Revision of the International Classification of Status in Employment (ICSE-93)

See Room Document 8

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The International Classification of Status in Employment (ICSE-93)

- Adopted through a resolution of the Fifteenth International Conference of Labour Statisticians (ICLS) in January 1993
- The current international standard for statistics on the employment relationship
- Classifies jobs with respect to the type of explicit or implicit contract of employment between the job holder and the economic unit in which he or she is employed
- Main purposes
  a) To provide a model for the development of national classifications for statistics on status in employment; and
  b) To provide the basis for the production of internationally comparable statistics on the topic.

ICSE-93 Groups

<table>
<thead>
<tr>
<th>Paid employment jobs</th>
<th>Self-employment jobs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• 1. Employees</td>
<td>• 2. Employers</td>
<td>• 6. Workers not classifyable by status</td>
</tr>
<tr>
<td></td>
<td>• 3. Own-account workers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 4. Members of producers’ cooperatives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 5. Contributing family workers</td>
<td></td>
</tr>
</tbody>
</table>
18th ICLS priorities for future methodological work of the ILO in labour statistics

- Changing structure of the labour force, including a revision of ICSE-93
- Possible revision of the current international standards on statistics of the economically active population, employment, 13th ICLS (1982)
- Development of measures of labour underutilization
- Draft 19th ICLS resolution concerning work statistics

Impact on scope and nature of statistics on status in employment if certain activities currently counted as employment are to be captured as separate forms of work

Need for a revision and possible extension of ICSE-93 remains urgent

A classificatory framework is needed for statistics on:

- Changing structure of the labour force
- Changing nature of the employment relationship
- New forms of employment and contract types
- Precarious employment situations
- Employment creation programmes

The 5 substantive ICSE-93 categories do not provide sufficient information or detail

Need for more clarity about groups that may be classified either in paid employment or in self-employment

Need for more detailed categories for international comparison
**History of the classification by status**

- Four basic categories are constantly present since 1938 recommendation of the Committee of Statistical Experts of the League of Nations:
  - Employees
  - Employers
  - Own-account workers
  - Contributing family workers
- In 1958 the UN Statistical Commission introduces:
  - Members of producers’ cooperatives
  - Persons not classifiable by status

**ICLS Discussions in 1957 and 1993**

- Proposals for more detailed subgroups were made (and rejected by the ICLS) in 1957 and 1993
- In 1982 the 13th ICLS Resolution concerning statistics of the economically active population, employment, unemployment and underemployment specified that
  - employers, own-account workers, unpaid family workers and members of producers’ cooperatives should be considered as in self-employment
Adoption of ICSE-93 at the 15th ICLS

Three main reasons for proposing a revision and expansion:
1. clarify the conceptual basis of the classification;
2. clarify the boundaries between the main groups; and
3. provide sub-divisions of the main categories.

A hierarchical classification with two levels was proposed but:
- Categories were not seen as mutually exclusive
- Would require priority rules to resolve multiple group membership
- Draft classification tried to satisfy too many needs
- Classification criteria were subject to national laws and circumstances

15th ICLS allows countries to specify the detailed groups that are significant nationally

- Description and comment on these groups provided in the final resolution
  - Some of these groups may be classified as in paid employment or in self-employment
    - A number of issues remained unresolved
    - The need for more detailed categories was recognized
    - No consensus on groups to identify and how they should be organized into a classificatory framework
Main uses of statistics classified by status in employment

Analysis of the nature of the economic risk and authority experienced by workers
Strength of attachment of the worker to the employer and the job
  - Potential indicator of precarious employment situations
Input to statistics on the socio-economic status of persons and households
Studying the relationship between economic cycles and employment in higher risk, less secure, or precarious working situations
Do those who lose jobs in paid employment engage in various forms of self employment
  - Contributing family workers as hidden unemployed
Impact of self-employment and entrepreneurialism on employment and economic growth
  - Government policies related to development and job creation
The provision of data as an input national accounts

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Conceptual basis of ICSE-93

ICSE-93 classifies jobs with respect to the type of explicit or implicit contract of employment of the person with other persons or organizations, based on:

