

Safe Rates: The Means to a Fairer, Safer and More Sustainable Road Transport Industry?

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Economic pressures caused by the concentration of power at the top of extended contracting chains, low-cost tendering practices, and low rates of pay are widespread in the road transport industry globally. These pressures not only have a significant impact on the livelihood and quality of life of truck drivers and their families, but also adversely affect safety for all road users by incentivising drivers to engage in dangerous on-road practices such as driving while fatigued, speeding, and overloading their vehicles. A key question emerges: Who bears the responsibility for addressing these structural problems, which impact road safety, drivers' working conditions and fair payment? And what is the best method for ensuring these actors are held accountable? This working paper seeks to answer these questions, taking as a key reference the Safe Rates system in South Korea and similar systems in other countries.

The fight for Safe Rates in South Korea

In June of this year a national truck drivers' strike rocked the South Korean economy and threatened to disrupt global supply chains. For the eight days from 7 to 14 June thousands of truck drivers – most of them union members, but many also unorganised – converged at logistics hubs around the country to protest and at time block goods transport. The strike all but stopped movement of containers in and out of ports by road while production and distribution of many central commodities including cement, steel, automobiles, auto parts and petrochemicals virtually ground to a halt. According to South Korean government estimates the total impact on the Korean economy was close to KRW 1.6 trillion (USD 1.1 billion).

What made so many Korean truck drivers turn off their motors and take to the streets? First and foremost, they were driven to strike action by dire economic conditions resulting from increased costs of living and skyrocketing fuel prices. Close to one hundred percent of Korean truck drivers are dependent contractors (owner operators) who must cover all the costs associated with purchasing, maintaining, and operating their vehicles themselves, and who are excluded from minimum wage coverage and protection under trade union law. This is although the conditions they work under are highly controlled, immediately by the transport companies with which they contract and ultimately by the economic employers at the top of road transport supply chains who benefit from their work.

More importantly, however, Korean truck drivers were striking to defend and strengthen Safe Rates, a legal system passed into law in 2018, which remedies many of the problems mentioned above for some truck drivers by setting minimum standards for pay and conditions through legally binding social dialogue.

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The Safe Trucking Freight Rates or ‘Safe Rates’ system, which currently covers only drivers transporting import-export containers and bulk cement (roughly 6.5% of the market), is set to expire at the end of 2022. Striking truck drivers demanded a promise from the newly elected conservative Yoon Seok Yeol³ government to make the system permanent and expand its coverage to more sectors. Truck drivers’ union, the Korean Public Service and Transport Workers’ Union Cargo Truckers’ Solidarity Division (KPTU-TruckSol) eventually won a commitment to continue the system and discuss its expansion from the Minister of Land, Infrastructure and Transport in an agreement reached on June 14. However, whether this agreement will lead to actual passage of the legislation needed to make the system permanent is a question yet to be answered.

Below we explain the Safe Rates system Korean truck drivers are fighting to defend, and other similar systems that exist in several countries globally. We provide a brief definition of Safe Rates before reviewing research that supports the introduction of Safe Rates systems. We then explain the system’s main principles examining how these are implemented in Korea and other countries. We conclude with a discussion of the impact of existing Safe Rates systems on safety and industry structure and the implication of Safe Rates for road transport globally.

What are Safe Rates?

A concept first developed in Australia, ‘Safe Rates’ or ‘Safe Rates system’ refers to a legal regulatory system through which minimum standards for rates of pay and related working conditions for road transport drivers are set with the goal of eradicating pressures on them to engage in dangerous on-road behaviours. Importantly, Safe Rates systems legally obligate the companies at the top of road transport supply chains to ensure compliance with these standards. In the international labour movement, these companies are often referred to as ‘economic employers’⁴ because their economic position in the contracting chain gives them power to control the conditions of work, even though they do not employ road transport workers directly. ‘Safe rates’ (lower case) also refers to the actual minimum pay rates agreed to be fair and safe. The South Korean Trucking Transport Business Act defines ‘safe rates’ as “the minimum freight rates necessary to ensure traffic safety by preventing overwork, speeding, and overloading...” ([ROK Trucking Transport Business Act, 2021](#), Article 2 (Definitions), 13).

