

KILM 3. Status in employment

Introduction

The indicator of status in employment distinguishes between three categories of the total employed. These are: (a) wage and salaried workers (also known as employees); (b) self-employed workers; and (c) contributing family workers (also known as unpaid family workers). These three groups of workers are presented as percentages of the total employed for both sexes and for males and females separately. Information on the subcategories of the self-employed group – self-employed workers with employees (employers), self-employed workers without employees (own-account workers) and members of producers' cooperatives – is not available for all countries but is presented wherever possible.

The indicator on status in employment is available for most developed economies, as well as for many Central and Eastern European, Eastern Asian, Latin American and Caribbean countries. Unfortunately, there are only a few sub-Saharan African countries for which this indicator is available and, where coverage does exist, extensive time series are lacking. Currently, information is also unavailable for some large developing countries, such as China and India. Information for the indicator is included in table 3, at least to some extent, for 131 economies.

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? According to the International Classification of Status in

Employment (ICSE), the basic criteria used to define the status groups are the types of economic risk that they face in their work, an element of which is the strength of institutional attachment between the person and the job, and the type of authority over establishments and other workers that the job-holder has or will have as an explicit or implicit result of the employment contract.¹ Employment status may be used to confirm or refute claims of an increasing informalization of labour markets, as indicated by a decline in numbers of employees with formal working agreements. Companies may try to create more flexible enterprises to meet fluctuating demands, using temporary labour rather than permanent staff. Examination of data on numbers of temporary workers in conjunction with this indicator could verify or refute claims that temporary jobs are crowding out more stable forms of employment.

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.² A high proportion of wage and salaried workers in a country can signify advanced economic development. If 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

1. Resolution concerning the international classification of status in employment, adopted by the 15th International Conference of Labour Statisticians, Geneva, 1993; website: <http://www.ilo.org/public/english/bureau/stat/class/icse.htm>.

2. United Nations: *Handbook for Producing National Statistical Reports on Women and Men*, Social Statistics and Indicators, Series K, No. 14 (New York, 1997), p. 217.

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.

The indicator is strongly linked to the employment-by-sector indicator (KILM 4). 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. The Republic of Korea is one such example, where large shifts in status in employment have accompanied economic growth.

Shifts in proportions of status in employment are generally not as sharp or as clear as shifts in sectoral employment. A country with a large informal economy, in both the industrial and services sectors, may tend to have larger proportions of both self-employed and contributing family workers than a country with a smaller sector. It may be more relevant to view status in employment within the various sectors in order to determine whether there has been a change in their relative shares, and such degree of detail is likely to be available for countries in the results of recently conducted labour force surveys or population censuses. Chapter 1 discusses the interplay of status in employment and employment by sector, and how these indicators can be used to identify vulnerable groups in the labour market.

Definitions and sources

International recommendations for the status in employment classification have existed since before 1950.³ In 1958, the United Nations Statistical Commission approved the International Classification by Status in Employment (ICSE). At the 15th International Conference of Labour Statisticians (ICLS) in 1993, the definitions of categories were revised.⁴ The 1993 revisions retained the existing major categories, but attempted to improve the conceptual basis for the distinctions made and the basic difference between wage employment and self-employment.

The 1993 ICSE categories and extracts from their definitions follow:

- i. **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.
- ii. **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 engaged, on a continuous basis, one or more persons to work for them as employee(s).
- iii. **Own-account workers** are those workers who, working on their own account or with one or more partners, hold the type

3. The Sixth International Conference of Labour Statisticians (1947) and the 1950 Session of the United Nations Population Commission both made relevant recommendations for statistics on employment and unemployment and on population censuses respectively.

4. Resolution concerning the international classification of status in employment, op. cit. The 1993 international classification is reproduced in full in Appendix B.

of jobs defined as a “self-employment jobs” [see ii above], and have not engaged on a continuous basis any employees to work for them.

- iv. **Members of producers’ cooperatives** are workers who hold “self-employment jobs” [see ii or iii above] in a cooperative producing goods and services.
- v. **Contributing family workers** are those workers who hold “self-employment jobs” as own-account workers [see iii above] in a market-oriented establishment operated by a related person living in the same household.
- vi. **Workers not classifiable by status** include those for whom insufficient relevant information is available, and/or who cannot be included in any of the preceding categories.