- The type of economic risk (to which the job holder is exposed), an element of which is the strength of attachment between the person and the job, and
- The type of authority over establishments and other workers which the job incumbents have or will have

The six groups are defined with reference to the distinction between paid employment jobs and self-employment jobs

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Dichotomy between paid employment and self-employment

**Paid employment jobs**
- Explicit or implicit employment contracts give **basic remuneration not directly dependent upon revenue** of the employing unit.
- Typically remunerated by **wages and salaries**.
- May be paid by commission from sales, piece-rates, bonuses or in-kind payments such as food, housing or training.

**Self-employment jobs**
- Remuneration is **directly dependent upon the profits (or the potential for profits)** derived from the goods and services produced (own consumption is considered to be part of profits).
- Incumbents **make the operational decisions affecting the enterprise**, or delegate such decisions while retaining responsibility for the welfare of the enterprise.

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ICSE-93 Groups

**Paid employment jobs**
- 1. Employees

**Self-employment jobs**
- 2. Employers
- 3. Own-account workers
- 4. Members of producers’ cooperatives
- 5. Contributing family workers
- 6. Workers not classifiable by status
Employees

Employees are all those workers who hold the type of job defined as paid employment jobs

- More detailed categories of employees are not provided as a formal part of the classification
- The definition of this group provides guidance on the definition of employees on stable contracts and of ‘regular employees’
- Typically comprise 60 – 90% of the employed population.
- More than 80% of workers are employees in developed regions
- In some of the least developed countries employees comprise less than 15% of total employment

Employers and Own-account workers

Both Employers and Own-account workers

- Work on their own account or with one or a few partners

Employers

- Have engaged one or more persons to work for them in their business as employee(s)

Own-account workers

- Have not engaged any employees on a continuous basis
- May have engaged employees during the reference period but not on a continuous basis
- If working in a market-oriented enterprise, they may work with or without the assistance of contributing family workers

- Globally, own account workers are the second largest group
- Employers rarely comprise more than 5% of total employment
- Men are more likely than women to be employers or own account workers
- In some countries own-account workers are more numerous than employees

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Contributing family workers

Hold a *self-employment* job in a market-oriented establishment operated by a related person living in the same household

- distinguished from partners because their degree of commitment to the operation of the establishment, in terms of working time or other factors to be determined by national circumstances, is *not at a level comparable to that of the head of the establishment*.

- Contributing family workers a significant group in many countries
- In most industrialized or wealthy countries they represent a very small percentage of total employment.

Contributing family workers - discussion

- Restriction to employment in market-oriented establishments
  - own-use producers of goods, including subsistence workers, cannot be classified as contributing family workers.
- ICSE-93 does not restrict this group to unpaid work.
  - Income derived from the employment of contributing family workers is accrued at household level, and may or may not be redistributed (in cash or in kind) within the household
- Boundary between contributing family workers and own-account workers is interpreted in different ways
- A much greater proportion of women than men are contributing family workers
Members of producers’ cooperatives

hold a self-employment job in a cooperative producing goods and services, in which each member takes part on an equal footing with other members in determining the organization of production, sales and/or other work of the establishment, the investments and the distribution of the proceeds of the establishment amongst their members’.

- No further guidance is provided on the distinction between this group and own-account workers who work with one or more partners.
- Very few countries collect statistics on members of producers’ cooperatives and that this
- The group’s share of total employment is very small and in decline in almost all countries.
- These statistics give a misleading impression of the impact of cooperatives on employment
- Calls into question the need for this group to continue to be identified as a main category in ICSE.