Evidence supporting Safe Rates

The introduction of Safe Rates systems, which now exist in different forms in several countries including South Korea, Australia, Canada and Brazil, is supported by years of work by academics and experts to analyse the structural problems in the road freight industry (Golob, 1996; Mayhew, Quinlan and Ferris, 1997; Monaco and Williams, 2000; Quinlan, 2001; Mayhew and Quinlan, 2006; Quinlan and Write, 2008; National Transport Commission, 2008). This research finds that economic pressures that begin with the outsourcing, tendering and contracting practices of economic employers are passed down through transport companies to the drivers that they either employ or contract with in the form of low rates of pay and high work intensity, leading drivers to speed, overload their vehicles, or drive while fatigued in order to make ends

³ Yoon Suk Yeol has been the president of South Korea since May 2022. He is a member of the conservative People’s Power Party.

⁴ Depending on the legal and industrial context, the term ‘economic employer’ can include companies considered to be ‘cargo owners’, ‘clients’, ‘consigner/consignees’, ‘transport buyers’ and even multinational logistics companies, if they are the ones who control freight rates, scheduling, and other conditions.

meet. The result is an increased likelihood of truck crashes, making road transport one of the deadliest industries worldwide.

This analysis is summarised in the diagram below:

Figure 1: Structural Economic Pressures in the Road Transport Industry

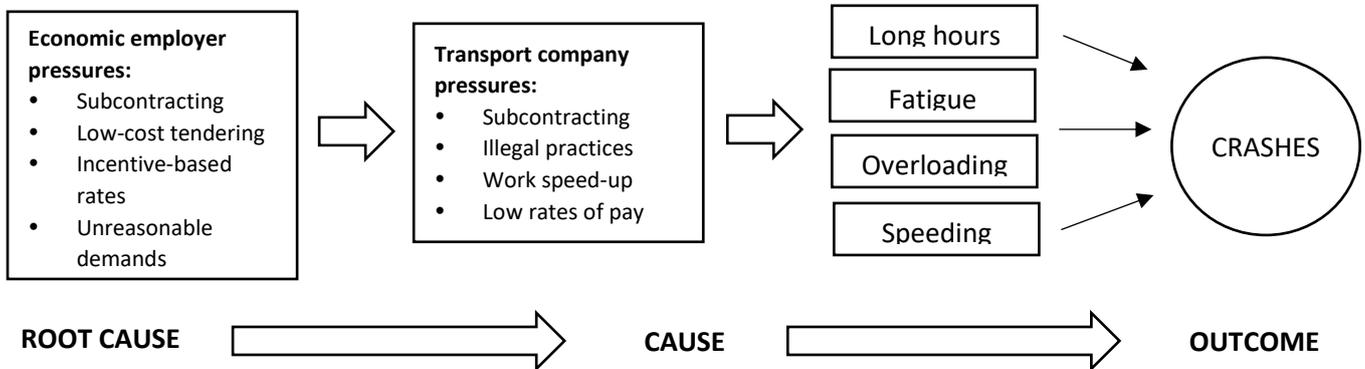


Diagram reconfigured from Australian National Transport Commission, 2008.

This analysis suggests that setting minimum pay rates and obligating economic employers to ensure that they can be paid is an important part of remedying the structural problems in the industry that lead to truck crashes. Over two decades of research from Australia, the United States and (more recently) South Korea demonstrate a close link between pay and accident rates (Belzer, Rodríguez and Sedo, 2002; Rodríguez, Rocha and Kattak, 2003; Rodríguez, Targa and Belzer, 2006; Thompson and Stevenson, 2014; Lee and Kim, 2017; Belzer, 2018; Belzer and Sedo, 2018; Faulkner and Belzer, 2019; Ju and Belzer, 2021; Baek, 2021). These studies find a clear correlation between an increase in driver pay and a decrease in the likelihood a driver will be involved in a crash.

Significantly, Belzer and Sedo (2018) demonstrate that drivers will increase their working hours until they achieve target earnings and then voluntarily reduce their working time, trading earnings above the target for the chance to spend more time with their families and on leisure activities. The experiences of South Korean truck drivers who have benefitted from the Safe Rates system confirm these results. During a visit by an international delegation of union representatives and experts to the Daesan Petrochemical Complex in Northern Chungcheong Province, unionised drivers told delegation members that they now worked eight hours a day and rested on weekends, while spending more time with their children and taking up hobbies such as fishing and paragliding.⁵

In addition to inspiring the introduction of Safe Rates systems in several countries, the research outlined above was an important basis for the adoption of the *Guidelines on the Promotion of Decent Work and Road Safety in the Transport Sector* by the International Labour Organisation (ILO) in 2019. These *Guidelines* recognise that, "Pressure from supply chain entities can be an underlying cause of transport workers adopting riskier and unsafe driving practices" (para 29) and recommend as a solution that governments introduce and economic employers, transport companies and unions comply, with systems for 'sustainable payments' (para 76). The sustainable payments provisions of the *Guidelines* outline the main principles of Safe Rates systems, which we discuss in detail below.

