

# Employment by status in employment

## Introduction

This indicator provides information on how jobs held by persons are classified based on the associated type of economic risk and the type of authority of job incumbents over establishments and other workers.

ILOSTAT contains statistics from national sources on employment by status in employment, also disaggregated by sex, available using both aggregate and detailed categories of status in employment. ILOSTAT also includes ILO estimates of employment by status in employment by sex, which contain both nationally reported and imputed data, and where all estimates are national, meaning there are no geographic limitations in coverage.<sup>1</sup>

## Concepts and definitions

Employment comprises all persons of working age who during a specified brief period, such as one week or one day, were in the following categories: a) paid employment (whether at work or with a job but not at work); or b) self-employment (whether at work or with an enterprise but not at work).<sup>2</sup>

The working-age population is the population above the legal working age, but for statistical purposes it comprises all persons above a specified minimum age threshold for which an inquiry on economic activity is made. To favour international comparability, the working-age population is often defined as all persons aged 15 and older, but this may vary from country to country based on national laws and practices (some countries also use an upper age limit).

The classification by status in employment refers to inherent characteristics of the jobs held by the employed population. Jobs can be classified with respect to the type of explicit or implicit contract of employment the person has with other persons or organizations. The basic criteria used to define the groups of the classification are the type of economic risk and the type of authority over establishments and other workers which the job incumbents have or will have.

Data presented by status in employment is based on the 1993 International Classification of Status in Employment (ICSE-93). The ICSE-93 classifies jobs into five main categories, which can be grouped under two main types of jobs: paid employment jobs (employees) and self-employment jobs (employers, own-account workers, contributing family workers and members of producers' cooperatives). A sixth category is reserved for workers not classifiable by status.<sup>3</sup>

Employees are all those workers who hold the type of jobs defined as “paid employment jobs”, where the incumbents hold explicit (written or oral) or implicit employment contracts that give them a basic remuneration that is not directly dependent upon the revenue of the unit for which they work. Employers are those workers who, working on their own account or with one or a few partners, hold the type of jobs defined as a “self-employment jobs” (i.e. jobs where the remuneration is directly dependent upon the profits derived from the goods and services produced), and, in this capacity, have

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<sup>1</sup> For further information on the methodology used to produce harmonized estimates, see Bourmpoula, V., Kapsos, S. and Pasteels, J.M.: “ILO labour force estimates and projections: 1990-2050 (2015 edition)” (ILO, Geneva, 2015). <http://www.ilo.org/ilostat-files/Documents/LFEP%20Methodology%202015.pdf>

<sup>2</sup> Resolution concerning statistics of work, employment and labour underutilization, adopted by the 19<sup>th</sup> International Conference of Labour Statisticians, Geneva, October 2013; [http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS\\_230304/lang-en/index.htm](http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS_230304/lang-en/index.htm)

<sup>3</sup> Resolution concerning the International Classification of Status in Employment (ICSE), adopted by the 15<sup>th</sup> International Conference of Labour Statisticians, Geneva, January 1993; [http://www.ilo.ch/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS\\_087562/lang-en/index.htm](http://www.ilo.ch/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS_087562/lang-en/index.htm)

engaged, on a continuous basis, one or more persons to work for them as employee(s). Own-account workers are those workers who, working on their own account or with one or more partners, hold the type of jobs defined as a “self-employment jobs”, and have not engaged on a continuous basis any employees to work for them. Members of producers’ cooperatives are workers who hold “self-employment jobs” in a cooperative producing goods and services. Contributing family workers are those workers who hold “self-employment jobs” as own-account workers in a market-oriented establishment operated by a related person living in the same household.

Statistics on employment by status in employment are presented in ILOSTAT according to both the categories of the ICSE-93 and the two major groups abovementioned (employees and the self-employed).

It is worth noting that the ICSE-93 is expected to be revised in the near future, in accordance with the changes introduced by the resolution adopted by the 19<sup>th</sup> International Conference of Labour Statisticians in 2013.

### **Recommended sources**

Labour force surveys are typically the preferred source of information on employment by status in employment. Such surveys can be designed to cover virtually the entire non-institutional population of a given country, all branches of economic activity, all sectors of the economy and all categories of workers, including the self-employed, contributing family workers, casual workers and multiple jobholders. In addition, such surveys generally provide an opportunity for the simultaneous measurement of the employed, the unemployed and persons outside the labour force (and thus, the working-age population) in a coherent framework.

Other types of household surveys and population censuses could also be used as sources of data on employment by status in employment. The information obtained from such sources may however be less reliable since they do not typically allow for detailed probing on the labour market activities of the respondents.

### **Interpretation and use of the indicator**

This indicator provides information on the distribution of the workforce by status in employment and can be used to answer questions such as what proportion of employed persons in a country (a) work for wages or salaries; (b) run their own enterprises, with or without hired labour; or (c) work without pay within the family unit?