Members of producers' cooperatives as a percentage of total employment

<table>
<thead>
<tr>
<th>Year</th>
<th>Selected countries and sex 2007 - 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>Armenia</td>
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</tr>
<tr>
<td>Total</td>
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<tr>
<td>Males</td>
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<tr>
<td>Females</td>
<td>8.5</td>
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<tr>
<td>Cuba</td>
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</tr>
<tr>
<td>Total</td>
<td>4.9</td>
</tr>
<tr>
<td>Males</td>
<td>6.5</td>
</tr>
<tr>
<td>Females</td>
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<tr>
<td>Israel</td>
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</tr>
<tr>
<td>Total</td>
<td>1.1</td>
</tr>
<tr>
<td>Males</td>
<td>1.1</td>
</tr>
<tr>
<td>Females</td>
<td>1.1</td>
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<tr>
<td>Morocco</td>
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</tr>
<tr>
<td>Total</td>
<td>1.6</td>
</tr>
<tr>
<td>Males</td>
<td>2.0</td>
</tr>
<tr>
<td>Females</td>
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<tr>
<td>Venezuela</td>
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<tr>
<td>Total</td>
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</tr>
<tr>
<td>Males</td>
<td>8.0</td>
</tr>
<tr>
<td>Females</td>
<td>4.6</td>
</tr>
</tbody>
</table>
Statistical treatment of particular groups that may be separately identified according to ICSE-93

- Owner-managers of incorporated enterprises
- Regular employees with fixed-term contracts
- Regular employees with contracts without limits of time
- Workers in precarious employment
- Casual workers
- Workers in short-term employment
- Workers in seasonal employment
- Outworkers
- Contractors

as sub-categories of the five substantive groups, or as groups that cut across two or more of the substantive groups

Groups that may be classified either as in paid employment or as in self-employment

- Owner-managers of incorporated enterprises
- Contractors
- Outworkers
Owner-managers of incorporated enterprises

**Owner-managers of incorporated enterprises**
hold a job in an incorporated enterprise, in which they:
(a) hold controlling ownership of the enterprise alone, or together with other members of their families or one or a few partners;
(b) have the authority to act on its behalf as regards contracts with other organizations and the hiring and dismissal of persons in ‘paid employment’ with the same organization ....

- receive part of their remuneration in a way similar to persons in paid employment
- authority in and responsibility for the enterprise corresponds more to persons in self-employment

- By incorporating their enterprise they limit their financial and legal liability, and are therefore exposed to less economic risk.

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**Owner-managers of incorporated enterprises (2)**

- Classification as employees will be consistent with their classification in the SNA
- But may be best classified as ‘employers’ or ‘own-account workers’ for labour market analysis

SNA 2008 specifies, however, that owner-managers of small enterprises should be classified as employees if they are able to compile a complete set of accounts for the enterprise that is independent of their personal accounts, **even if the enterprise is not formally incorporated**.
- Distinction between self-employment and paid employment would thus be based arbitrarily on whether or not a complete set of accounts is available
- Does not reflect exposure to economic risk or degree of authority over the enterprise

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Owner-managers of incorporated enterprises (3)

15th ICLS: countries should, according to the needs of users of their statistics and their data collection possibilities, **endeavour to identify owner-managers of incorporated enterprises separately.**

- Allows alternative aggregations for the purposes of both national accounts and labour market analysis

**BUT**

- Very few countries separately identify this group in labour force surveys
- May be left to the respondent to determine whether or not they are employees, employers or own-account workers
  - Significant and increasing impact on comparability and on estimates for the self-employed

**Share of total employment in 2011**
- Australia 6.9%
- Canada 6.4%
- Switzerland 4.2%

Contractors

Workers who

a) have registered with the tax authorities (and/or other relevant bodies) as a separate business unit responsible for the relevant forms of taxes,
   - and/or who have made arrangements so that their employing organization is not responsible for relevant social security payments,
   - and/or the contractual relationship is not subject to national labour legislation applicable to e.g. 'regular employees'

**but who**

a) hold explicit or implicit contracts which correspond to those of 'paid employment'.

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Contractors (2)

An increasingly common form of employment
- Wide variety of contract types may be used
- Contractual arrangements may make employment more precarious than that of regular employees.

