



20th International Conference of Labour Statisticians  
Geneva, 10–19 October 2018

Room document: **6**

## **Statistical definition and measurement of dependent “self-employed” workers**

**Rationale for the proposal for a statistical  
category of *dependent contractors* <sup>1</sup>**

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## Abbreviations and acronyms

ABS	Australian Bureau of Statistics
COE	Characteristics of Employment (COE) Survey
EWCS	European Working Conditions Survey
EU	European Union
EU LFS	European Labour Force Survey
Eurofound	European Foundation for the Improvement of Living and Working Conditions
Eurostat	the statistical office of the European Union
FOES	Forms of Employment Survey
ICLS	International Conference of Labour Statisticians
ICSE	International Classification of Status in Employment
ILO	International Labour Organization
LFS	Labour Force Survey
OECD	Organisation for Economic Co-operation and Development
OMIE	Owner–manager of incorporated enterprise
OMUE	Owner–manager of unincorporated enterprise



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## 1. Introduction

1. This paper describes the rationale and background to the development of a proposal to include a category of “dependent contractors” in the revised International Classification of Status in Employment (ICSE-18). It is proposed that ICSE-18 will replace ICSE-93, which was adopted by the 15th International Conference of Labour Statisticians (ICLS) in 1993. The revised classification is included as part of a draft resolution concerning statistics on work relationships to be considered for adoption by the 20th ICLS.
2. The need for information on the group of workers frequently referred to as the “dependent self-employed” has been a major challenge for many statistical agencies in both the developed and developing world. These are workers who were described in an ILO report to the International Labour Conference in 2003 as those “who perform work or provide services to other persons within the legal framework of a civil or commercial contract, but who in fact are dependent on or integrated into the firm for which they perform the work or provide the service in question” (ILO, 2003, p. 6). Information about this group, which is considered by many analysts to be growing, is needed to inform policy debate concerning non-standard forms of employment, employment creation and access to adequate social protection for all workers.
3. Since these jobs do not fit comfortably into any of the substantive categories in ICSE-93, they are currently frequently classified either as “own-account workers” or as “employees”, resulting in overestimation of one or the other of these groups (or of both). As a result, it is difficult to monitor structural change in this form of employment, as well as among employees and independent workers. One of the key issues under consideration since the beginning of the process to review ICSE-93 has therefore been the need to develop a statistical definition and method to measure this group of workers who fall between the traditional concepts of paid employment and self-employment. This was among the most challenging but also most important objectives of the revision work.
4. “Dependent self-employed” workers are sometimes referred to as workers with “ambiguous employment relationships” or even as “independent contractors”. In some legal discourse, terms such as “para-subordinate worker”, “quasi-employee” or “intermediate worker” have been used. The 15th ICLS resolution concerning ICSE-93 simply uses the term “contractors”. In the work to revise ICSE-93, the term “dependent contractors” has been preferred for a number of reasons. The term “dependent self-employed” would seem to imply that these workers have in some way created employment for themselves, which is questionable. The term “dependent contractors” does, however, aptly describe the group that we wish to measure and has previously been used in various legal reports and decisions (N. Countouris in ILO, 2011).

## 2. Concepts, issues and policy relevance

5. In recent years, there have been many changes in working relationships and arrangements, which have presented difficulties regarding the legal frameworks for determining whether workers are or are not in an employment relationship and thus entitled to a range of protections under labour law. The traditional paradigms of, on the one hand subordinate employment and, on the other, autonomous self-employment, are less often the norm. The growing grey area in-between is making it increasingly difficult to establish whether or not an employment relationship exists for many workers (ILO, 2011).
6. Dependent contractors represent one group of workers in this grey area. ICSE-93 characterizes this group as being on the boundary between paid employment and self-

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employment by providing guidance on the statistical treatment and measurement of “contractors” defined as 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*
- (b) hold explicit or implicit contracts which correspond to those of ‘paid employment’”* (ILO, 1993).

7. This definition is problematical in a number of ways. It does not adequately distinguish “contractors” from employees with informal employment arrangements whose employers do not usually take responsibility for social security payments. It also implies that non-employees who, for one reason or another, have not registered their activities with the authorities, are not contractors. Finally, the focus on the notion of “an explicit or implicit contract which corresponds to that of paid employment”, excludes situations where workers have contracts that resemble a contract to provide services, but the reality of the work situation resembles that of employees.

8. The *OECD Employment Outlook 2014* defined “dependent self-employed workers” as follows:

*“Own-account self-employed – i.e. independent contractors without employees who either autonomously produce and sell goods or engage with their clients in contracts for services, regulated by commercial law – whose conditions of work are nonetheless similar to those of employees, in the sense that they work mainly or exclusively for a specific client-firm – hereafter called employers for simplicity – with limited autonomy and often closely integrated into its organizational structure. Even though their degree of subordination is similar to that of an employee, they are usually not protected by employment protection rules because these rules do not apply to commercial contracts. In addition, they typically have the same fiscal and social protection regimes as for the other self-employed, which is typically less burdensome for their employers.”* (OECD, 2014).

