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INTERNATIONAL ECONOMIC CLASSIFICATIONS

International Classification of Status in Employment

Report of the International Labour Office

SUMMARY

The present report provides information on the existing International Classification of Status in Employment (ICSE) and points out departures from it in national practices (paras. 6-24). The report discusses some problems of concept and application and proposes future work on the International Classification of Status in Employment (paras. 25-34). Points that the Commission may wish to discuss are included (para. 35).

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INTRODUCTION 1/

1. The first step towards an international classification of workers by status in employment was taken in 1938 by the Committee of Statistical Experts of the League of Nations, which recommended the following classification of "personal status" of the gainfully occupied population, in addition to classification by occupation and industry: (a) employers (persons working on their own account with paid assistants in their occupation); (b) persons working on their own account either alone or with the assistance of members of their families; (c) members of families aiding the head of their families in his occupation; and (d) persons in receipt of salaries or wages.

2. In 1948, the Population Commission of the United Nations recommended that, in censuses, the economically active population be classified according to status in the following status in employment groups: (a) workers for public or private employers; (b) employers; (c) workers who work on their own account without employees; and (d) unpaid family workers. In 1950 it adopted standard definitions for them.

3. In 1958 an additional group was included, namely, "Members of producers' co-operatives", in the recommendations concerning population censuses approved by the Statistical Commission of the United Nations of the same year. Since then only minor editorial revisions to the descriptions of the groups constituting the classification have been made. The draft resolution prepared for, but not adopted by, the Ninth International Conference of Labour Statisticians (ICLS) in 1957, still contains the most detailed descriptions available of the five substantive groups in the International Classification of Status in Employment. 2/

4. The present International Classification of Status in Employment comprises the following major groups:

   (a) Employer;
   (b) Own-account worker;
   (c) Employee;
   (d) Unpaid family worker;
   (e) Member of producers' co-operatives;
   (f) Persons not classifiable by status.

Definitions as given in the United Nations Census Recommendations can be found in Principles and Recommendations for Population and Housing Censuses. 3/

5. The Expert Group on the 1990 World Population and Housing Census Programme, meeting in November 1985, recommended that no changes should be made to the classification as outlined above in paragraphs 2 and 3, but that it should be
recognized that countries might wish to specify "apprentices" as a subgroup of "employees". Consequently, the International Classification of Status in Employment has been left virtually unchanged for 30 to 40 years.

I. DEPARTURES FROM EXISTING RECOMMENDATIONS IN NATIONAL PRACTICE

6. The first four major groups contained in the international recommendations have been widely used in population censuses during the past three decades or more. While many countries collect, classify and present census data separately for "employers" and "own-account workers", several countries in Europe, North America and Oceania have combined these two groups in their censuses. In certain countries like India, the two groups have been shown separately for the non-agricultural labour force only, while agricultural workers have been classified into "owner-holders", "tenant-holders" and "share-croppers".

7. Differences exist in national census practices in respect of "unpaid family workers". Leaving aside the differences in the definition used by countries to identify unpaid family workers as members of the labour force, in some censuses the unpaid family workers have been included in the major group "employees". In other censuses they have been treated as partners and therefore as "self-employed" or "own-account workers".

8. In addition to the original four major groups used by nearly all countries, a number of countries have distinguished other major groups. These include, in addition to the internationally recommended group of "members of producers' co-operatives", the "armed forces", "unemployed", and "unknown status".

9. A number of countries have subdivided one or more of the four major groups into several subgroups. The group "employees" has been subdivided by some countries into "salaried employees" and "wage earners"; and by some other countries into "public employees" and "private employees". The criteria used by countries to distinguish between salaried employees and wage-earners have varied, and have included the method of payment, the level of skill and the legal basis of eligibility for social security and similar programmes. Other groups which have been treated either as a separate group or as a subgroup include "apprentices", "domestic servants", "persons earning commission", "the clergy", "the elected office-holders" and so on.

II. SOME PROBLEMS OF CONCEPT AND APPLICATION

A. Self-employed, employers and own-account workers

10. The term "self-employed" is commonly used to cover those who work either as "employers" or as "own-account workers", the difference between these two groups being that the former have one or more hired employees working for them. Own account workers may work with one or more unpaid family workers, i.e., with members of the same households. The common defining characteristic of persons in both groups is that they "operate their own economic enterprise or engage independently
in a profession or trade. This means that managers, directors and other salaried officials of economic enterprises who do not own the businesses in which they work, are classified as employees, even though they may perform the same functions as employers.