Depending on national circumstances and practices they may be classified as:
- **Self-employed** even though they have no control or authority over the activities of the establishment in which they are employed
- **Employees** even though they have registered as business units

- **Neither of these approaches is entirely satisfactory.**
- **Many countries do not separately identify this group, at least in their regular labour force surveys.**
- **The critical issue is to determine whether or not the contract of an individual worker corresponds to that of paid employment.**

Subcategories of employees

- **Regular employees**
  - with fixed-term contracts
  - with contracts without limits of time
- **Workers in precarious employment**
  - Casual workers
  - Workers in short-term employment
  - Workers in seasonal employment
- **Workers engaged by labour hire agencies**
- **Work gang (crew) members**
- **Employment promotion employees**
- **Apprentices, trainees and interns**
Workers in precarious employment

Can be either:
(a) workers whose contract of employment leads to them being classified as
   • ‘casual workers’,
   • ‘short-term workers’, or
   • ‘seasonal workers’; or
(b) workers whose contract of employment will allow the employing enterprise or person to terminate the contract at short notice and/or at will, the specific circumstances to be determined by national legislation and custom.

Casual, short-term and seasonal employment

• Four countries include workers in casual, short term or seasonal employment in the status in employment variable:
• The majority of countries do measure these groups and classify them as sub-categories of employee but do so as part of another variable

Possible approach, in a revised ICSE:
• Define a single sub-group of ‘casual, short-term and seasonal employees’
• Categories in national classifications, based on nationally relevant types of employment contract, could be mapped to this relatively broad group
• May allow the compilation of internationally comparable indicator of workers in precarious employment situations.
Employment promotion or job training schemes

According to ICSE-93 countries
- may classify separately workers participating in public or private employment promotion or job training schemes on terms of employment which correspond to paid employment jobs.

Draft 19th ICLS resolution concerning work statistics recommends that:

participants in employment promotion programmes be classified as employed if,... the participant contributes to the production of goods and services of an economic unit for which he or she receives payment in cash or in kind, including a government social benefit.

- Considerable policy interest in this group
- Separate identification in revised ICSE could provide statistics to monitor the effectiveness of government employment creation programmes

Apprentices, trainees and interns

ICSE-93: workers who hold explicit or implicit contracts of paid employment which specify that all or part of their remuneration should be in the form of training for a trade or profession

Draft 19th ICLS resolution concerning works statistics: Includes in employment those apprentices, interns or trainees who work for pay in cash or in kind
- those who work in exchange for training or workplace experience, without remuneration, should not be included in employment but should be separately identified

Possible approach in a future ICSE might be to provide a single category of

Employees in training defined as:
Apprentices, interns or trainees who work, usually for a reduced rate of pay in cash or in kind, while undertaking training and/or gaining workplace experience in an occupation
Subsistence workers

ICSE-93:
workers who hold a self-employment job and in this capacity produce goods or services which are predominantly consumed by their own household and constitute an important basis for its livelihood.

Draft 19th ICLS resolution concerning work statistics
- Identification of production of goods for own consumption as a part of a separate form of work, ‘own-use production work.’
- Identification of subsistence food producers as a subgroup of persons in own-use production work
  - Statistics to be collected and disseminated on a sub-annual basis

ICSE-93 – issues and problems to be addressed
- Scope of the classification
  - Restrict to employment?
  - Include unpaid trainees?
- Fixed-term, casual, short term and seasonal employment
- Apprentices, trainees and interns
- Blurring of the boundary between self-employment and employees
- Owner-managers of incorporated enterprises
- ‘Contractors’
- Contributing and assisting family workers
- Members of producers’ cooperatives
- Domestic workers
- Workers engaged by labour hire agencies
ICSE – possible options for revision

- Definitively include contractors and/or owner managers of incorporated enterprises
  - EITHER as self-employed
  - OR as employees in paid employment
    - While providing sufficient detail for SNA purposes
- OR - Abandon the dichotomy between self-employment and paid employment
- Under any of the above scenarios
  - Create additional categories at second or third level for
    - Regular, short-term/casual/seasonal employment
    - Apprentices, trainees and interns
    - Domestic employees
- Deal with other issues as separate variables

Option 1: Contractors and/or owner managers of incorporated enterprises as self-employed