9. Eurofound produced a report in 2013 analysing the results of the 2010 European Working Conditions Survey (EWCS), in which there was a module on economically dependent workers noting that these workers:

*“... usually have a commercial contract (or ‘service contract’) rather than an employment contract; they are therefore registered as self-employed when in reality their working conditions have a lot in common with those of employees. This development makes it difficult to distinguish (within those who are registered as self-employed) between people who are really self-employed and running their own business, and people who for example depend on a single employer for their income and thus have no real autonomy in running their ‘business’”.* (Eurofound, 2013).

10. These examples highlight two key elements:

- (a) the contract under which the work is performed is a “contract for services” or commercial contract and is not a “contract of service” or employment contract; and
- (b) the nature of the working arrangements closely resembles that of employees, in terms of dependence and authority.



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11. In addition, there are situations where persons may be operating on their own account when the way they work is tightly controlled by another organization or parent company. This includes many taxi and delivery drivers and direct sales consultants. For example, direct sales consultants (for example Tupperware, Avon, etc.) will have the goods that they sell and the prices they are sold for set by the parent company. The promotional material, the branding and marketing are all also controlled by the parent company. There will often be “supervisors” or “managers” who provide guidance for the sales consultant and ensure that the worker is upholding the “brand”. These situations represent dependent work, while the worker is nevertheless operating an individual business entity. The dependence is realized through the control of the way the individual interacts with the market.
  12. From a taxation perspective, there are concerns that traditional employees are being moved to other contractual arrangements in order to reduce taxation liability, through being subject to lower business taxation rates, even though the individual may have additional social protection responsibilities and costs. This has implications for taxation revenue, and the degree of equity in the taxation system. Further, identifying situations where income is generated primarily from the person’s individual labour, in a manner similar to that of employees, has implications for whether personal (employee) or business tax rules apply. This has been legislated for in some countries (for example in Australia, *New Business Tax System (Alienation of Personal Services Income) Act, 2000*).
  13. Eligibility, labour law and social security protections tend to depend on the nature of the contract. When contracts are commercial in nature, the rights of the worker are substantively different and often reduced (in some circumstances considerably reduced) compared to employees. The Organisation for Economic Co-operation and Development (OECD) notes that these workers are “usually not protected by employment protection rules because these rules do not apply to commercial contracts. In addition, they typically have the same fiscal and social protection regimes as for the other self-employed” (OECD, 2014). This is in general the premise of national labour laws and associated social protections which only apply to those with an employment contract.
  14. There are concerns that employers can avoid obligations in areas like payroll tax, superannuation, workers’ compensation and unfair dismissal, if they hire workers as contractors rather than as employees. This phenomenon is seen as detrimental to worker welfare, and an indication that labour law is failing to protect a group of workers that, because they are essentially working in employee–employer type relationships, should be covered by that law (M. Waite and L. Will, 2001).
  15. Proponents of dependent contracting, and other non-standard employment arrangements argue that “it benefits employers by providing them with greater flexibility to adjust to business fluctuations, and offers workers increased opportunities to balance their work and non-work commitments. Critics argue that, because of institutional factors and labour market power, the benefits of non-traditional work accrue mainly to employers, to workers’ detriment.” (Productivity Commission, 2006).
  16. It has been pointed out that dependent self-employment enables firms to benefit from flexibility while simultaneously shifting risk to the worker (R. Böheim and U. Mühlberger, 2009). The shifts in risk, social protection and worker rights highlight a broader social policy interest in this group in that they represent a more precarious form of work than traditional ongoing work where an employer–employee relationship exists. This has implications for financial security, quality of work and, more generally, for social well-being.
  17. According to the OECD, this category of workers has “the lowest degree of job protection of all dependent workers. In addition, in countries where social security regimes – in terms of either financing or benefits or both – differ between employees and self-employed workers, employers of dependent self-employed workers typically pay no or lower social

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security contributions, while these workers are covered by a less generous level of benefits than employees” (OECD, 2014, Chapter 4).

18. The ILO report for discussion at the Meeting of Experts on Non-Standard Forms of Employment held in Geneva from 16 to 19 February 2015, describes dependent self-employment as a situation where “workers perform services for a business under a civil or commercial contract but depend on one or a small number of clients for their income and receive direct instructions regarding how the work is to be done” (ILO, 2015b). It notes “that dependent self-employed workers are typically not covered by the provision of labour or social security laws, although a number of countries have adopted specific provisions to extend some protection to them”.
19. In its conclusions, this Meeting of Experts noted that non-standard forms of employment include, among others, “disguised employment relationships” and “dependent self-employment”. The first of these refers to workers who provide their labour to others while having contractual arrangements that correspond to self-employment. The second refers to those who operate a business without employees but do not have full control or authority over their work.
20. Statistics are needed about both groups to inform policy concerns about the use of contractors, transfer of economic risk from employers to workers, access to social protection, and trends in non-standard forms of employment. The distinction between cases where an employment relationship exists (employees), “true self-employment”, and “dependent contracting” is relevant to a wide range of analytical applications, including analysis of the labour market, taxation implications, labour law, social security obligations, and more general social policy. An increased incidence of dependent contracting can be indicative of a deteriorating labour market or economy, where enterprises are sharing the economic risk more with the worker, and/or workers are prepared to engage in the market in this manner due to a shortage of jobs with more secure or standard employment arrangements.
21. There is a need for objective information to assess the extent to which dependent contracting provides flexibility for both workers and employers and provides opportunities for labour market participation. This is needed to inform debate on labour market policies and regulation to promote appropriate social protection for workers and to mitigate the detrimental effects when these forms of employment are used or misused.
22. The need for statistics on dependent contracting does not imply a judgement about whether such working arrangements are good or bad, for either the worker or the establishment. Their existence in a changing labour market creates a demand for statistics which implies the need to identify them within the classification of status in employment.

