INTERNATIONAL ECONOMIC CLASSIFICATIONS

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

Report of the International Labour Office

SUMMARY

The present report provides historical background on the International Classification of Status in Employment (ICSE), including national practices and uses (paras. 3-9). The current structure and the need for the revision of ICSE are described (paras. 10-14). The report also contains proposals for the revision of ICSE, including a draft resolution that will be considered by the Fifteenth International Conference of Labour Statisticians, to be held in Geneva from 19 to 28 January 1993 (paras. 15-45 and annex). The proposed revision retains the main groups of the existing ICSE, except for the group of members of producers cooperatives because of its limited use by countries. It is noteworthy, however, that the proposed revision subdivides the main groups in such a way as to reflect appropriately the current economic conditions in most countries and meet the various needs of the users of this classification. Points for discussion by the Commission are also included (para. 46).


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INTRODUCTION

1. The present report by the International Labour Office (ILO), prepared in response to the request made by the Statistical Commission at its twenty-sixth session (E/CN.3/1991/32, para. 60) deals with the revision of the International Classification of Status in Employment (ICSE). It also includes the annex which presents a draft resolution on a revised International Classification of Status in Employment (ICSE) for consideration, amendment and adoption by the Fifteenth International Conference of Labour Statisticians (ICLS) of the International Labour Organisation. The resolution is intended to replace the resolution on classification according to industrial status adopted by the ICLS in 1949 and the conclusions reached during the 1957 Conference, and is intended to be consistent with, or provide a basis for revision of, corresponding parts of other international statistical instruments, such as the United Nations Supplementary Principles and Recommendations for Population and Housing Censuses (cf. UNSO (1990a)), and the sub-sectoring of the household sector in the revised System of National Accounts (SNA) (cf. UNSO (1992)).

2. Section I of this report gives a summary presentation of the history of ICSE 1/ and section II gives an overview of national practices in the use of this type of classification, primarily in population censuses and surveys. Section III presents the current ICSE and section IV discusses the roles of this classification and the reasons which have been put forward for revising it, in the light of the use of this type of classification both for national and international statistical description and analysis. Section V presents and discusses the various elements in the draft resolution.

I. BRIEF HISTORICAL BACKGROUND

3. The first international step taken towards establishing a 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.

4. The Sixth ICLS (1947), in its resolution concerning statistics of employment, unemployment and the labour force, recommended that such statistics should include data on the following 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 1948 the Population Commission of the United Nations recommended that, in future censuses, the economically active population be classified according to status into these groups, and in 1950 it adopted standard definitions for them.
5. In 1957 the Ninth ICLS had before it a detailed report recommending important subdivisions to the main groups of the classification, and the draft resolution still contains the most detailed descriptions available of the five substantive groups in the ICSE - see ILO (1957a). However, the Conference did not agree on the proposed conceptual basis for the ICSE or the proposed subdivisions. Agreement was reached, however, concerning the usefulness of adding a group covering "members of cooperative production units" to the four existing groups. This new group was then added to the United Nations recommendations concerning population censuses which were approved by the United Nations Statistical Commission in 1958.

6. Since 1958 only minor editorial revisions to the descriptions of the groups constituting the classification have been made. The Expert Group on the 1990 Round of Population and Housing Censuses, meeting in November 1985, recommended that no changes should be made to ICSE, but that it should be recognized that countries might wish to specify "apprentices" as a subgroup of "employees". Consequently, ICSE has been left virtually unchanged for 30 to 40 years.

7. The renewed concern of the ILO with ICSE followed from signals received during preparations for the revision of the International Standard Classification of Occupations (ISCO) (cf. Ehrenström (1983) and Standing (1983)), and the decision not to follow the example of the then recently constructed French classification PCS which integrates the "occupation" and the SE variable (cf. Scott (1985) and references therein). Hoffmann (1987) based his discussion of the issues involved in a possible revision of ICSE on the background outlined above and on the experience described in paragraph 9 below. A progress report on the work was presented to the 1989 session of the United Nations Statistical Commission (cf. ILO (1989)). A first complete proposal for a revised and expanded ICSE was presented in ILO (1991), prepared for the Meeting of Experts in Labour Statistics, which took place in January/February 1992. The present report and draft resolution has been based on the discussion at that meeting (cf. ILO (1992)), and on other comments and suggestions received.