⁵ Information about the international delegation can be found at [International Transport Workers Federation, "Make Safe Rates laws permanent unions and academics tell South Korean lawmakers,"](#) 29 September 2022.

Safe Rates: Main principles

1. Rational calculation of pay rates

The first principle that must be upheld in a Safe Rates system is an objective and rational basis for the calculation of rates of pay. Research shows that drivers who are paid for all the time they work including subsidiary activities like loading and unloading and waiting time, voluntarily reduce their working hours, leading to less fatigue, a main cause of accidents (Kudo, Takahiko and Belzer, 2019). Thus, 'payment for all working time' is an important principle laid out in the *ILO Guidelines* (paras 76e and 81). In the case that drivers own their own vehicles, rates of pay must be calculated to allow them to cover all the fixed and variable costs associated with operating a truck, as well as compensating them for their labour fairly (para 76a-b). The South Korean Safe Rates system and similar systems in other countries involve the use of a sophisticated cost model based on a survey of actual costs associated with operating a truck.

The principle of cost recovery is as important to transport companies as it is to drivers; the freight rates transport companies they receive from economic employers must be enough to enable them to compensate drivers at or above the legal minimum without going out of business.

2. Legally binding multi-stakeholder social dialogue

The second principle underlying Safe Rates systems is robust use of multi-stakeholder social dialogue to set minimum standards. Importantly, in addition to government, (transport company) employer, and union participation, economic employers should be involved in the process of dialogue to ensure they take responsibility for complying with its outcomes. The results of this social dialogue are published in law, establishing enforceable minimum standards.

The *ILO Guidelines* call on government to consult with social partners and economic employers (referred to as 'road transport chain entities' or 'transport buyers'), when establishing rate-setting mechanisms (para 76). In South Korea, minimum safe rates and related conditions are set through social dialogue in a Committee on Safe Freight Rates for Trucks (Safe Rates Committee), which is composed of three representatives of truck drivers (KPTU-TruckSol), three representatives of transport company associations, three representatives of economic employer associations, and four experts appointed by the government. The standards set through the Safe Rates Committee are then published in law by the Ministry of Land, Infrastructure and Transport.

In the Australian state of New South Wales, Chapter 6 of the [Industrial Relations Act, 1997](#) establishes a Safe Rates system, in which legally binding standards for pay and working conditions are set through instruments called contract determinations. The content of contract determinations can be set through negotiations and agreement among stakeholders, but the process goes to binding arbitration in the case an agreement cannot be reached.

3. Obligations on economic employers

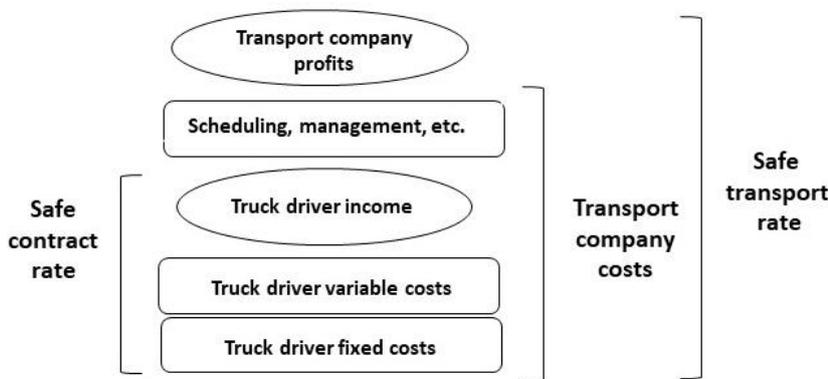
The third principle is that economic employers are legally obligated to manage their supply chains in a way that ensures that drivers can be compensated at or above the established safe rate. The way this is done varies from countries to country. The *ILO Guidelines* calls for enforcement measures based on 'chain of responsibility principles' (para 82). The chain of responsibility obligates each party in the road transport chain, including economic employers, to take rational measures to "increase safety and reduce the risk of injury to persons involved in the supply chain and to the general public" including through "contractual practices that deter unsafe driving practices" (paras 178-179).