### **3. Examples of jobs that may be included among dependent contractors**

23. Before discussing how best to define and measure dependent contractors for statistical purposes, it is useful to consider some of the types of job that should be included. In many cases they involve types of contractual arrangement that have been in existence and inconsistently classified for many years. Examples include hairdressers who rent a chair in a salon and whose access to clients is dependent on the salon owner, waiters who are paid only through tips from clients, vehicle drivers with commercial contracts to provide services organized by a transport company, home-based workers contracted to perform manufacturing tasks, and consultants working for corporations or government agencies.

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24. The group also includes the emerging group of workers in the so-called “gig economy” who have been the subject of much recent academic, political, legal and media discourse. Examples include vehicle drivers providing rides or parcel delivery services and home-based workers performing information-processing services, where organization of the work or access to clients is mediated through an internet application controlled by a third party.
25. Some of these examples are discussed in more detail below.

### **Disguised employment relationships**

26. At one extreme are cases where an employer engages workers on a “self-employed” basis using a commercial contract primarily to avoid the limitations and responsibilities imposed on employers by national labour law. For example, a vehicle cleaning company may engage workers to provide car detailing (valeting) services using a contract that describes the relationship as self-employment and specifying that the contractor must provide the cleaning materials. In reality, however, the work is closely supervised by the cleaning company and 5 per cent is deducted from the workers’ payments to cover the cost of the cleaning materials which it supplies. The workers have no access to paid leave and are paid at rates below the national minimum wage.
27. These types of arrangement are frequently termed “sham self-employment” or “disguised employment relationships”. While in some countries such arrangements can successfully be challenged in courts of law<sup>1</sup> and the workers deemed to be employees, they are one of the groups about which statistical information is needed and should be included within the category of “dependent contractors”.

### **Hairdressers**

28. A common situation for hairdressers is that they “rent” a chair in a hairdressing salon from the owner, purchase their materials (shampoos, dyes, etc.) from the salon owner and must charge the same rates as the other hairdressers in the salon for services. They receive payment from their customers but must pay a portion of that to the salon owner. They are responsible for making their own arrangements to pay tax and social insurance contributions. If they have no customers on a given day, they are not paid. Work schedules, salon opening times and allocation of new customers to the different hairdressers working in the salon may be determined by the salon owner.
29. In these cases, the workers are self-employed in the sense that they may have clients of their own, they have invested in their own skills and may also use some of their own equipment. The salon owner, however, exercises control over pricing, and some aspects of both access to the market and organization of the work.

### **Vehicle drivers**

30. In recent years, the employment arrangements of vehicle drivers, involving new ways of organizing and distributing work through the Internet and mobile applications in the so-called “gig economy”, have attracted considerable attention. The tendency for vehicle

<sup>1</sup> See, for example, *Autoclenz Ltd v. Belcher*: [https://en.wikipedia.org/wiki/Autoclenz\\_Ltd\\_v\\_Belcher](https://en.wikipedia.org/wiki/Autoclenz_Ltd_v_Belcher).

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drivers to be engaged on a dependent self-employed basis, however, is not particularly new or restricted to the gig economy.

31. It is not uncommon for a truck or delivery driver who works for a transport company, in the sense that the transport company provides the work and determines the payment, to be considered by the company as self-employed. The company therefore does not take responsibility for workers' compensation insurance, taxes and social contributions, or to ensure that the hours worked by the driver fall within the legal limits for professional drivers. The driver may own the vehicle or lease it from the transport company. Typically, the transport company logo is displayed prominently on the vehicle. The contract may prevent the driver from working for more than one transport company.
32. Taxi drivers have traditionally been in a slightly different position. An owner–driver in a traditional taxi operation is generally able to drive round the streets or wait at taxi ranks to look for business and is paid directly by the customers. A driver who gets time in a taxi owned by someone else also receives payment from customers who use the taxi, but a component of that may be paid to the taxi owner, or the driver pays a set amount for use of the taxi. The owner determines when he or she can, and is expected to, use the taxi. In both cases they may receive business through a taxi despatching service or cooperative, which may exercise control over fares charged and organization of the work. Depending on national circumstances, the taxi driver may negotiate the fare directly with the client, or the fare may be determined by a taxi meter in which the rates charged are determined either by the taxi company or by a government agency. In general, the driver is responsible for taxation and social security contributions.
33. In the new “gig economy” taxi drivers and other ride providers generally own or lease the vehicle and decide on their own working time. The work is despatched and mediated through an Internet application controlled by a company which determines the price of the service. Payment is made by the clients directly to the company which passes this on to the driver on a periodic basis minus a fee. The companies do not consider that the drivers are their employees and do not take responsibility for taxation and social contributions.