II. NATIONAL PRACTICES

8. Looking at national practices in population censuses and household based labour force surveys, it may be observed that at least three of the first four major groups contained in ICSE (cf. para. 10 below) have been used by almost all countries during the past three decades or more. In the Year Book of Labour Statistics 1991, 71 of the 87 countries supplying data on the economically active population do so (at least) for "employers and own-account workers" on the one hand and "employees" on the other. Only 12 of the 127 countries described in ILO (1990a) did not include a status in employment (SE) variable in the last census conducted before 1989. (No information was available for six countries.) All the 72 labour force surveys (LFS) described in ILO (1990b) include a SE variable. The number of groups actually used by countries range from 2 to 15 in the censuses and from 2 to 12 in LFSs.
Typically 5 to 10 groups are defined, some of which refer to persons outside the labour force. Distinctions are frequently made through the use of (aggregated versions of) other variables, such as "institutional sector" (i.e. government/non-government), "occupation" or "industry". To what extent these other variables are used to approximate distinctions in an underlying SE variable which cannot easily be made more directly, is hardly ever discussed. However, it seems likely that the reasoning behind their introduction is often something like the following: "The situation for e.g. 'farmworkers' (or 'government employees of category X') is normally so different from that of other employed persons that a distinction should be made in the classification".

9. Even if they have a large variety of theoretical underpinnings and research objectives, the work of social scientists on issues such as "social class structure", "social stratification", "social mobility" and "social prestige" has often resulted in or used classifications which are closely related to the SE variable used in official statistics, or to a combination of the SE variable and other variables such as "occupation", "industry" and "education". However, there has been some reluctance on behalf of most national statistical offices to use, and thereby "authorize", such variables, even though UNSO (1990a) recommends that countries create distinct national "classifications by socio-economic group" from possible regional ones and the European recommendations for the 1990 censuses of population includes one which is derived from cross-classifying the SE and "occupation" variables for economically active persons and based on the "source of income" variable for persons not economically active (cf. paras. 107-112 in United Nations (1987)). Among the exceptions to this reluctance are Austria, France, the Nordic countries and the United Kingdom.

III. THE PRESENT INTERNATIONAL CLASSIFICATION OF STATUS IN EMPLOYMENT (ICSE)

10. As presented in UNSO (1990a), para. 68, the International Classification of Status in Employment (ICSE) comprises the following substantive groups:

(a) Employer: a person who operates his or her own economic enterprise or engages independently in a profession or trade, and hires one or more employees. Some countries may wish to distinguish among employers according to the number of persons they employ;

(b) Own-account worker: a person who operates his or her own economic enterprise or engages independently in a profession or trade, and hires no employees;

(c) Employee: a person who works for a public or private employer and receives remuneration in wages, salary, commission, tips, piece-rates or pay in kind;
(d) **Unpaid family worker**: usually a person who works without pay in an economic enterprise operated by a related person living in the same household. Where it is customary for young persons, in particular, to work without pay in an economic enterprise operated by a related person who does not live in the same household, the requirement of "living in the same household" may be eliminated. If there are a significant number of unpaid family workers in enterprises of which the operators are members of a producers' cooperative who are classified in category (e), these unpaid family workers should be classified in a separate subgroup;

(e) **Member of producers' cooperative**: a person who is an active member of a producers' cooperative, regardless of the industry in which it is established. Where this group is not numerically important, it may be excluded from the classification and members of producers' cooperatives should be classified under other headings, as appropriate.