The Australian Safe Rates model supported by unions enacts this principle by making economic employers ensure that all contracts at all steps in their supply chains compensate the transport task performed at a price and in a manner that makes it possible for the road transport driver ultimately

responsible for the carriage of freight to be paid in accordance with the set legal minimums. Although not yet fully realised in law, this type of chain of responsibility aims to incentivise economic employers to police their own supply chains and ultimately cancel contracts with bad actors to avoid being penalised themselves.⁶

The South Korean system makes economic employers accountable by setting minimum standards for the rates economic employers pay to transport companies (called ‘safe transport rates’) in addition to the minimum standards for the rates paid by transport companies to owner-operator truck drivers (called ‘safe contract rates’). Both rates are calculated based on the principle of cost recovery described above and agreed to through social dialogue, with the goal of ensuring that transport companies have the margin necessary to pay drivers fairly and safely. Effectively, the system defines a ‘safe and fair price for transport’.

Figure 2: South Rates Model



Authors' illustration.

Putting a monetary figure on what constitutes a ‘safe’ or ‘fair’ freight rate may not seem feasible in some countries due to competition rules. However, the idea that economic employer should be held responsible for drivers’ pay and conditions by virtue of their contracting relationships is not without precedent. In Europe, for example, [Directive 2014/67/EU](#) on the enforcement of the posting of workers directive (97/71/EC) enables member states to make it legally possible to hold the direct client of a transport company to which a driver is employed liable for outstanding remuneration based on the minimum rates of pay and social contributions owed by the employer (Article 12-1). Direct clients can also be legally sanctioned when workers have difficulty obtaining their rights (Article 12-6). This directive has been transposed in some countries such as Germany and the Netherlands to allow workers to sue up to the company at the top of the contracting chain through what is called ‘chain liability’.⁷ Moreover, the newly introduced posting of drivers directive provides for the possibility to sanction consignors, freight forwarders,

⁶ The [Australian Road Safety and Remuneration Act \(2012\)](#) established a Road Safety Remuneration Tribunal empowered to make binding orders on all road transport supply chain parties (S27). Unions were pursuing an application for an order which would have regulated contract relationships in road transport supply chains in the manner described above. Regrettably, the RSRT was abolished as the result of a political campaign by a conservative government in 2016 before such an order could be made. Precedents exist, however in the textile sector in Australia, and in the State of New South Wales, where a Safe Rates system has been in force since 1979.

⁷ See [Netherlands Civil Code, Book 7](#), Article 616a-3. For a discussion on the German chain liability model see Bogoeski, 2016. Joint liability laws in contracting chains have existed in Italy, the Netherlands, Belgium, Finland, and France since the 1960s and 1970s and in Spain, Austria, and Germany since the 1980s and 1990s.

contractors and subcontractors for non-compliance with national provisions pursuant to this directive ([Directive \(EU\) 2020/1057](#), Article 5), including minimum wage provisions. [EU Regulation 561/2006](#), Article 10, in force since 2006, stipulates that clients can be made responsible for compliance with driving and rest time regulations. Chain liability provisions are also part of the debate on the proposed Corporate Sustainability Due Diligence Directive (Paccès, 2022).

In Belgium, the [Law on the Carriage of Goods by Road, 2013](#), Article 12 makes it possible to punish a company contracting for road transport services if the contract offered or concluded is done so at an ‘unjustifiably low price’. An unjustifiably low price is defined as a price insufficient to allow for recovery of vehicle, tyre, fuel and maintenance costs, costs arising from legal obligations (including labour costs), and costs related to management tasks. The law essentially outlines a cost recovery model like the one used in South Korea and other countries, although it does not include a system for assigning an actual price. Guideline freight rates are available from industry associations in Belgium, however. Government bodies in France, Japan, and some states in Australia provide guidelines rates as well.

4. Robust monitoring and enforcement

As a final principle, Safe Rates systems must have strong mechanisms for monitoring and enforcement to make them effective. As stated above, according to the *ILO Guidelines*, monitoring and enforcement must target all parties in the contracting chain, in addition to direct employers, and should include penalty provisions (para 165). In addition, enforcement bodies should be well resourced (para 157).

In South Korea, truck drivers and transport companies can make complaints about violations of the legal safe rates through safe rates complaint centres established through law. However, the system for monitoring and enforcement is still relatively weak. In the Port of Vancouver in British Columbia, Canada, where a Safe Rates system has been developing since 2005, an independent body called the Office of the British Columbia Container Trucking Commission (OBCCTC) conducts regular and assertive inspections and audits. Heavy penalties are imposed on companies that violate established rates, including the cancellation of the licence a company must obtain to operate at the port in some instances. The results of audits and enacted penalties are publicised to discourage further infringements ([OBCCTC, 2022](#)).

In New South Wales, Australia, monitoring and enforcement are supported by strong legal provisions on transparency, which require contractors to maintain for seven years detailed documentation on pay rates, schedules, and other information. The law also grants worker-appointed union delegates the right to access managers to discuss matters affecting the workers they represent, affectively securing the role of unions in the process of monitoring compliance ([NSW Industrial Relations Commission, 2017](#)).