11. In practice most countries restrict their definition of self-employed persons to those who operate unincorporated businesses. This means that the observed number of self-employed workers, on the one side, and the number of employees, on the other, are affected by the legal situation concerning incorporation of companies. However, often, especially in small incorporated enterprises, the manager and his/her family own all or a controlling part of the enterprise. The question arises whether such managers should be regarded as self-employed, and also whether persons having the authority to hire and fire workers on behalf of an enterprise, should not be distinguished from other employees.

12. Another issue is whether the definition of employers should refer to the situation which exists in the reference period, or alternatively, for example, the existence and the duration of a contract between a self-employed worker and an employee should determine whether the former is to be counted as employer or not. This would give a relatively simple rule for dividing the self-employed between the "establishment sector" and the "household sector", a division which is useful in the planning and execution of statistical surveys. With this approach, self-employed workers who engage other workers without making them employees, would warrant a separate group.

13. The usefulness of the distinction between "employers" and "own-account workers" has been questioned, and it has been suggested that a separate variable to indicate the scale of operations of the self-employed would both be more practical and of greater analytical utility.

B. Own-account workers and employees

14. The basis of the distinction between "own-account workers" and "employees" poses another problem. It involves the difference between, on the one hand, the production and sale of goods or services to one or more customers, and on the other, the sale of labour to an employer, to be used for the production and sale of goods or services. An analysis of the "core" situations which represent the essence of each of these two groups, and of departures from these situations, suggests that economic risk and control may be used as variables to distinguish between these two groups.

15. These "core" employment situations and departures from them are determined by a number of characteristics. For example, in the case of an employee, the core employment situation means working full time for one employer, at hours and place determined by the employer, with means of production provided by the employer, having an individual explicit or implicit contract or agreement of employment with the employer, being renumerated by a wage or salary and so on. Departures from that situation arise with working less than full time, working at home at various hours, working with self-provided raw materials and other means of production,
having contracts only as members of a group, or for limited periods, being remunerated partly or wholly in kind or by tips, commissions or profit sharing and the like.

16. In the case of an own-account worker, "core" employment situations are those where workers are working alone and full-time, at places and hours determined by themselves, with their own or rented means of production, being remunerated by the profits from the sale of the produced goods and services and so on. Departures from this situation arise when the workers do not work alone, but with others on an equal basis (e.g., as partners, members of producers' co-operatives), at a place and hours determined by the client, with means of production that might be determined by their position as, for example, share-croppers or tenant-holders, or where the products and proceeds of sales are shared with others - because of contractual obligations, or as part of partnership/co-operative agreements, etc.

17. The above suggests that the main differences between the two core employment situations - and the various departures from them - are related to (a) the type and extent of economic risk carried by the worker; and (b) the extent and type of control of the work and of the enterprise exercised by the worker. If this is correct, then the degree of "economic risk" and "control" would seem to be good candidates for determining whether a particular work situation represents that of an own-account worker or that of an employee.

18. In order to implement distinctions based on "economic risk", it would be necessary to find appropriate indicators of risk involvement. One possibility consistent with the concept of "own-account work" would be to link the distinction between risk categories to methods of remuneration. For example, on the one hand, the remuneration of the worker may totally depend on the returns from the sale of the products or services being produced and, on the other, part of the remuneration may be determined on the basis of time worked or amount produced but otherwise independent of the receipts or profits from sales.

19. In order to implement distinctions based on "control", it would be necessary to establish more precisely what we mean by "control"; the relevant areas of control (place of work, means of production, raw materials and other inputs and output) and the relevant types and degree of control (legal, financial and cultural).