### **Subcontracted home-based workers (homeworkers)**

34. Another common form of dependent work is where workers are contracted either directly by traders or manufacturers, or indirectly through intermediaries, to perform tasks in their own home such as assembly work in manufacturing. This is particularly prevalent in the manufacture of wearing apparel but may be growing in other manufacturing sectors such as electronics. The typical arrangement is that the trader or intermediary provides the main raw materials and pays by the piece for the finished goods. The home-based worker incurs various non-wage costs of production such as the workplace, equipment (for example sewing machines) supplies, utilities and transport (M.A. Chen, 2014).
35. Arrangements of this type exist in a wide range of industries and are not restricted to manufacturing. Subcontracted home-based workers are estimated to represent significant proportions of total employment, especially among women, in many Asian countries but exist in significant numbers in all regions of the world (ILO and WIEGO, 2013).

## **4. Existing data collection practices**

36. There are few official statistics that provide accurate information on the number of workers employed in dependent situations of these types. Some countries are able to provide statistics on groups of workers displaying some of the characteristics of dependent contractors, or have questions within their Labour Force Survey (LFS) that capture aspects of dependence

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in order to classify people according to ICSE-93 or to provide statistics about employment relationships.

37. The most comprehensive data collection is from the EWCS. Countries which have relevant questions and/or data include: the Republic of Korea, Australia, Italy, Mexico and Slovakia. There have also been recent developments for LFS questionnaires which shed some light on this group, in particular the ad hoc module on self-employment included in the 2017 European Labour Force Survey and questions on dependence included in the pilot labour force questionnaires being developed by the ILO for the implementation of the 19th ICLS resolution on work statistics.
38. Each of these is described below. Where possible, estimates are included of the prevalence of the group that can be defined from the relevant questionnaire.

### European Working Conditions Survey

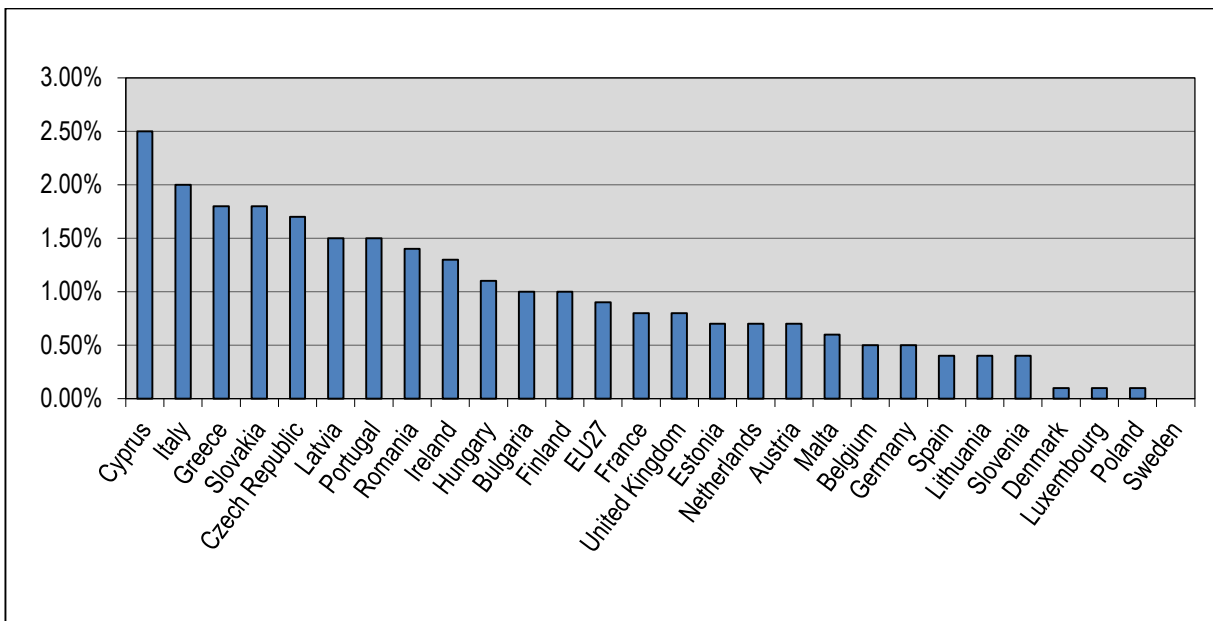
39. The EWCS is commissioned by the European Foundation for the Improvement of Living and Working Conditions (Eurofound) and carried out by Gallup Europe. In the fifth wave of this survey in 2010 EWCS, the following was asked of those identified as self-employed without employees.

Q6. Regarding your business, do you agree with the following statements:

- A. Generally, my firm has more than one client
- B. I am paid an agreed fee on a regular, for example, monthly basis
- C. If my workload requires, I could hire employees who work for me
- D. I make the most important decisions on how to run my business

40. Those who answered “no” to more than one of statements A, C and D were counted as economically dependent workers. A weakness of this approach is that it relies on the assumption that the “dependent self-employed” have been identified as self-employed in the initial questions on status in employment. This will inevitably depend heavily on the exact wording used in the questionnaire. It is likely that, if asked a direct question on whether or not they are self-employed, some dependent contractors may not identify as self-employed. Similarly, if asked whether or not they are owners of the business they work in, they may be unlikely to say yes (ILO, 2015a). It is not clear, therefore, how many workers in the gig economy, for example, might have been missed.
41. Statistics compiled from the 2010 EWCS, estimate that “economically dependent workers” comprised 0.9 per cent of total employment in the 27 Member States of the European Union (EU) with significant variation between countries (figure 1) (Eurofound, 2013). Similar questions were asked in the sixth wave in 2015 and statistics compiled using the same criteria showed that some 1.3 per cent of the EU labour force were in the category of economically dependent workers (Eurofound, 2017).