The status-in-employment indicator presents all six groups used in the ICSE definitions. The three major groups – self-employed, employees and contributing family workers – cover the three broad types of status in employment. The remaining three – employers (group ii); own-account workers (group iii); and members of producers’ cooperatives (group iv) – are sub-categories of total self-employed. Please note that contributing family workers are also technically self-employed according to the classification and could therefore be combined with the other self-employed categories to derive the total self-employed. The choice to remove contributing family workers from among the self-employed group was made for the purpose of this publication in order to emphasize the difference between the two statuses, since the socio-economic implications associated with each status can be significantly varied. The number in each status category is divided by total employment to arrive at the percentages shown in table 3.

Most of the information for this indicator was gathered from three international repositories of labour market data: (a) the ILO Bureau of Statistics, Yearbook of Labour

Statistics (LABORSTA) database;⁵ (b) the Organisation for Economic Co-operation and Development (OECD); and the Labour Market Indicators Library (LMIL).

Limitations to comparability

The indicator on status in employment can be used to study how the distribution of the workforce by status in employment has changed over time for a particular country; how this distribution differs across countries; and how it has developed over the years for different countries. However, there are often differences in definitions, as well as in coverage, across countries and for different years, resulting from variations in information sources and methodologies that make comparisons difficult.

Some definitional changes or differences in coverage can be overlooked. For example, it is not likely to be significant that status-in-employment comparisons are made between countries using information from labour force surveys with differing age coverage. (The generally used age coverage is 15 years and over, but some countries use a different lower limit or impose an upper age limit.) In addition, in a limited number of cases one category of self-employed – the members of producers’ cooperatives – are included with wage and salaried workers (Czech Republic and Poland). The effects of this non-standard grouping are likely to be small.

What is more important to note is that information from labour force surveys is not necessarily consistent in terms of what is included in employment. For example, the

5. Additional documentation regarding national practices in the collection of statistics is provided in ILO: *Sources and Methods: Labour Statistics*, Vol. 3: *Economically Active Population, Employment, Unemployment and Hours of Work (Household Surveys)*; Vol. 5: *Total and Economically Active Population, Employment and Unemployment (Population Censuses)*. The *Sources and Methods* are available online at the country level on website: <http://laborsta.ilo.org>.

information supplied by the OECD relates to civilian employment, which can result in an underestimation of “employees” and “workers not classifiable by status”, especially in countries that have large armed forces. The other two categories, self-employed and contributing family workers, would not be affected, although their relative shares would be.

With respect to geographic coverage, information from a source that covers only urban areas or only particular cities cannot be compared fairly with information from sources that cover both rural and urban areas, that is, the entire country. It is, therefore, not meaningful to compare results from many of the Latin American countries with results from the rest of the world because employment-by-status information for most Latin American countries relates to urban areas only.⁶ Similarly, for some sub-Saharan African countries – where very limited information is available anyway – the self-employed group often does not include members of producers’ cooperatives, while for other countries it may.

For “wage and salaried workers” one needs to be careful about the coverage, noting whether, as mentioned above, it refers only to the civilian population or to the total population. Moreover, the status-in-employment distinctions used in this chapter do not allow for finer distinctions in working status – in other words, whether workers have casual or regular contracts and the kind of protection the contracts provide against dismissals, as all wage and salaried workers are grouped together.

6. When performing queries on this table and tables 4a-c on employment by sector, we strongly recommend removing countries that are not of national coverage from the selection when making comparisons across countries. On the software, this can be done by performing the query for all data and then refining the parameters to select the “national only” button under “Geographic coverage”.

Trends

Figure 3a shows the stark contrast in how people earn a living in developing versus developed economies. A clear majority of workers are engaged in wage and salaried employment in the developed economies of Canada, the Netherlands and the United Kingdom while the majority of workers in the selected developing economies in sub-Saharan Africa and Asia continue to work as self-employed workers (including contributing family workers). As noted above, a country with a sizeable self-employed workforce is indicative of a country with a large agriculture sector, low growth levels in the formal sector and of widespread poverty. It is interesting to note the signs of different levels of development even within sub-Saharan Africa, as reflected in the indicator on employment status. The wealthier African countries of Botswana and Namibia are now reaching the shares of wage and salaried workers in total employment that are seen in the developed economies. These countries also show lower proportions of workers in agriculture and more in industry and services than the other African countries (see table 4a), which is also more in line with the developed economies with strong formal sectors.