C. Household production and unpaid family workers

20. Two kinds of productive economic units could perhaps be distinguished: (a) establishment units which, as individual employers, enterprises and institutions, carry out economic activities with the assistance of paid employees, and (b) household units in which an own-account worker carry out such activities with the possible assistance of household members. If this were done, then it would be possible to have a separate status in employment group combining "own-account workers" and "unpaid family workers" in a single group of "household account workers". This would avoid the criticism that to classify one member of the household production unit as "own-account worker" and other members as "unpaid
family workers" is misleading and discriminatory. On the other hand, it has to be recognized that customs and laws in many countries place different household members in very different positions with respect to ownership of business assets, rights to enter into business contracts or to receive and dispose of business incomes and responsibilities for business liabilities. Such differences may warrant the retention of a distinction between different members of the same household production unit. This would involve finding a way to define the "head" or "manager" of the household production unit, as well as finding a more appropriate term than "unpaid family workers" for its other members.

D. Members of producers' co-operatives and partners

21. Many countries where there are relatively few members of producers' co-operatives tabulate them together with "own-account workers" or with the broader group "self-employed". This is consistent with the present rules of the International Classification of Status in Employment for classifying "partners", who are to be classified either with "employers" or with "own-account workers", although a partner's relationship to his/her partners has strong similarities to those existing in producers' co-operatives. Only small consequences for the statistics are likely to follow from a change in the treatment of partners to achieve greater conceptual consistency, since the number of partners is small in most countries - relative both to the number of self-employed and to the number of members of producers' co-operatives.

E. Population and reference period

22. It is said that the International Classification of Status in Employment applies to "the position of the individual in respect of his or her job". This would mean that the International Classification of Status in Employment should apply only to employed persons. It is said that "status in employment refers to the status of an economically active person with respect to his or her employment, that is, whether he or she is employed (or was, if unemployed) during the time reference period established for data on economic characteristics". Looking at national practices, we find that some countries classify only the employed population by the status in employment group, while other countries classify the whole economically active population. We also find that a number of countries have included categories for persons outside the labour force (such as "students", "housewives" and "pensioners") under the heading "status in employment".

23. A worker may have more than one job during the reference period and, as a consequence, work as an "employee" in one job and be self-employed in others. This means that, just as with occupation and industry, persons must be classified to a specific status in employment group on the basis of their relationship to a job - past, present or future. Multiple job-holders may therefore have several statuses in employment, and it is necessary to have rules for selecting the "primary status" of persons and/or rules for defining multiple-status groups. The design of such rules will be important for those users who are primarily interested in persons as the units of observation and analysis.
F. Data collection considerations

24. A classification by status in employment which only distinguishes between a small number of classes is much easier to handle from a data collection point of view than one which makes distinctions between a large number of different groups - if the groups defined correspond closely to existing and easily recognizable work situations. The industrialized market-oriented and socialist economies, where the core employee situations, the core own-account worker situations and/or member of producers' co-operative situations dominate, seem traditionally to have satisfied this condition, and precoded responses could be used on questionnaires with little explanatory information needed for respondents or interviewers. However, the situation for a large proportion of workers in developing countries never did correspond to the core situations, making it difficult to fit them into the present status in employment classes. In addition, it has been strongly suggested that borderline situations are becoming increasingly important in developed countries, undermining the validity of the simple classification and data-collection procedures which have been adequate in the past.

III. PROPOSALS FOR FUTURE WORK ON A POSSIBLE REVISION OF THE INTERNATIONAL CLASSIFICATION OF STATUS IN EMPLOYMENT

A. Methodology

25. Any revision of the International Classification of Status in Employment should be both "top-down" and "bottom-up" to ensure adequate definition of what the International Classification of Status in Employment should try to measure, clear criteria for delineating groups at different levels in the classification and definition of other groups on which it is useful and possible to collect data. The focus in the "top-down" work should initially be to propose adjustments to group definitions, as well as suggest how these groups could be further subdivided. The focus in the "bottom-up" work should initially be to identify the groups distinguished at the most detailed level in the classification and the variables necessary to make these distinctions.

26. The primary unit classified should be the job, and persons should be classified in an International Classification of Status in Employment group through their relationship to a job. For employed persons with more than one job in the reference period, the group should be determined by the same job which was used for classifying according to industry and occupation. In addition, rules should be established to define multiple status categories. Non-employed persons may be classified by reference to a past or future job as appropriate, but they should then be tabulated separately. Internationally comparable data should be restricted to the employed population, because no international guidelines exist concerning the choice of relevant reference period for past or future jobs.
B. Substance

27. The following suggestions are put forward for discussion. They relate to the definition of what the "status in employment" variable tries to measure and the basis for defining groups for the variable.

