Measuring dependent contractors

Michael Frosch
frosch@ilo.org
Department of Statistics
ILO

Measuring volunteer work for policy development
Santiago, Chile, 14-16 October 2025

ICSE-18

- ICSE-18 was introduced with the 20th ICLS resolution
- Provides 10 detailed categories of status in employment.
- The classification uses two aspects of the work relationship as basis for defining the different statuses in employment
  - **type of authority** that the worker is able to exercise in relation to the work performed: and
  - **the type of economic risk** to which the worker is exposed.

International Labour Organization

Classification

ICSE-18 provides 10 detailed mutually exclusive categories of status in employment.

ICSE-18 detailed categories	Differences compared to ICSE-93
11. Employers in corporations	Two detailed categories of employers
12. Employers in household market units	
21. Owner-operators of corporations without employees	Two detailed categories of own-account workers
22. Own-account workers in household market units without employees	
30. Dependent contractors	**The new category of dependent contractors**
41. Permanent employees	Four detailed categories of employees
42. Fixed-term employees	
43. Short-term and casual employees	
44. Paid apprentices, trainees and interns	
51. Contributing family workers	CFW

Members of producers' cooperatives do no longer constitute its own status in employment

- The 10 detailed categories can be organised according to **two different hierarchies**

International Labour Organization

ICSE-18-A

Based on the type of authority that the worker is able to exercise in relation to the work performed

- Creates a dichotomy between **independent workers** and **dependent workers**.
- Suitable for various types of **labour market analysis**.
- Creates the basis for defining informal and formal employment

ICSE-18-A *(by type of authority)*

Independent workers

A. Employers

11. Employers in corporations
12. Employers in household market units

B. Independent workers without employees

21. Owner-operators of corporations without employees
22. Own-account workers in household market units without employees

Dependent workers

C. Dependent contractors

30. Dependent contractors

D. Employees

41. Permanent employees
42. Fixed-term employees
43. Short-term and casual employees
44. Paid apprentices, trainees and interns

E. Contributing family workers

51. Contributing family workers

International Labour Organization

ICSE-18-R

Based on the type of economic risk to which the worker is exposed

Creates a dichotomy between **workers in employment for profit** and **workers in employment for pay**.

Suitable for the provision of **data for national accounts**, for the **identification of wage employment**.

ICSE-18-R *(by type of risk)*

Workers in employment for profit

F. Independent workers in household market units

12. Employers in household market units
22. Own-account workers in household market units without employees

C. Dependent contractors

30. Dependent contractors

E. Contributing family workers

51. Contributing family workers

Workers in employment for pay

G. Owner-operators of corporations

11. Employers in corporations
21. Owner-operators of corporations without employees

D. Employees

41. Permanent employees
42. Fixed-term employees
43. Short-term and casual employees
44. Paid apprentices, trainees and interns

Dependent contractors

International Labour Organization

Dependent contractors

- One of the more important changes but also one of the more challenging
- A challenge for many statistical agencies in both the developed and developing world.
    - Frequently classified either as own-account workers or as employees but no clear treatment
- In-between situation (on the boundary between own-account workers in household market enterprises and employees)

Dependent contractors: examples

- **Freelance delivery couriers working for a restaurant chain**
  - They have a commercial contract with the restaurant group
  - The restaurant assigns delivery zones, sets delivery fees and schedules, and monitors performance through an app.
  - The courier uses their own vehicle and equipment and pays for maintenance and fuel.
- **Construction worker contracted by a single building firm**
  - A plumber or electrician has a commercial contract to provide services to a construction company.
  - The company decides which projects the worker is assigned to, provides materials, and pays depending on the tasks done.
  - The construction company decides on their schedule and supervises their work to ensure quality.
  - The construct worker issues invoices for payment and handles their own taxes and insurance.
- **Market vendor selling goods supplied by a wholesaler**
  - The vendor operates a stall in a public market under a verbal agreement with a wholesaler.
  - The wholesaler determines what products to sell, sets the resale prices, and may provide the stall or space.
  - The vendor pays rent or commission to the wholesaler and earns a margin on sales.