In addition the following residual group is recommended:

(f) **Persons not classifiable by status**: experienced workers whose status is unknown or inadequately described and unemployed persons not previously employed (i.e. new entrants). A separate group for new entrants may be included if information for this group is not already available elsewhere.

It is further indicated that countries may want to subdivide one or more of the above ICSE categories in the light of their specific needs and circumstances. Particular reference is made to the category of employees which may be subdivided into **private sector employees** and **public sector employees**. It is also specified that countries requiring data on **apprentices** may include apprentices (if they are considered as economically active) as a sub-category under the major category of employees. Finally, attention is drawn to the fact that members of the armed forces, if included in the statistics, should be classified among the category of employees. No further guidance is given on the conceptual basis for ICSE or on the definitions of its component groups.

11. The recommendations concerning the statistics of the economically active population, employment, unemployment and underemployment adopted by the 13th ICLS imply a set of rules for collapsing the five substantive groups into two groups: "Employers, own-account workers and members of producers' cooperatives ... and ... unpaid family workers at work should be considered as in self-employment ...". This means that groups (a), (b), (d) and (e) above may be said to form one group, with (c) "employee" forming the other, **paid employment** (cf. ILO (1988), pp. 49-50).
IV. THE ROLES OF ICSE AND WHY IT SHOULD BE REVISED

12. Like other international statistical classifications, ICSE is intended to play two roles:

(a) Provide a model for the development of national classifications, in this case for the "status in employment" (SE) variable;

(b) Provide a basis for statistics using this variable which are comparable between countries.

In order to fulfil these roles, an international classification must provide a clear statement about the variable(s) which the classification represents, the units which are being classified and how they are related, the similarity criteria used to distinguish between the defined groups of the classification, and descriptions of the groups and the dividing lines between them. Guidelines on how to use the classification and how to resolve possible borderline cases should also be provided by those responsible for the development, maintenance and updating of the classification. The classification should also be consistent with other relevant international statistical instruments.

13. On this basis the main issues concerning a possible revision and expansion of the present ICSE can be outlined as follows:

(a) ICSE lacks a clear conceptual basis, i.e. it is not clear what the categories of the classification are supposed to measure, making it difficult to fit non-standard forms of employment into the classification;

(b) The borderlines between the main groups of employees, employers, own-account workers, unpaid family workers and members of producers' cooperatives are not clearly defined, partly as a consequence of (a);

(c) ICSE does not give subdivisions of the main categories. To do so would make it possible to: (i) distinguish between subgroups within the main groups; (ii) understand better where borderline cases should be classified; and (iii) create aggregate categories with dividing lines different from those of ICSE. Users have indicated that these features would be highly desirable;

(d) It has been strongly argued that, at least partly because of (a)-(c) above, the validity of the present ICSE groups for the situation in developing countries is very limited, both in the sense that it is difficult to see where important work situations belong in the classification and in the sense that workers in such situations are "hidden" among others in (cf. for example Standing (1983));

(e) The extension of economic activity as defined for the United Nations System of National Accounts (SNA) to include a number of non-market productive activities means a corresponding extension of the scope of the SE variable which should be reflected in the set of defined groups and/or the group definitions (cf. ILO (1992), para. 66).
14. In trying to respond to these issues the proposal for a revised ICSE incorporated into the draft resolution retains more or less intact the current ICSE's substantive groups and structure, in line with most of the comments received. The resolution is designed to provide an improved conceptual basis for the classification, and to use that basis to clarify dividing lines between groups and define relevant subgroups within the main groups. The subgroups will not all be relevant to all countries, but they are all expected to be relevant and important for some of the countries which may want to use the revised ICSE (R-ICSE) as a model for the development or revision of a national SE variable. The subgroups will also help to clarify the location of the dividing lines between main groups and provide a possibility for regrouping of data whenever that is desirable. Both the improvement in the conceptual basis and the clarification of borderlines will contribute to improved international comparability of statistics using the R-ICSE, because of the greater consistency with which the classification can be applied in national statistics.