28. A possible definition of the International Classification of Status in Employment variable is as follows:

The status in employment variable is designed to describe jobs in terms of how they are related to economic units and economic risks through different types of control and dependence relationships, as reflected by systems of pay and remuneration and in written and verbal contracts concerning conditions of employment and ownership and use of means of production and raw materials.

29. One suggestion for a revised International Classification of Status in Employment based on this definition would be to organize the classification on three different levels. At the top level, it seems reasonable to retain a basic distinction between "employees", on the one side, and "self-employed" workers, on the other. This distinction has a long tradition. Whether to have separate groups, at this level, for "members of producers' co-operatives" and "unpaid family workers" would need to be discussed further. In particular the present definition of "unpaid family workers" might need to be modified in the light of the definitions developed for self-employed workers. Perhaps this group could be combined with that of own-account workers to form a joint group of "household-account workers" when appropriate. The conditions to be satisfied for doing so need to be discussed further.

30. Discussion will also be needed on how to draw the distinction between "employees" and "self-employed", and the respective roles to be played by indicators of "control of the work situation" and "economic risks". In particular, whether the risk criterion is sufficient to obtain the distinction desired, as well as whether the form of remuneration is a valid indicator of risk.

31. At the next level of aggregation it may be suggested that it should be possible to distinguish between:

(a) Regular employees;
(b) Casual employees;
(c) Own-account workers without paid help;
(d) Own-account workers with paid ad hoc help, but without regular employees;
(e) Employers with regular employees;
(f) Members of producers' co-operatives;
(g) Unpaid family workers.
32. Here "economic risk", as indicated by the type of employment contract, has been used to distinguish between the two suggested types of "employees". The criterion used to distinguish "regular" from "casual" employees would have to be carefully decided, since it would also influence the suggested subdivision of self-employed workers so as to reflect broad differences of control relationships and responsibilities for workers other than household members.

33. If identified as a separate group at the first or second level of aggregation, the content of the concept "producers' co-operative" would have to be made more explicit. The definition should provide guidance on whether "partners" should be included in it and on how to classify workers in incorporated enterprises where the workers own the shares.

34. At a possible third level in the classification, the further subdivision of the self-employed workers might reflect the degree to which they are subject to the control of other economic factors, as well as the type of control. The nature of forms and means of such control will vary according to historical, social and economic circumstances of countries, as well as with the type of work. Further work should try to establish patterns which are common across countries and areas of work in order to propose further subdivision of the "employers", "users of labour" and "own-account workers". Further subdivision of employees could be considered in a separate group for "apprentices/trainees", for employees seconded to other economic units from their employers, e.g., temporary work agency, and for those employees who, on behalf of the enterprise in which they work, exercise the same powers and carry the same responsibilities as do the employers of that enterprise. This group might include controlling shareholders working as managers.

IV. POINTS FOR DISCUSSION

35. The Commission may wish to:

   (a) Discuss the present uses of the International Classification of Status in Employment, the experience of countries in its application, and its consistency with the revised International Standard Classification of Occupations (ISCO-88) and the International Standard Industrial Classification of All Economic Activities (ISIC-3), as well as with the current revision of the United Nations System of National Accounts, especially the household sector account;

   (b) Consider whether an improved classification for use in future household survey programmes and in future world population and housing census programmes should be developed at the international level and, if so, suggest approaches for the improvement and revision of the classification;

   (c) Support the development of a collaborative project between the International Labour Office and the Statistical Office of the United Nations Secretariat to review the concepts, definitions and structure of the classification of status in employment and to prepare draft revisions, as necessary, for consideration at the national and international levels and to request the International Labour Office and the United Nations Secretariat to submit a joint report to the Statistical Commission at its twenty-sixth session.
Notes

1/ The information on the background of the International Classification of Status in Employment presented in this section comes from "International classification of status in employment: its contents and proposed revisions for adoption in future population and housing censuses", paper prepared for the Expert Group on the 1990 World Population and Housing Census Programme, held at New York from 11 to 15 November 1985 (ESA/STAT/AC.24/7), pp. 5-7.


4/ Draft supplementary principles and recommendations for population and housing censuses (ESA/STAT/SER.M/67/Add.1).


6/ See draft supplementary principles and recommendations for population and housing censuses, para. 67.