (2M KRW) had relatively low average monthly net income in the range of 1.32~2.03M KRW.

For an unemployed dependent self-employed contractor to be eligible for job-seeking benefits, he/she should have paid the employment insurance premiums for at least 12 months out of the 24 months before the date of severance from employment, and maintained his/her insured status for at least 3 months as a dependent self-employed contractor. Also, he/she must be unemployed despite the willingness and ability to work or provide labor, the reasons for severance from employment should not fall under the disqualifying conditions such as voluntary separation, and he/she should be actively seeking reemployment. However, given that dependent self-employed contractors are highly likely to experience a significant income drop without causes attributable to them, those severed from

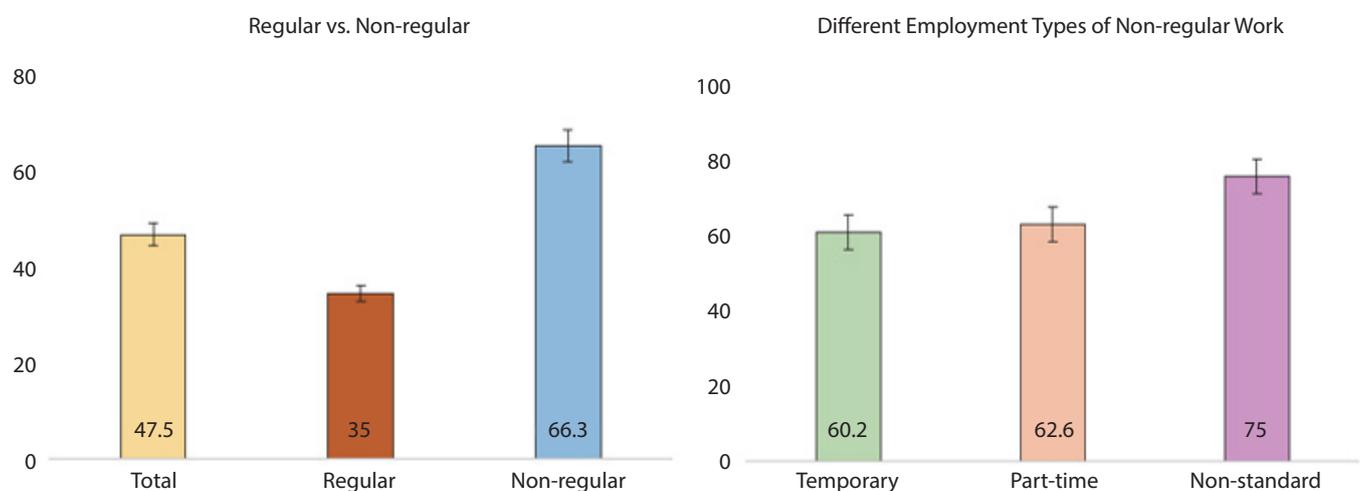
employment due to reduced income are still eligible to receive unemployment benefits if they meet the standards stipulated by the Presidential Decree. Even so, it is difficult to predict the share of dependent self-employed contractors who will receive unemployment benefits at this time, as it has not yet been decided by Presidential Decree what degree of income decline will be recognized as eligible for unemployment benefits.

IV. Implications

Like wage workers, dependent self-employed contractors also experience frequent separations from employment, and the expansion of employment insurance coverage can significantly help them mitigate the impact of unemployment and loss of income. In particular, such a positive impact is likely to be maximized during an economic downturn like the current COVID-19 pandemic, compared to non-crisis times such as 2015~2019.

[Figure 2] shows the percentage of respondents by employment type who said that their income or their family's

[Figure 2] Probability of Income Decrease Due to COVID-19



Note: The graph shows the percentage of respondents whose income and whose family's income decreased since the COVID-19 outbreak, with a 95% confidence interval. Most of the non-regular workers employed in non-standard work are dependent self-employed contractors.

Source: Discriminatory Effects of the COVID-19 Shock by Employment Types, Sunoong Hwang (September 2020); Journal of Korean Industrial Labor, 26(3), 5-34. The raw data are the results of a survey of 1,000 salaried workers conducted by Gapjil 119 in April 2020.

income decreased since the COVID-19 outbreak, according to a survey conducted on 1,000 wage workers in mid-April by a public interest group called Gapjil 119, cited in a paper by Sunoong Hwang (2020).

The non-regular workers employed in non-standard work in this figure do include some temporary agency workers and contract workers, but they are mostly composed of dependent self-employed contractors. By employment type, regular workers account for 35% of them, non-regular workers 66.3%, about twice as high as regular workers. Among non-regular workers, those employed in non-standard work account for 75.0%, part-time workers 62.6%, and temporary workers 60.2%, indicating the income drop probability of those employed in non-standard

work is about 10%p higher than those in other employment types. This is because dependent self-employed contractors often receive payment for their labor provision in the form of fee per case, and their businesses were directly hit by the demand shock due to COVID-19. Unlike other types of workers, dependent self-employed contractors are not covered by employment insurance so the gap between the types of employment in the drop of disposable income will be much larger than the gap in the drop of market income. This implies the urgent need for expanding employment insurance to dependent self-employed contractors as well the importance of the requirement for income reductions.