**Self-employed**
- Employer
  - In incorporated enterprise
  - In unincorporated enterprise
- Own account worker
  - In incorporated enterprise
  - In unincorporated enterprise
- Contributing family worker
- Contractor
- Member of producers’ cooperative

**Employees**
- Regular employee
- Casual, short-term or seasonal employee
- Employee engaged by labour hire company
- Employee in training
  - Paid in cash
  - Paid in kind only
  - Unpaid
  - Domestic employee
Option 2: Include contractors and/or owner managers of incorporated enterprises as employees

<table>
<thead>
<tr>
<th>Self-employed</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Employer</td>
<td>• Employee in own incorporated enterprise</td>
</tr>
<tr>
<td>• Own account worker</td>
<td>• With employees</td>
</tr>
<tr>
<td>• Contributing family worker</td>
<td>• Without employees</td>
</tr>
<tr>
<td>• Member of producers’ cooperative</td>
<td>• Regular employee</td>
</tr>
<tr>
<td></td>
<td>• Casual, short-term or seasonal employee</td>
</tr>
<tr>
<td></td>
<td>• Employee engaged by labour hire company</td>
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<td></td>
<td>• Employee in training</td>
</tr>
<tr>
<td></td>
<td>• Paid in cash</td>
</tr>
<tr>
<td></td>
<td>• Paid in kind only</td>
</tr>
<tr>
<td></td>
<td>• <strong>Unpaid</strong></td>
</tr>
<tr>
<td></td>
<td>• Domestic employee</td>
</tr>
<tr>
<td></td>
<td>• Contractor</td>
</tr>
</tbody>
</table>

Option 3: Abandon dichotomy between paid employment and self-employment

<table>
<thead>
<tr>
<th>Employers</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In incorporated enterprise</td>
<td>• Regular employee</td>
</tr>
<tr>
<td>• In unincorporated enterprise</td>
<td>• Casual, short-term or seasonal employee</td>
</tr>
<tr>
<td>• Own account workers</td>
<td>• Employee engaged by labour hire company</td>
</tr>
<tr>
<td>• In incorporated enterprise</td>
<td>• Employee in training</td>
</tr>
<tr>
<td>• In unincorporated enterprise</td>
<td>• Paid in cash</td>
</tr>
<tr>
<td>• Contractors</td>
<td>• Paid in kind only</td>
</tr>
<tr>
<td>• Contributing family workers</td>
<td>• <strong>Unpaid</strong></td>
</tr>
<tr>
<td></td>
<td>• Domestic employee</td>
</tr>
</tbody>
</table>
Option 4: Retain concepts of self-employment and paid employment acknowledging that some forms of employment do not fit into these categories

- **Employees**
  - Permanent employee
  - Temporary employee
    - Fixed-term
    - Seasonal
    - Casual
    - On-call
  - Apprentice, trainee or intern
  - Workers on oral agreement
  - Domestic employee

- **Self-employed**
  - Employers
    - in incorporated enterprise
    - in unincorporated enterprise
  - Own-account workers
    - in incorporated enterprise
    - in unincorporated enterprise
  - Contractors

- **Others forms of employment**
  - Contributing family workers
  - Member of producers’ cooperatives
  - Other forms of employment not elsewhere classified

Proposed process for revision

ILO to further develop one or more options
- in light of guidance provided by the ICLS
- support from relevant national and international experts
  - Small reference group of individuals with relevant technical expertise
  - Working Group for the Advancement of Employment and Unemployment Statistics?

Draft resolution to Tripartite Meeting of Experts on Labour Statistics
Final consideration at 20th ICLS
Is this too late?
Advice from ICLS is sought on

• Groups that need to be separately identified
• Whether the scope of the classification should be restricted to employment as defined in the final ICLS resolution concerning work statistics
  - or extended to include some or all other forms of work
• The most appropriate framework for the classification structure
• The appropriate timeframe for completion of work to revise ICSE-93
  - mechanisms to facilitate formal adoption of the successor to ICSE-93.
  - should the ILO be mandated to seek adoption of the successor to ICSE-93 by a tripartite meeting of experts on labour statistics, rather than waiting until the 20th ICLS?