Breaking down employment information by status in employment provides a statistical basis for describing workers’ behaviour and conditions of work, and for defining an individual’s socio-economic group. A high proportion of wage and salaried workers in a country can signify advanced economic development. If, on the other hand, the proportion of own-account workers (self-employed without hired employees) is sizeable, it may be an indication of a large agriculture sector and low growth in the formal economy. Contributing family work is a form of labour – generally unpaid, although compensation might come indirectly in the form of family income – that supports production for the market. It is particularly common among women, especially women in households where other members engage in self-employment, specifically in running a family business or in farming. Where large shares of workers are contributing family workers, there is likely to be poor development, little job growth, widespread poverty and often a large rural economy

Own-account workers and contributing family workers have a lower likelihood of having formal work arrangements, and are therefore more likely to lack elements associated with decent employment, such as adequate social security and a voice at work. Therefore, the two statuses are summed to create a classification of ‘vulnerable employment’, while wage and salaried workers together with employers constitute ‘non-vulnerable employment’. The vulnerable employment rate, which is the share of vulnerable employment in total employment, was an indicator of the (now finished) Millennium Development Goals, under the employment, target on decent work.

The indicator of status in employment is strongly linked to the employment-by-economic activity indicator. With economic growth, one would expect to see a shift in employment from the agricultural to the industry and services sectors, which, in turn, would be reflected in an increase in the number of wage and salaried workers. Also, a shrinking share of employment in agriculture would result in a lower proportion of contributing family workers, who are often widespread in the rural sector in developing economies. Countries that show falling proportions of either the share of own-account workers or contributing family workers, and a complementary rise in the share of employees, accompany the move from a low-income situation with a large informal or rural sector to a higher-income situation with high job growth.

## Limitations

A number of factors can limit the comparability of statistics on employment by status in employment between countries or over time.

Comparability of employment statistics across countries is affected most significantly by variations in the definitions used for the employment figures. Perhaps the biggest differences result from age coverage, such as the lower and upper bounds for labour force activity. Estimates of employment are also likely to vary according to whether members of the armed forces are included.

Another area with scope for measurement differences has to do with the national treatment of particular groups of workers. The international definition of employment calls for inclusion of all persons who worked for at least one hour during the reference period.<sup>4</sup> Workers could be in paid employment or in self-employment, including in less obvious forms of work, some of which are dealt with in detail in the resolution adopted by the 19<sup>th</sup> ICLS, such as unpaid family work, apprenticeship or non-market production. The majority of exceptions to coverage of all persons employed in a labour force survey have to do with slight national variations to the international recommendation applicable to the alternate employment statuses. For example, some countries measure persons employed in paid employment only and some countries measure only “all persons engaged”, meaning paid employees plus working proprietors who receive some remuneration based on corporate shares. Other possible variations to the “norms” pertaining to measurement of total employment include hours limits (beyond one hour) placed on contributing family members before for inclusion in employment.<sup>5</sup>

Comparisons can also be problematic when the frequency of data collection varies widely. The range of information collection can run from one month to 12 months in a year. Given the fact that seasonality of various kinds is undoubtedly present in all countries, employment figures can vary for this reason alone. Also, changes in the level of employment can occur throughout the year, but this can be obscured when fewer observations are available.

It is also important to note that some countries group together some of the ICSE categories (including for example members of producers’ cooperatives with wage and salaried workers, or own-account workers with employers), affecting the comparability of the statistics.

It is also worth highlighting that the classification by status in employment does not provide information about finer distinctions in working status (for instance, whether workers have casual or regular contracts and the kind of protection the contracts provide against dismissals).

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<sup>4</sup> The application of the one-hour limit for classification of employment in the international labour force framework is not without its detractors. The main argument is that classifying persons who engaged in economic activity for only one hour a week as employed, alongside persons working 50 hours per week, leads to a gross overestimation of labour utility. Readers who are interested to find out more on the topic of measuring labour underutilization may refer to ILO: “Beyond unemployment: Measurement of other forms of labour underutilization”, Room Document 13, 18<sup>th</sup> International Conference of Labour Statisticians, Working group on Labour underutilization, Geneva, 24 November – 5 December 2008; [http://www.ilo.org/global/statistics-and-databases/meetings-and-events/international-conference-of-labour-statisticians/WCMS\\_100652/lang--en/index.htm](http://www.ilo.org/global/statistics-and-databases/meetings-and-events/international-conference-of-labour-statisticians/WCMS_100652/lang--en/index.htm).

<sup>5</sup> Such exceptions are noted in the footnotes and/or metadata fields in ILOSTAT’s data tables. The higher minimum hours used for contributing family workers is in keeping with an older international standard adopted by the International Conference of Labour Statisticians in 1954. According to the 1954 ICLS, contributing family workers were required to have worked at least one-third of normal working hours to be classified as employed. The special treatment was abandoned at the 1982 ICLS.