V. THE PROPOSALS IN THE DRAFT RESOLUTION

15. The discussion in this chapter is organized in sections corresponding to the different topics contained in the resolution. In each section the relevant part of the resolution is reproduced and followed by explanatory comments.

(a) The preamble

"The Fifteenth International Conference of Labour Statisticians, ...

Recalling the resolution concerning an international standard classification according to industrial status adopted by the Seventh International Conference of Labour Statisticians (1949) and the conclusions regarding the International Classification according to Status reached by the Ninth Conference of Labour Statisticians (1957); and

Considering the supplementary recommendations for population and housing censuses adopted by the twenty-fourth session of the United Nations Statistical Commission (1987);

Adopts this ... day of January 1993, the following Resolution:"

16. The purpose of the preamble is to place the resolution in the context of the previous conclusions of the ICLS and the United Nations Statistical Commission on the same subject.
(b) The organization of the resolution and the name of the classification

"The classification of status in employment shown in the Appendix to this resolution is endorsed by the Conference and is designated the International Classification of Status in Employment (ICSE)."

17. By presenting in an appendix those parts of the ICSE resolution which present the conceptual basis, the structure and definitions of groups, the way to classify persons and the groups to be reported internationally, it is possible to follow the model of the "Resolution concerning the revision of the International Standard Classification of Occupations" adopted by the 14th ICLS. One advantage of having the substantive parts of the resolution in the appendix is that other matters which are necessary, but not important for understanding the classification or its use, can be kept separate from this main text.

18. It is proposed to keep the name of the classification unchanged.

(c) The units classified by ICSE

"The ICSE classifies jobs past, present or future. It classifies persons and households by virtue of their actual and potential relations with jobs according to the rules set out in the Appendix. ..."

19. This clause is the same as the corresponding one used in the ISCO resolution. The point is that in order to classify a person or a household by an ICSE category it is necessary to determine first the proper classification of the job (or jobs) on the basis of which the person is supposed to be classified. In this sense a "job" is the primary unit for the application of the ICSE, in the same way as it is the primary unit for the application of ISCO. This does not mean that "jobs" are the most important units to which the ICSE will be applied. Most applications of the ICSE, whether for description or analysis, will relate to persons, but in order for it to be applied to persons it must first have been applied to (at least one of) their jobs. The proposed rules for applying the classification to persons are set out in point 19 of the appendix to the draft resolution and discussed in section (h) below.

(d) The basic similarity criteria of the classification

"... Jobs are classified with respect to the type of explicit and implicit contract of employment which the incumbent has with other economic actors. The basic criteria used to define the groups of the classification, as defined in the appendix, are the type of economic risk and the type of authority over establishments and other workers which the job incumbents have or will have."

20. Much of the discussion in ILO (1991) aimed at identifying the underlying variable and concerns which the present ICSE and national SE classifications are intended to reflect. To do this, an examination was made both of the core
situations of "paid employment" (or "employee") and "self employment" and of the types of departures from these situations which can be observed in actual employment situations. The conclusion was that the following statement could be proposed as a definition of the status in employment variable:

"The status in employment variable is designed to describe jobs in terms of how they are related to business enterprises and other economic units and to economic risks through different types of control and dependence relationships, as reflected by (a) systems of pay and remuneration and (b) written or oral contracts, custom and practice which determine conditions of employment and ownership and the use of means of production and raw materials."

In the discussion of this proposal the idea was supported that "economic risks" and relationships of control and dependency are the main aspects of jobs which the SE variable tries to reflect. However, it was emphasized that this proposed definition could be simplified by focusing on the explicit or implicit contracts of employment (in the case of persons in "paid employment") or of operation (in the case of persons in "self employment"), as these contracts provide the basis for the risks carried by the workers and for their relationships of control or dependency. The proposal presented in ILO (1991) has therefore been modified accordingly.