There is generally a positive relationship between the level of development as measured by income per capita and the proportion of employers. For example, in all sub-Saharan African countries for which data is available, employers constituted less than 5 per cent of the employed, with the exception of the more affluent countries of Mauritius, Namibia and South Africa. Similarly, many of the recent member countries of the European Union had relatively low shares of employers in total employment in comparison with the older members (Figure 3b). However, the European Union also showed that factors other than income per capita are important in explaining employment status. In 2003, employers constituted 6 per cent of the employed in

Box 3a. World and regional estimates of status in employment

Total (%)	Wage and salaried worker		Employers		Own-Account Workers		Contributing family workers	
	1996	2006*	1996	2006*	1996	2006*	1996	2006*
Employment shares by status (%) - both sexes	1996	2006*	1996	2006*	1996	2006*	1996	2006*
WORLD	43.1	46.9	3.4	2.9	30.8	33.0	22.7	17.2
Developed Economies & European Union	82.4	84.3	6.4	6.3	8.7	7.8	2.5	1.6
Central & South-Eastern Europe (non-EU) & CIS	77.1	76.6	2.9	3.8	14.2	16.1	5.7	3.6
East Asia	32.4	42.6	2.8	1.2	33.4	38.2	31.4	18.0
South East Asia & the Pacific	33.0	38.8	2.1	2.1	34.8	35.2	30.1	23.9
South Asia	17.1	20.8	1.5	1.0	45.6	47.4	35.8	30.8
Latin America & the Caribbean	64.4	62.7	4.4	4.7	24.5	27.1	6.7	5.5
North Africa	54.4	58.3	7.9	9.6	17.7	16.2	20.0	15.9
Sub-Saharan Africa	20.6	22.9	3.1	3.0	49.1	48.7	27.2	25.4
Middle East	58.5	61.5	3.9	5.2	28.6	22.6	9.0	10.6
Employment shares by status (%) - males	1996	2006*	1996	2006*	1996	2006*	1996	2006*
WORLD	44.5	47.4	4.2	3.6	36.9	37.6	14.4	11.4
Developed Economies & European Union	80.6	81.7	8.1	8.0	10.1	9.5	1.2	0.8
Central & South-Eastern Europe (non-EU) & CIS	75.9	75.4	3.4	4.2	17.1	18.2	3.7	2.3
East Asia	36.9	46.0	3.8	1.5	40.0	40.8	19.3	11.7
South East Asia & the Pacific	36.7	41.5	2.9	2.7	43.0	41.2	17.3	14.5
South Asia	20.0	23.4	1.9	1.3	56.9	56.8	21.2	18.5
Latin America & the Caribbean	62.3	60.6	5.6	6.1	26.3	29.0	5.8	4.4
North Africa	56.1	58.8	9.5	11.7	18.4	17.1	16.0	12.5
Sub-Saharan Africa	26.4	29.2	3.5	3.2	49.1	49.0	21.0	18.6
Middle East	59.4	64.4	4.6	6.5	30.1	23.8	6.0	5.3
Employment shares by status (%) - females	1996	2006*	1996	2006*	1996	2006*	1996	2006*
WORLD	41.1	46.0	2.1	1.9	21.5	26.2	35.4	26.0
Developed Economies & European Union	84.8	87.5	4.2	4.1	6.8	5.9	4.1	2.5
Central & South-Eastern Europe (non-EU) & CIS	78.7	78.0	2.4	3.2	10.7	13.5	8.3	5.3
East Asia	26.9	38.3	1.6	0.8	25.2	34.9	46.2	25.9
South East Asia & the Pacific	27.6	35.0	1.0	1.1	23.2	26.9	48.3	37.0
South Asia	10.2	14.6	0.4	0.4	17.8	24.4	71.6	60.6
Latin America & the Caribbean	68.2	65.8	2.2	2.6	21.3	24.3	8.3	7.3
North Africa	48.9	56.7	2.4	3.0	15.1	13.5	33.6	26.8
Sub-Saharan Africa	13.1	14.4	2.6	2.7	49.0	48.4	35.3	34.5
Middle East	55.2	53.5	1.0	1.5	23.3	19.3	20.5	25.8

Source: ILO Trends Labour Force Model (see box 3 in "Guide to understanding the KILM" for more information on estimation methodology).

* 2006 preliminary estimates.