Impact of Safe Rates systems on road safety and industry structure

In many cases current Safe Rates systems have come into force only in recent years.⁸ Given the relatively brief time that these systems have been in existence, it is difficult to obtain sufficient data to fully evaluate their impact. The situation is different, however, in New South Wales, where a Safe Rates system, currently regulated under Chapter 6 of the New South Wales Industrial Relations Act, 1997 has been in place since

⁸ As stated above, legislation creating the system in South Korea passed the National Assembly in 2018, but minimum safe rates standards only went into effect in 2020. Similarly, the Minimum Freight Floors system in Brazil was legislated in 2018 and came into effect in 2019. While the minimum rates system in the Port of Vancouver was introduced in 2005, it has only had a robust system of enforcement since 2015. In Australia, legislation passed in 2012 created the Road Safety Remuneration Tribunal, an independent body with a mandate to consult stakeholders and set standards for road transport drivers’ pay rates and conditions, however an order setting minimum safe rates was only published in 2016, the same year the national system was abolished.

1979. Using a straightforward regression model, Peetz (2022) has demonstrated an overall decline in the proportion of fatal vehicle crashes involving articulated trucks in New South Wales where these vehicles are covered by safe rates (-5.0 %), over the years from 1989 to 2021. The proportion of fatal vehicle crashes involving articulated trucks in the rest of Australia, where these vehicles are not covered by safe rates, has remained roughly the same during the same period.

Peetz also shows that of fatal crashes involving articulated vehicles nationally the proportion accounted for by New South Wales declined dramatically during the period in question, while for fatal crashes involving other vehicles, the proportion accounted for by New South Wales declined only slightly. He estimates that the New South Wales Safe Rates system allowed the state to avoid 171 fatal truck crashes involving articulated vehicles, saving 205 lives during the period studied.

In South Korea, the short period during which Safe Rates has been in effect and the lack of disaggregated data on truck crashes make it impossible to accurately analyse the impact on crash frequency at this point. However, preliminary research shows a marked impact on on-road problems that are known causes of accidents such as overloading, speeding, long working hours, and fatigue. Baek (2021) has found that truck drivers' average monthly working time decreased by 9.0% and fatigue by 4.8%, while average daily sleep time increase by 4.7% in the first 20 months after safe rates went into effect. The number of drivers with experience speeding and overloading also decreased by 39.1% and 61.7% respectively. While there is some discrepancy, research commissioned by the South Korean government to evaluate the first two years of the implementation of Safe Rates confirms a marked decrease in working hours and a general evaluation among drivers that road safety had improved (KOTI, 2022).

Both studies also find a significant decrease in the use of low-cost tendering in the award of contracts and a reduction in the number of steps in contracting chains in the sectors covered by Safe Rates, demonstrating a remarkable improvement in market structure from the perspective of fair competition. Notably, Lee and Kim (2017) find that crash frequency increased by 30.78% for every additional contracting step in a road transport supply chain.

Global Significance

Although more research is needed, it is already clear from the results summarised above that Safe Rates systems are having a positive impact on road safety and industry structure in the countries where they have been introduced. However, how globally applicable is Safe Rates, given the differences in road transport industry structure and the legal and regulatory frameworks in different countries?

Ultimately, whether Safe Rates has a practical application in a given national context is something that the government and industry stakeholders in that country must decide together. However, it is important to note that while road transport is organised differently in every country, there are strong global patterns. Throughout the world road freight transport is characterised by extended contracting chains, low-cost tendering practices, intense competitive practices, and poor health and safety outcomes. Solutions that address these structural problems are needed – everywhere.

One important lesson can be drawn from the focus Safe Rates puts on economic employers' responsibility to ensure that their contracting practices and the contracting practices of their transport suppliers allow for fair and safe pay and conditions for drivers. This emphasis means that Safe Rates calls on economic employers to do their part in creating a fairer, safer, and more sustainable road transport industry. Conscientious road transport employers have an interest in aligning with unions in calling on powerful economic employers to take responsibility for paying a fair price for transport and for making their supply chains compliant with basic labour and safety standards, including by using their economic power to force bad transport company actors out of the market. Similarly, economic employers that are serious about their commitments to labour rights, safety, and sustainability should be able to support the introduction of

regulatory systems that hold their competitors to equal standards, and to cooperate with unions and other stakeholders to enforce those standards in their own supply chains. This would be a marked improvement from the poor standards, poor enforcement, and use by economic employers of ineffective private auditing companies that is common practice today.

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