

KILM 3. Status in employment

Introduction

The indicator of status in employment distinguishes between two categories of the total employed. These are: (a) wage and salaried workers (also known as employees); and (b) self-employed workers. These two groups of workers are presented as percentages of the total employed for both sexes and for males and females separately. Information on the subcategories of the self-employed group – self-employed workers with employees (employers), self-employed workers without employees (own-account workers), members of producers' cooperatives and contributing family workers (formerly known as unpaid family workers) – is not available for all countries but is presented wherever possible. Table 3 currently covers 194 countries.

Use of the indicator

This indicator provides information on the distribution of the workforce by status in employment and can be used to answer questions such as what proportion of employed persons in a country (a) work for wages or salaries; (b) run their own enterprises, with or without hired labour; or (c) work without pay within the family unit? According to the International Classification of Status in Employment (ICSE), the basic criteria used to define the status groups are the types of economic risk that they face in their work, an element of which is the strength of institutional attachment between the

person and the job, and the type of authority over establishments and other workers that the job-holder has or will have as an explicit or implicit result of the employment contract.¹

Breaking down employment information by status in employment provides a statistical basis for describing workers' behaviour and conditions of work, and for defining an individual's socio-economic group.² A high proportion of wage and salaried workers in a country can signify advanced economic development. If, on the other hand, the proportion of own-account workers (self-employed without hired employees) is sizeable, it may be an indication of a large agriculture sector and low growth in the formal economy. Contributing family work is a form of labour – generally unpaid, although compensation might come indirectly in the form of family income – that supports production for the market. It is particularly common among women, especially women in households where other members engage in self-employment, specifically in running a family business or in farming. Where large shares of workers are contributing family workers, there is likely to be poor development, little job growth, widespread poverty and often a large rural economy.

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

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

Own-account workers and contributing family workers have a lower likelihood of having formal work arrangements, and are therefore more likely to lack elements associated with decent employment, such as adequate social security and a voice at work. Therefore, the two statuses are summed to create a classification of ‘vulnerable employment’, while wage and salaried workers together with employers constitute ‘non-vulnerable employment’. The vulnerable employment rate, which is the share of vulnerable employment in total employment, was an indicator of the (now finished) MDG employment target on decent work.³ Globally, just below half of the employed are in vulnerable employment, but in many low-income countries this share is much higher.

The indicator of status in employment is strongly linked to the employment-by-sector indicator (KILM 4). With economic growth, one would expect to see a shift in employment from the agricultural to the industry and services sectors, which, in turn, would be reflected in an increase in the number of wage and salaried workers. Also, a shrinking share of employment in agriculture would result in a lower proportion of contributing family workers, who are often widespread in the rural sector in developing economies. Countries that show falling proportions of either the share of own-account workers or contributing family workers, and a complementary rise in the share of employees, accompany the move from a low-income situation with a large informal or rural sector to a higher-income situation

with high job growth. The Republic of Korea and Thailand are such examples, where large shifts in status in employment have accompanied economic growth.

Shifts in proportions of status in employment are generally not as sharp or as clear as shifts in sectoral employment. A country with a large informal economy, in both the industrial and services sectors, may tend to have larger proportions of both self-employed and contributing family workers (and thus higher rates of vulnerable employment) than a country with a smaller informal economy. It may be more relevant to view status in employment within the various sectors in order to determine whether there has been a change in their relative shares. Such degree of detail is likely to be available in recently conducted labour force surveys or population censuses.⁴

³ See ILO: *Key Indicators of the Labour Market, Sixth Edition* (Geneva, 2009), Chapter 1, section C; ILO: *Key Indicators of the Labour Market, Fifth Edition* (Geneva, 2007), Chapter 1, section A; and United Nations: *The Millennium Development Goals Report 2013* (New York).

⁴ See ILO: *Key Indicators of the Labour Market, Fifth Edition* (Geneva, 2007), Chapter 1, section B.

Definitions and sources

International recommendations for the status in employment classification have existed since before 1950.⁵ In 1958, the United Nations Statistical Commission approved the International Classification by Status in Employment (ICSE). At the 15th International Conference of Labour Statisticians (ICLS) in 1993, the definitions of categories were revised. The 1993 revisions retained the existing major categories, but attempted to improve the conceptual basis for the distinctions made and the basic difference between wage employment and self-employment.

The 1993 ICSE categories and extracts from their definitions follow:

- i. **Employees** are all those workers who hold the type of jobs defined as “paid employment jobs”, where the incumbents hold explicit (written or oral) or implicit employment contracts that give them a basic remuneration that is not directly dependent upon the revenue of the unit for which they work.
- ii. **Employers** are those workers who, working on their own account or with one or a few partners, hold the type of jobs defined as a “self-employment jobs” (i.e. jobs where the remuneration is directly dependent upon the profits derived from the goods and services produced), and, in this capacity, have engaged, on a continuous basis, one or more persons to work for them as employee(s).
- iii. **Own-account workers** are those workers who, working on their own account or with one or more partners, hold the type of jobs defined as a “self-employment jobs” [see ii above], and have not engaged on a continuous basis any employees to work for them.
- iv. **Members of producers’ cooperatives** are workers who hold “self-employment jobs” [see ii or iii above] in a cooperative producing goods and services.
- v. **Contributing family workers** are those workers who hold “self-employment jobs” as own-account workers [see iii above] in a market-oriented establishment operated by a related person living in the same household.
- vi. **Workers not classifiable by status** include those for whom insufficient relevant information is available, and/or who cannot be included in any of the preceding categories.

The status-in-employment indicator presents all six groups used in the ICSE definitions. The two major groups – self-employed and employees – cover the two broad types of status in employment. The remaining four – employers (group ii); own-account workers (group iii); members of producers’ cooperatives (group iv); and contributing family workers (group v) – are sub-categories of total self-employed. The number in each status category is divided by total employment to arrive at the percentages shown in table 3. As was mentioned before, the vulnerable employment rate is calculated as the sum of contributing family workers and own-

⁵ The Sixth International Conference of Labour Statisticians (1947) and the 1950 Session of the United Nations Population Commission both made relevant recommendations for statistics on employment and unemployment and on population censuses respectively.

account workers as a percentage of total employment.

Most of the information for this indicator was gathered from international repositories of labour market data, including the ILO Department of Statistics' online database (ILOSTAT) the Statistical Office of the European Communities (EUROSTAT), the Organisation for Economic Co-operation and Development Labour Force Statistics Database (OECD), and Latin America and the Caribbean Labour Information System (QUIPUSTAT) with additions from websites of national statistical offices.

Limitations to comparability

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

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

likely to be small. More detailed comparisons within the group of self-employed are difficult if only combinations of subcategories are available; for example, in a number of countries own-account workers include employers, members of producers' cooperatives or contributing family workers for certain periods.

It is also important to note that information from labour force surveys is not necessarily consistent in terms of what is included in employment. For example, reporting civilian employment can result in an underestimation of “employees” and “workers not classifiable by status”, especially in countries that have large armed forces. The other two categories, self-employed and contributing family workers, would not be affected, although their relative shares would be.

With respect to geographic coverage, information from a source that covers only urban areas or only particular cities cannot be compared fairly with information from sources that cover both rural and urban areas, that is, the entire country..⁶

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

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

wage and salaried workers are grouped together.