**Figure 1. Economically dependent workers as a share of total employment – EU27 countries, 2010**



Source: Eurofound, 2013.

## Republic of Korea

42. In the Republic of Korea, the classification of status in “employment” is complemented by a classification of “type of employment” (for employees only) with a dichotomy between non-regular workers and regular workers. Within the group of non-regular workers there is a category of “contract labour on achievement” defined as:

*“Workers, not having a designated office or workplace and being allowed to make independent decisions with respect to the methods and times of providing their labour/services, perform their jobs that are not under their control. Their income directly depends on their own work performances. Delivering products and services through sales, transport, delivery, subscriptions, etc. can be classified as in this category.”*

43. This category is classified by Statistics Korea as a subset of employees but may overlap with the proposed category of “dependent contractors”. In August 2017, 493,000 persons were employed in this category, representing 2.5 per cent of “wage workers”. This share has declined gradually from 4.2 per cent in August 2005 (Statistics Korea, 2006 and 2017). We have no information about the number of self-employed or non-wage workers that might be classified as “dependent contractors” in the Republic of Korea.

## Australia

44. In Australia a supplementary survey to the Labour Force Survey on Characteristics of Employment (COE) has been conducted annually since 2014. Its predecessor, the Forms of Employment Survey (FOES), was conducted for many years prior to that. Since 2008, both surveys have populated a “form of employment” classification which identifies the group “independent contractors” separately from “other business operators”. Some “independent contractors” share characteristics of the proposed category of “dependent contractors”.

45. The definition of “independent contractors” is:

*“... people who operate their own business and who are contracted to provide services for others without having the legal status of an employee, i.e. people who are engaged by a client, rather than an employer, to undertake the work. Independent contractors are engaged under a contract for services (a commercial contract), whereas employees are engaged under a contract of service (an employment contract).”*

*Independent contractors’ employment may take a variety of forms, for example they may have a direct relationship with a client or they may work through an intermediary. Independent contractors may have employees; however, they spend most of the time directly engaged with clients or on client tasks, rather than managing their staff” (ABS, 2014).*

46. The criteria to determine who is an independent contractor use status in employment (as collected in the LFS) in conjunction with other items which are collected in the supplementary survey, namely:

- whether they identify as an independent contractor;
- whether they receive a payslip or pay advice;
- whether they invoice their clients for their payment;
- whether they are able to make drawings (withdraw money for personal use) from their business.

Through a classification process, a number of “employees” (from the LFS) are reassigned as independent contractors, and a number of self-employed owner–managers are reassigned as employees, as shown in table 1.

**Table 1. Decision table for the identification of independent contractors: Characteristics of Employment Survey, Australia**

	Whether considered to be independent contractor?	Whether received payslip/advice?	Whether invoices/ bills clients/ employers?	Whether able to make drawings from employer/ business	Result
Employees (excluding OMIEs)	Yes	Yes	Yes		Independent contractor
	Yes	Yes	No	Yes	Independent contractor
	Yes	Yes	No	No	
	Yes	No	Yes		Independent contractor
	Yes	No	No		Independent contractor
	No	Yes			
Owner–managers (OMIEs and OMUEs)	No	No	Yes		Independent contractor
	No	No	No		
	Yes	Yes	Yes		Independent contractor
	Yes	Yes	No	Yes	Independent contractor
	Yes	Yes	No	No	
	Yes	No	Yes		Independent contractor
	Yes	No	No		Independent contractor
	No	Yes	Yes		

Whether considered to be independent contractor?	Whether received payslip/advice?	Whether invoices/bills clients/employers?	Whether able to make drawings from employer/business	Result
No	Yes	No	Yes	
No	Yes	No	No	
No	No	Yes		
No	No	No		

Sufficient information was obtained from respondents after answering the second or third questions to determine their “form of employment”. Therefore people were not asked these questions to reduce respondent burden.  
Source: [Australian Bureau of Statistics \(ABS\), Labour Statistics Concepts Sources and Methods \(Cat. No. 6102.0.55.001\)](#).

47. In August 2017, independent contractors represented 8.3 per cent of total employment in Australia. Just over half of those identified in COE as independent contractors had a status in employment (from the LFS) of own-account worker (or owner–manager of an unincorporated enterprise without employees) and a further 28 per cent were owner–manager of an incorporated enterprise (OMIE). Almost 12 per cent were employees (excluding OMIEs) from the LFS (ABS, 2017).
48. While the definition of “independent contractor” does not align with the proposed concept of “dependent contractor”, every second year additional questions are asked which capture some aspects of dependence. More than 35 per cent of “independent contractors” in 2016 reported that they did not have authority over their own work, representing 2.9 per cent of total employment (ABS, 2017). Further questions about whether they had only one active contract, and whether their contract prevented them from having more than one contract indicate that strict dependence on a single client is a lot smaller. The additional questions on dependence were only asked of those who are assigned as “independent contractors”, and it may be better to ask some of these additional questions of all independent workers in household market enterprises.