Workers with a commercial agreement

Their activities are dependent on another entity

This entity exercise control over the activities (reduced authority)

International Labour Organization

Statistical definition

- **Workers who have contractual arrangements of a commercial nature (but not a contract of employment) to provide goods or services for or through another economic unit**

- Not employees of that unit but are workers in employment for profit
- **Do not employ one or more persons as an employee**
- **Do not have an incorporated enterprise**

(These are characteristics they share with other independent workers)

- **Operationally and/or economically dependent on another entity that exercises control over their activities and directly benefits from the work performed by them.**

(These are characteristics they share with other dependent workers)

Operational definition and measurement in LFS

International Labour Organization

LFS measurement approach

- Modular structure
  - Creates a high degree of flexibility
  - Ensures that the approach can be integrated in different LFS with different structures

- Builds upon the current widespread practice of using a self-declared question for defining ICSE-93
  - Relatively easy to integrate in an already existing survey
  - Possible to derive ICSE-93 and ICSE-18 in parallel (for most countries)

- But a shift in focus, from a self-declared status to the use of more objective criteria for identifying ICSE
  - Better precision in the measurement
  - Increased international harmonisation

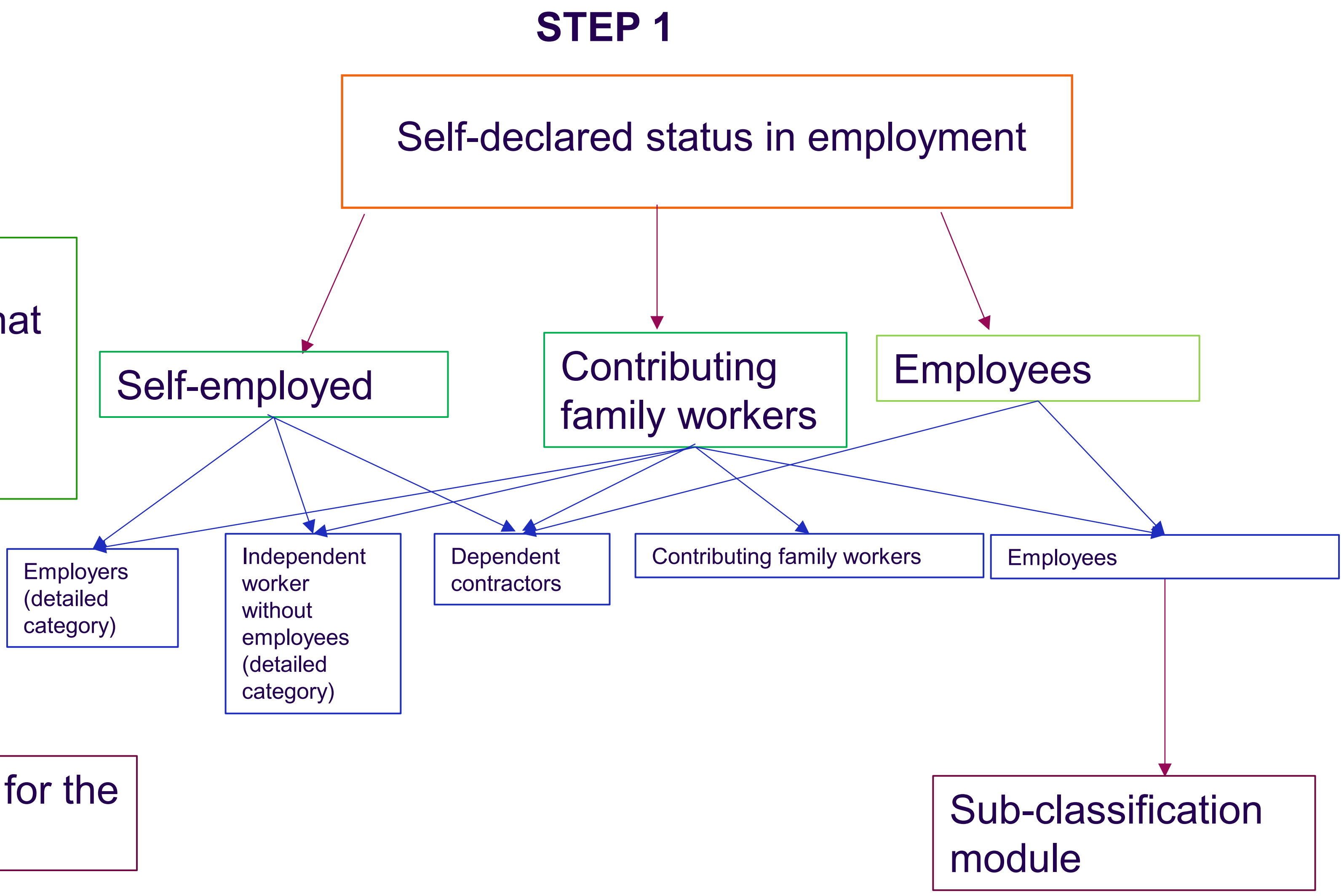
International Labour Organization

LFS measurement approach

STEP 2: Classification modules, that establish a set of key characteristics that either will verify the declared status or reclassify the status

Derived status

STEP 3: Establish key characteristics for the detailed categorization of employees



Identifying dependent contractors in a LFS

- We can´t ask directly whether a person is a “dependent contractor”.