In 2006, almost half of world employment was wage and salaried work, although at the regional level, the shares varied significantly – ranging from about one-fifth in sub-Saharan Africa and South Asia to almost 85 per cent in the Developed Economies & European Union. In sub-Saharan Africa and South Asia, the largest proportion of employed persons was instead own-account workers (just below 50 per cent) followed by contributing family workers (between 25 and 30 per cent). In other words, more than 70 per cent of workers in these two regions were in vulnerable employment. As discussed more fully in Chapter 1, own-account workers and contributing family workers are considered particularly vulnerable when it comes to both economic risk and strength of the institutional arrangement, two qualities which are closely intertwined and indicative of decent work deficits.

(continued)

Box 3a (continued)

Over the last ten years, the most noticeable changes in employment status patterns were observed in East Asia, where the impressive economic performance – especially in China – led to a 10.1 percentage point increase in the share of wage and salaried workers and a 13.3 point decrease in the share of unpaid contributing family workers. Other Asian regions and North Africa also experienced shifts from unpaid family work to wage and salaried work but to a lesser degree. Meanwhile, wage and salaried employment in sub-Saharan Africa barely increased from its very low share over the last ten years. This reflects the constant underutilization of employed persons in this region and consequently poverty reduction has been sluggish.

Status of employment is also useful for evaluating progress made by women in the world of work. Shifting status from an unpaid contributing family worker or a low paid own-account worker to a wage and salaried worker is a major step forward in terms of freedom and self-determination for many women. Nonetheless, it does not guarantee that these women are acquiring decent jobs right away. In 2006, 46.0 per cent of the world's working women were in wage and salaried employment compared with 41.1 per cent ten years earlier. The share of female own-account workers also increased from 21.5 per cent in 1996 to 26.2 per cent in 2006 while the share of contributing family workers dropped from 35.4 per cent to 26.0 per cent during the same period. Meanwhile, in the poorest regions of the world, the share of female contributing family workers in total employment was still much higher than the men's share meaning that women were much less likely to be wage and salaried workers. For example, in sub-Saharan Africa and South-East Asia & the Pacific, almost four out of ten working women were classified as contributing family workers and, in South Asia, six out of ten women had this status, whereas in all three regions less than two out of ten men were classified as contributing family workers.

Ireland, as compared to 12 per cent in Italy, while the income per capita in the former was around 46 per cent higher than in the latter. Such differences in the share of employers may be explained by variations in economic growth strategies, for instance the promotion of large international corporations vis-à-vis small enterprise development.

The breakdown of status in employment by sex points to major differences between the labour market position of men and women. Firstly, women were more likely than men to enter wage and salaried work. In 55 of the

63 countries for which KILM 3 data are available for 2005, the proportion of female employees in female employment was more than the corresponding proportion for males. Secondly, women constituted the bulk of contributing family workers worldwide. Finally, women were less likely to work as employers in virtually all countries. The small proportion of female employers is illustrated by Figure 3c for selected countries in the European Union, both in comparison to the corresponding male proportion, and in comparison to the proportion of employees.

Figure 3a. The distribution of workers by status is highly reflective of the level of development, selected countries, latest year