## Italy

49. Since 2004, the Italian Labour Force Survey has been collecting data on a group of temporary freelance workers termed *collaboratori*, in line with new forms of employment flexibility in Italy. In the first quarter of 2014, 371,000 people or 1.7 per cent of total employment were employed as *collaboratori*. By the first quarter of 2018 this number had fallen to 221,000 or less than 1 per cent of total employment.<sup>2</sup>
50. *Collaboratori* are often closer to employees than self-employed, even if they are formally considered as self-employed. They usually have more freedom on working-time arrangements than employees but have to follow specific guidelines while doing their work. They have a temporary contract with a start and an end date. For those reasons, the group is defined by labour law experts as “para-subordinate workers”, to indicate the ambiguity of their status.
51. *Collaboratori* are measured using specific questions about their employment status: respondents are asked whether they are employees, *collaboratori*, or self-employed. There are further questions about whether they only work for one company or customer, and

<sup>2</sup> Data extracted on 20 July 2018 from [I.Stat database](#).



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control over working hours. These two elements relate to aspects of economic and operational dependence.

## Mexico

- 52.** The Mexican approach to collecting status in employment is a little different from most other countries. The initial question establishes whether the worker is a “dependent” (subordinate) worker.

Q3a. At work, do you have a boss or superior?

Those who respond “No” are then asked:

Q3b. So, you are running a business or any activity on your own?

- 53.** These questions determine the different paths through the questionnaire. Several additional questions are used as validity checks that appropriately reclassify workers. Q3a represents a useful example of someone else having control or authority over the work done by a person.
- 54.** A group called “pseudo-independent workers” or “dependent workers not paid a salary” is defined. They have some characteristics of both dependent and independent workers. They are primarily those who identify as independent (no boss or superior in Q3a, is running their own business in Q3b); however, they have only one client, do not employ anyone else, do not have their own premises or vehicles and report income different from profits. Pseudo-independent workers represented 4.1 per cent of total employment (fourth quarter, 2014), or 2.05 million workers.
- 55.** While pseudo-independent workers have some similarity to the proposed concept of dependent contractor, they should not be considered synonymously, as some who are classified as pseudo-independent workers would not meet all of the criteria to potentially be considered dependent contractors. Also, to be counted as pseudo-independent workers in Mexico, the person cannot have his or her own business premises or vehicles, therefore excluding some vehicle drivers and potentially home-based workers.

## Slovakia

- 56.** Slovakia has published statistics on the so-called “false self-employed” measured through a question introduced to its LFS in 2010, asked of those who indicated that they were an “own-account worker without employees” in the status in employment question:

Q10a. Does your job meet the conditions of dependent work or employee? (Dependent work is defined as work that is carried out by someone who is in a relationship of subordination vis-à-vis the employer, personally for employer, upon the employer’s instructions, in its name, in the working hours specified by the employer, for a wage or remuneration).

- 57.** Those who responded “yes” were considered “false self-employed”. In the first quarter of 2015, this group represented 86,500 people, or 3.6 per cent of total employment (Statistical Office of the Slovak Republic, 2015).

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## European Labour Force Survey

58. Questions on dependent self-employment were included in the ad hoc module of the 2017 European Labour Force Survey (EU LFS) and were therefore reflected in the LFS in all Member States of the European Union, as well as other countries that participate in the EU LFS.
59. These questions identify first of all whether a single client accounted for at least 75 per cent of a self-employed worker's income, and then whether this client decides on the worker's hours of work (Eurostat, 2017). Whether the client decides the hours of work, was found to be the most feasible proxy measure of work organization. Similar approaches have been trialled in the ILO pilot test programme on the implementation of the 19th ICLS resolution which tested questions on who decides the working hours and whether the own-account worker has only one client or more than one client.

## 5. Conceptual and operational definitions of dependent contractors

60. None of the approaches discussed above provide comprehensive measurement of dependent contractors. The wide variety of methods used to identify these workers does suggest that in many countries they are a statistically significant group but does not provide internationally comparable data. This points to the need for a clear definition of the group and for more robust methods to measure them at national, regional and international levels.
61. The examples in the preceding sections highlight some of the characteristics of jobs that might be classified as dependent contractors, as well as the diverse nature of the work performed and of the worker's dependence on another economic unit. They share the characteristics of not being in control of the economic unit for which the work is performed, while being exposed to the economic risk and administrative responsibilities associated with employment for profit.
62. The different criteria used to define and measure dependent contractors should allow identification of those cases which should be included, while avoiding the identification of workers that are genuinely employees, freelance contractors or running their own business. These criteria also need to take account of the diversity of the nature of their dependency. Different criteria may therefore be more or less relevant, depending on the context.
63. Much of the early statistical development work on the measurement of the dependent self-employed focused on workers who are initially identified as self-employed, but who are dependent on one or a small number of economic units (clients) for their income and for the organization of their work. This approach has limitations, however. It potentially includes genuinely independent workers who may have only a small number of clients in a given period, while excluding the many workers such as those in the gig economy who have multiple clients but whose access to the market or access to raw materials is controlled by another entity.
64. The ILO Working Group for the Revision of ICSE-93 identified two additional elements that are required for the measurement of the dependent self-employed. The first of these relates to workers who report that they work for someone else, or who identify as employees, but are not paid a wage or salary and whose "employer" is not responsible for or does not make deductions for taxation or make arrangements for other social contributions and insurance. The second element relates to a broader notion of economic dependence whereby the person's access to the market is dependent on another entity.