- We can´t know whether a dependent contractor identifies him/herself as an employee or a self-employed.

- Need to identify dependent contractors within both groups:
    - Those perceiving themselves as employees
    - Those perceiving themselves as self-employed

2 tracks

- Creates two tracks to identify dependent contractors.
- **Track 1: self-declared employees**
  - As they perceive themselves as employees, we know they are in a dependent relationship with a reduced authority.
  - Need to check whether they have an employee-employer relationship or a commercial agreement.
- **Track 2: self-declared self-employed**
  - As they perceive themselves as self-employed, we know that they have commercial agreement.
  - Need to check whether they have a dependent relationship and whether control is exercised in that relationship.

✓ Their activities are dependent on another entity

✓ This entity exercise control over the activities (reduced authority)

? Workers with a commercial agreement ?

✓ Workers with a commercial agreement

? Their activities are dependent on another entity?

? This entity exercise control over the activities (reduced authority) ?

Track 1: self-declared employees

International Labour Organization

Track 1

Separate between employees and dependent contractors

- One of the more challenging boundaries.
- Some input given from the definition (para 37 and 38).

  "Included among dependent contractors are dependent workers who do not have a contract of employment, and

  (a) are paid only by the piece or commission, and do not benefit from social contributions paid by the economic unit paying for the work; or

  (b) are paid only by gratuities (tips) from clients."

  "Excluded from dependent contractors are workers who:

  (a) have a contract of employment (formal, informal, or implicit) with the entity on which they are dependent; or

  (b) are paid a wage or salary for time worked"

- Particularly, challenging boundary when the context is highly informal, what does it mean to have an informal or implicit contract of employment?
- The developed measurement approach rests on identifying whether there are any characteristics indicating that there is an employer-employee relationship.
  - If not, then a dependent contractor.

Starting point

Question used for deriving ICSE-93 (i.e. self-declared status in employment)

MJJ_EMP_REL

Do you work…?

READ

1. As an employee
2. In (your/his/her) own business activity
3. Helping in a family or household business
4. As an apprentice, intern
5. Helping a family member who works for someone else

Classification modules

Self-declared employees

International Labour Organization

Self-declared employees controlling the boundaries towards dependent contractors

Form of remuneration

MJJ_REM_TYP

Which of the following types of pay (do/does) (you/NAME) receive for this work?

READ AND MARK ALL THAT APPLY

a. A wage or salary — ***Employee***

b. Payment by piece of work completed
c. Commissions
d. Tips
e. Fees for services provided
f. Payment with meals or accommodation
g. Payment in products
h. OTHER CASH PAYMENT (SPECIFY):___________________

— **Potential DC 1st track**

i. NOT PAID

Assess other characteristics including contribution to social insurance by the "employer"

MIE_SOCPRO

Does your employer pay contributions to the [insert national relevant social insurance scheme] for you

1 YES — ***Employee***

2 NO — ***DC*** 1st Track

97 DON´T KNOW — ***Assess paid sick leave and annual leave. If access to both then an employee, if access to one or none then DC***

Could be complemented with other relevant indications on an employment relationship (for example receiving a payslip or providing an invoice or type of tax that is being paid). But depends on the country

International Labour Organization

Track 2: self-declared Self-employed

International Labour Organization

Starting point

Question used for deriving ICSE-93 (i.e. self-declared status in employment)

MJJ_EMP_REL

Do you work…?

READ

1. As an employee
2. In (your/his/her) own business activity → **Self-declared self-employed**
3. Helping in a family or household business → That takes part of the decision making in the family business. → **Self-declared self-employed**
4. As an apprentice, intern
5. Helping a family member who works for someone else

Classification modules

Self-declared self-employed

International Labour Organization

Identifying the target group among self-declared self-employed

- Dependent contractors do by definition not have:
  - An incorporated enterprise; or
  - Regular employees

Self-declared self-employed

Incorporation

MJL_REGI

ASK IF MJJ_EMP_REL=2

A: I43. Is (your/NAME's) (business/farm) registered in the [National Business Register]?