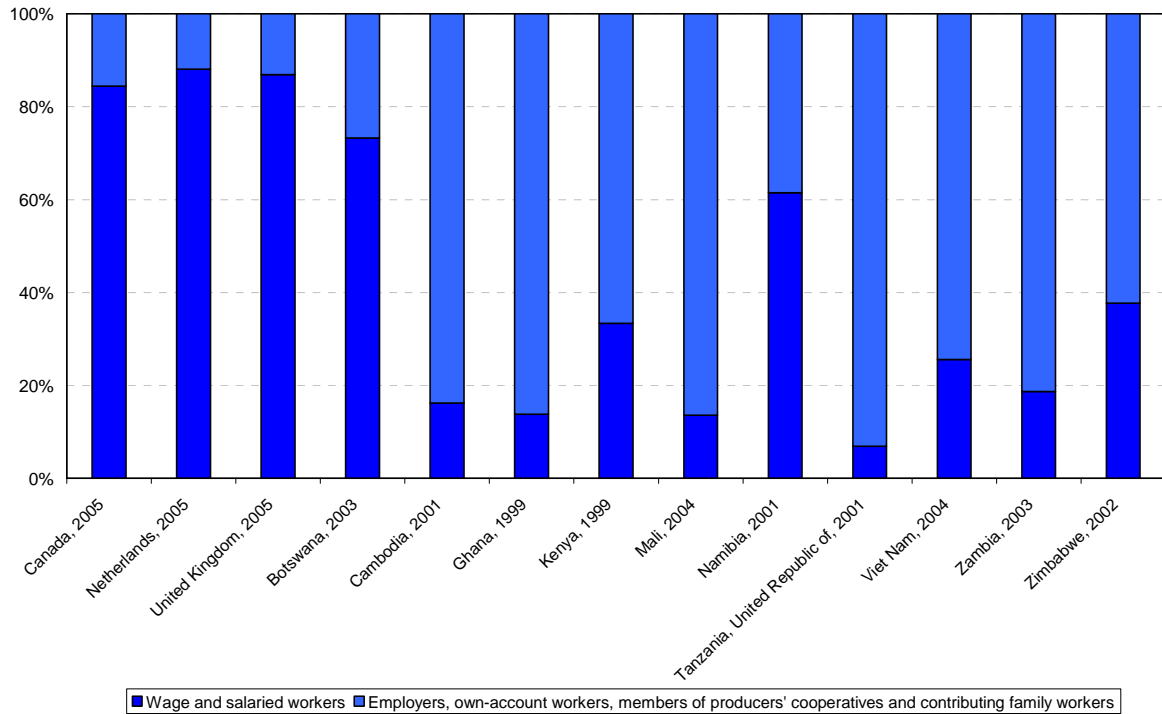


Figure 3b. The share of employers in total employment, selected countries in the European Union

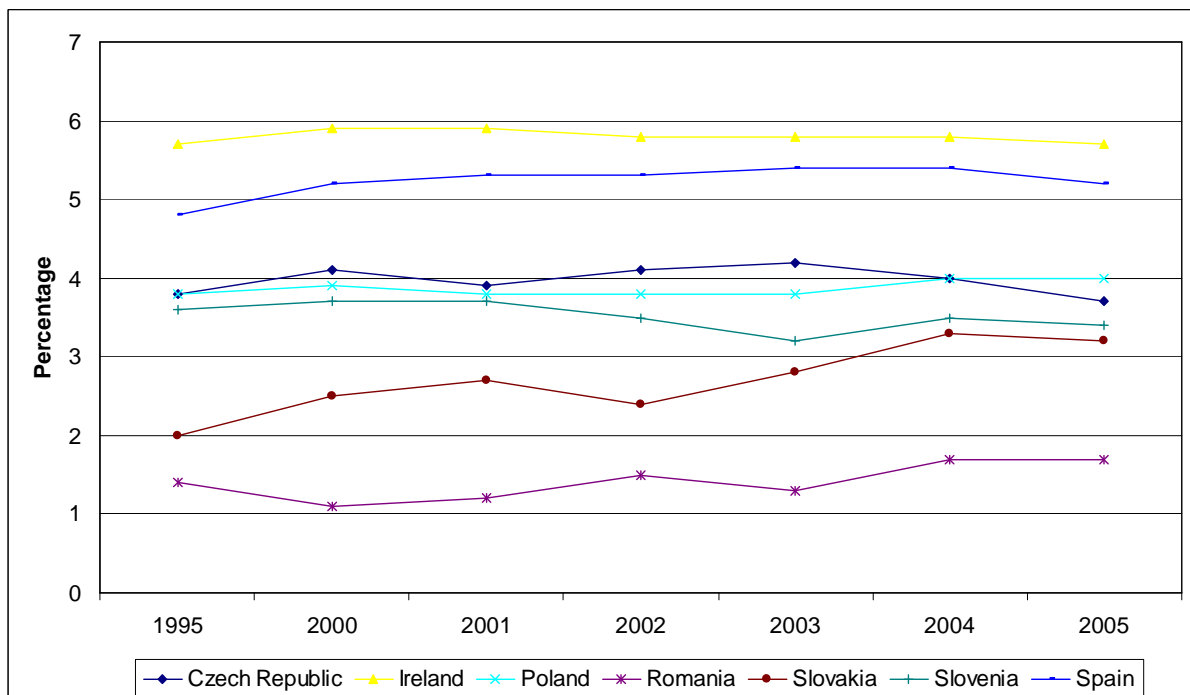


Figure 3c. The share of employers and employees in total employment, selected countries in the European Union, 2005