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65. There was broad agreement among working group members that control over access to the market was an essential element in defining and measuring dependent self-employed workers. Limiting the definition to workers with a single main client was considered too restrictive, as many dependent workers may have multiple clients but be dependent on a third party for access to these clients and for the organization of their work. Additional features which could be used to identify dependent contractors were proposed, such as payment of social contributions by an employer, type of payment received, dependence on another entity for access to the market, control over the price of the goods produced or services provided and various forms of control over the work performed.

66. Accordingly, the text on dependent contractors in the proposed 20th ICLS resolution starts with a relatively broad statement that provides a definition of the concept that should ideally be measured, and goes on to identify various characteristics that could be used for the development of operational criteria for measurement.

*“Dependent contractors are workers who have contractual arrangements of a commercial nature to provide goods or services for or on behalf of another economic unit, are not employees of that economic unit, but are dependent on that unit for organization and execution of the work or for access to the market.”*

67. An operational definition clarifies the scope of the category:

*“For the purposes of statistical measurement, dependent contractors are defined as workers employed for profit, who are dependent on another entity that exercises explicit or implicit control over their productive activities and directly benefits from the work performed by them.*

*(a) Their dependency may be of an operational nature, through organization of the work and/or of an economic nature such as through control over access to the market, the price for the goods produced or services provided, or access to raw materials or capital items.*

*(b) The economic units on which they depend may be market or non-market units and include corporations, governments and non-profit institutions which benefit from a share in the proceeds of sales of goods or services produced by the dependent contractor, and/or benefit when the work performed by dependent contractors may otherwise be performed by its employees.”*

68. The following characteristics that may be relevant for the identification of dependent contractors are listed:

*“(a) their work is organized or supervised by another economic unit as a client, or as an entity that mediates access to clients;*

*(b) the mode of payment is by way of a commercial transaction;*

*(c) the price paid for the goods produced or services provided is determined by the client or an intermediary;*

*(d) access to raw materials, equipment or capital items is controlled by the client or an intermediary;*

*(e) their actual working arrangements or conditions may closely resemble those of employees;*

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- (f) *the entity on which the worker is dependent does not withhold income tax for the worker;*
- (g) *the worker is responsible for arranging his or her own social insurance and other social contributions.”*

**69.** Information about the mode of payment received and about responsibility for payment of social contributions and taxes allows a boundary to be established between informal employees and dependent contractors. If the type of payment received is a wage or a salary, in particular for time worked, this would indicate that the worker is an employee, even if the employer does not make social contributions or deduct taxes on behalf of the employee. If there is some other form of remuneration but an employer is nevertheless responsible for social contributions, the worker should still be classified as an employee. If, however, an “employer” is not responsible for social contributions (or does not make them), and payment is not for time worked, it would be more appropriate to classify the worker as a dependent contractor.

**70.** Workers who employ others to work for them as employees, are classified as independent workers, even if their businesses are dependent on another enterprise. The engagement of employees implies a degree of authority and control over the operation of an enterprise.

**71.** In the case of operators of incorporated enterprises, the decision to incorporate the enterprise means that the worker is a separate legal entity from the corporation which she or he owns and operates, even when there are no employees. This mitigates the degree of economic risk to which the worker is exposed. It is the enterprise that may be dependent on another economic entity rather than the worker. Incorporation of an enterprise also suggests a degree of independence and the intention of those who own the enterprise to operate a business. Moreover, it is important for national accounts and some other statistical purposes to identify operators of corporations separately from independent workers in household market enterprises and from dependent contractors, as they may be paid a salary by the corporation they own and operate.

**72.** Exclusion statements are therefore provided to establish clear boundaries between dependent contractors and other categories in ICSE-18:

*“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;*
- (b) *are paid for time worked;*
- (c) *employ one or more other persons to work for them on a regular basis as an employee;*  
*or*
- (d) *operate an incorporated enterprise.”*

**73.** In recognition of the demand for further disaggregation of the diverse groups included among dependent contractors, the draft resolution notes that two subgroups of dependent contractors may be identified if feasible and relevant in the national context:

*“(a) workers who provide their labour to others but have contractual arrangements corresponding to those of self-employment; and*

(b) *workers who have committed significant financial or material assets to the unincorporated enterprise which they own and operate, but do not have full control or authority over their work or the activities of the enterprise.”*

74. Ideally, these two groups should be separately identified rather than grouped together. This would require additional information on the nature of the financial or material resources committed by the worker. In the absence of significant experience in separately identifying these two groups, they are not identified formally as separate categories in the proposed ICSE-18.

## 6. Data collection

### Measurement approach

75. The proposed measurement approach being tested identifies dependent contractors according to two streams from traditional status in employment questions. One stream of questions is asked of those who say they work for someone else, and another is asked of those who say they are self-employed. In the draft data collection guidelines (ILO, 2018a), the suggested approach is first to ask respondents to indicate their status in employment based on self-identification. The question module should as a minimum be able to identify the following categories:

- employees;
- self-employed;
- contributing family workers.