ASK IF (MJJ_EMP_REL=1,4,5 & MJU_INS=2,3) & (MIE_SOCPRO=2 OR (MIE_SOCPRO=97 & (MIE_PVACLV=2,97 OR MIE_PSCKLV=2,97)))

B: I44. Is the (business/farm) (you/NAME) (work/works) for registered in the [National Business Register]?

ASK IF MJJ_EMP_REL=3

C: I45. Is the family (business/farm) registered in the [National Business Register]?

1. YES
2. NO

97. DON'T KNOW

The string (business/farm) depends on answers to MJU_INS

Having employees

MJJ_HIRES

Do you hire any paid employees on a regular basis?

1. YES
2. NO

Based on these questions the following categories can be derived:

Employers

- *Employers in corporations*
- *Employers in household market enterprises*

Independent workers without employees

- *Owner-operators of corporations without employees*

and those that do not have employees and do not have an incorporate enterprise potential DC 2nd track

Dependent contractors 2nd track

Creating a boundary between Independent workers and Dependent contractors

- **The most tested and explored boundary and different approaches have been tested:**
  - *Price control approach* (whether another entity controls the price setting)
  - *Main client* (whether there is a dependency on a main client)
  - *Upstream dependency* (whether there is a dependency on a single supplier)

  etc.
- **Incrementally, and based on country testing and experiences, the "two-step approach" was developed.**

- **Is there a dependent relationship? If so,**
- **Is control exercised?**

- **The approach captures the essence of the definition of DC:**

- They depend on another entity for their work; and
- this entity exercise economical and/or organisational control over their activities.

International Labour Organization

Identification of a dependent relationship

MJD_SINGLE_CLIENT Does more than half of the income from the business/activity come from …? 1. One single client/customer 2. Multiple clients/customers 3. HAVE NOT HAD ANY CLIENTS YET	Main client
MJD_SOURCE_CLIENT Do you get your customers, clients or buyers through someone else, for example from another company, intermediary or person …? 1. Yes, all of them 2. Yes, most of them 3. Yes, but only some of them 4. No	Intermediary of clients
MJD_SELL_CLIENT In this business activity do you …? *READ AND MARK ALL THAT APPLY* a. Make products or provide services for only one company b. Sell products or services from only one company c. Work with materials or equipment provided by just one company d. NONE OF THE ABOVE	Single supplier or franchise

International Labour Organization

Identification if control is exercised

MJD_CONTROL

Does this client / company / intermediary / person …?

READ AND MARK ALL THAT APPLY

a. Set the price of the products or services that you offer
b. Decide the minimum amount of sales or tasks you must complete
c. Decide the places, routes or areas where you do your work
d. Decide how to organize the work
e. Decide the supplier(s) to use
f. Provide the premises or machines you use

DO NOT READ
g. NONE OF THE ABOVE

If a dependent relationship where control is exercised, then a dependent contractor 2'nd track.

Short version

MJD_SINGLE_CLIENT Does more than half of the income from the business/activity come from …? 1. One single client/customer 2. Multiple clients/customers 3. Have not had any clients yet
MJD_SOURCE_CLIENT Do you get your customers, clients or buyers through someone else, for example from another company, intermediary or person …? 1. Yes, all of them 2. Yes, most of them 3. Yes, but only some of them 4. No

Dependent relationship is restricted to only screen for main client and intermediary of clients

MJD_DEPENDENCY

Does this client / company / intermediary / person …?

a. Set the price of the products or services that you offer

b. Decide on where, when or how you should carry out your work

DO NOT READ

c. NONE OF THE ABOVE

Control is asked more generic

Seems to work well but with less precision.

International Labour Organization

Identifying DC through both tracks are essential for most countries

- In general, the higher degree of informality, the larger share of DC.
- While the contribution from the self-employed typically constitute the larger part of DC, the contribution from those declaring themselves as employees may be significant.

In the ILO pilot tests done in Uganda and Peru on a non-representative sample (oversampled likely informal workers)

Uganda (95% informal employment)

Self-declared status	Dependent contrators as a share of total employment
Total	**17.9 pct.**
Self-employed	13.6 pct. point
Employees	4.3 pct. Point

ILO pilot tests, Uganda, not a representative sample

Peru (77% informal employment)

Self-declared status	Dependent contrators as a share of total employment
Total	**10.6 pct.**
Self-employed	8,2 pct. point
Employees	2,4 pct. Point

ILO pilot tests, Peru, not a representative sample

International Labour Organization

Thank you