76. Those who self-identify as employees are asked a second question to determine whether they receive a wage or salary. For those who do not receive a wage or salary, a third question establishes whether the worker or the employer is responsible for the deduction of taxes or contributions to national insurances. Those paid by a means other than a wage or salary, and who are responsible for making their own arrangements to pay taxes and insurance, would then be classified as dependent contractors.

**Table 2. Identifying dependent contractors using the classification module for self-identified employees**

Self-identified employment status	Receive wage/salary	Are responsible for insurance and income tax	Second level ICSE status
Employee	Yes	–	Employee
	No	No	Employee
		Yes	Dependent contractor

77. Differentiating dependent contractors from employees based on whether payment is by wage or salary and, if not, on who is responsible for social contributions, should ensure that workers such as those in disguised self-employment, hairdressers paying to use a salon, and vehicle drivers on commercial contracts should all be identified appropriately as dependent contractors. This approach should also allow home-based workers, whether paid for time worked or by the piece, to be identified as home-based employees if the agency they work for recognizes them as employees. Dependent home-based workers who have other non-wage payment arrangements will be identified as dependent contractors unless they state that their employer is responsible for taxation and social insurance.

78. Those who identify initially as self-employed are asked questions to determine whether the business they operate has employees and whether it is incorporated. For those whose business is not incorporated or has no employees, it is necessary to differentiate dependent contractors from own-account workers by asking one or more questions to establish whether or not they are operationally dependent on another economic unit that exercises control over their activities.

**Table 3. Identifying dependent contractors using the classification module for self-identified business owners**

Self-identified employment status	Incorporated	Has employees	Is operationally and/or economically dependent on another economic unit that exercises control over his/her activities	Status in employment
Self-employed	No	No	Yes	Dependent contractor

## Testing

79. Testing of the proposals in the draft resolution concerning statistics on work relationships has focused mainly on the methods to determine whether those initially identified as self-employed are dependent on another economic unit and, to a lesser extent, on the identification of dependent contractors among self-perceived employees.
80. Tests have been, or are being, conducted in Chile, Denmark, El Salvador, Finland, Italy, Mexico, Singapore, Thailand, Uruguay and the Pacific community and have involved cognitive as well as field testing of questions on:
- exercise of operational authority by main client;
  - if the client or intermediary provides the material input;
  - control over setting the price for goods or services produced;
  - sharing of profit with client or intermediary.
81. The results so far show that questions are generally understood well by respondents, but that understanding is sensitive to the precise question wording and that cognitive evaluation is therefore essential to arrive at an appropriate formulation. For example, in some Latin American countries, the term for salary (*sueldo*) may be interpreted as receiving regular payments, even when the worker is engaged on a commercial contract. Additionally, “sharing of profits with a third party” was in some cases understood more generally as “creating business opportunities for others”.
82. The numbers of dependent contractors identified are small in some countries and more significant in others. For example, based on the test results dependent contractors who were initially identified as “self-employed” comprised approximately 0.5 per cent of total employment in Denmark and 5 per cent in Thailand. Testing in Chile indicates that dependent contractors represent more than 5 per cent of total employment, and that approximately 40 per cent were initially identified as employees.
83. The tests also showed that there was a high degree of sensitivity to different operational methods of identification. A relatively high share of dependent contractors was identified in

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agriculture especially when using price control as the operational measure. The tests indicate that the proposed approach is promising but additional testing is required to further refine the operationalization.

84. More comprehensive information on the testing of the proposals is provided in a separate room document (ILO, 2018b).

## 7. Conclusions

85. Dependent contractors are a group about which there is significant policy concern. Compared to independent workers employed for profit they are exposed to similar economic risks but do not have control over their business. There is a widespread belief that there is an underlying trend of growth in this form of employment in both the developed and developing world, and that this is unlikely to stop. This has created a strong need for internationally comparable official statistics to assess its impact on workers, enterprises and governments in order to inform and monitor public policies on employment creation, social protection and labour market regulation. Yet there are few official statistics that would allow this trend to be confirmed.
86. The data that are available suggest that dependent contractors make up between 0.5 and 5 or more per cent of total employment, depending on the country. In many countries, this represents a relatively large share of workers employed for profit. In some countries, dependent contractors may be more numerous than employers and contributing family workers.
87. During the process of regional consultations undertaken by the ILO from late 2016 until the end of 2017, and at the tripartite meeting of experts conducted in February 2018, there was strong, although not universal, support for the inclusion of a category of dependent contractors in the revised ICSE. Without such a category, it would be difficult to meet the clear statistical demand for information on these workers, and statistics on independent workers and/or employees would continue to be overestimated as they would include an unknown number of dependent contractors.
88. The proposed operational definition of dependent contractors establishes clear boundaries between this group and both independent workers and employees. It provides comprehensive information on the defining characteristics of dependent contractors which may be adapted as criteria for measurement in statistics from various types of data source. While there is insufficient experience at this stage to provide definitive guidance on the best methods to collect information on dependent contractors, experience on data collection is growing and will need to continue as part of a coordinated programme of testing and development of guidelines.





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