(e) The distinction between "paid employment" and "self employment" jobs

"The groups in ICSE are defined with reference to the distinction between 'paid employment' jobs on the one side and 'self-employment' jobs on the other. Given this basic distinction, groups and subgroups are defined with reference to one or more aspects of the economic risk or the type of authority which the explicit or implicit job contract gives the incumbent or subjects him/her to.

Paid employment jobs are those jobs where the incumbents hold explicit or implicit employment contracts which give them a basic remuneration which is independent of the sales or profits of the establishments for which they work, i.e. the basic remuneration is determined by the time worked or the number of products produced or clients served. The level of the basic remuneration referred to is to be determined in each country in relation to its national circumstances. The basic remuneration can wholly or partly take the form of money or 'payment in kind'.

Self-employment jobs are those jobs where the remuneration is determined wholly or mainly by sales or profits of the goods or services which are being produced (where own-consumption is considered to be part of 'sales'). By 'mainly' is understood that the part of total remuneration which is independent of sales or profits or own consumption should be below the limit specified for the definition of 'paid employment jobs'."
21. This basic distinction between "paid employment" and "self employment" is clearly present in the current ICSE. Even though "members of producers' cooperatives" and "unpaid family workers" are not explicitly located in this dichotomy, they are included among the latter in the 13th ICLS resolution concerning statistics of the economically active population, employment, unemployment and underemployment (cf. ILO (1988)). This is also the way these groups are frequently treated by the countries where one or the other group is too small to be specified separately. (However, some countries include among "employees" the small number of workers who could be classified to one or the other of these two groups.) The issue, therefore, is not whether this is the most basic division for an SE variable, but rather: How to best define the dividing line? and, On what side of the dividing line should certain groups be located? The discussion will return to those questions after the presentation of the proposed structure for R-ICSE.

22. The distinction between "paid employment" and "self employment" jobs is defined with reference to the basis for determining remuneration of the job. It is being proposed that "self employment jobs" are those jobs where remuneration depends directly on sales or profits, while "paid employment jobs" get their (basic) remuneration from time worked, number of items produced or number of customers served, and do not depend on the sales or profits of the operation. (Note, however, that in many instances "a customer served" is equivalent with "a sale", e.g. for hairdressers or taxi drivers.) This means that the definition operationalizes the "economic risk" criterion in terms of "type of remuneration", rather than, for example, "potential for loss of capital", where "type" of remuneration refers to its direct dependence on the market for the goods or services produced. Although many of the workers commonly thought of as being "self employed" risk losing their financial and physical capital, many "self employed" workers have no capital to lose. The physical capital, if any, may be rented, the financial capital may be borrowed, and only the human capital is "owned". The "capital loss" risk can also be hedged against in many ways, e.g. through incorporation of business, insurance etc. To operationalize the "economic risk" criterion mainly in terms of "type of remuneration" therefore has more general validity and will be simpler to implement in practice than an operationalization through "loss of capital". Similar considerations also rule out the use of ownership (or rental) of means of production to operationalize the distinction between the two types of jobs. 3/

23. In the definition of "paid employment jobs" it is proposed that only "a basic remuneration" needs to be independent of sales or profits. This is to avoid the classification among "self employment jobs" of all those which combine a basic remuneration, based on e.g. time worked, with "incentive pay" based on sales or profits. Such "incentive pay" may in many cases represent most of the total remuneration received, e.g. for top executives of large corporations or for sales representatives, without this changing the basic "paid employment" nature of the contractual relationship between the employing organization and the incumbent. In ILO (1991) it was proposed to link this "basic remuneration" to some nationally measurable minimum. This part of the proposal was, however, rejected by most of the comments received.

/...
The proposed structure of the revised classification

"The proposal for R-ICSE consists of the following groups, which are defined in section III:

1. Employees;
   1.1 Regular employees;
   1.2 Chief executive and general manager employees;
      among whom countries may want to distinguish as a separate group: controlling ownership chief executive and general manager employees
   1.3 Other employees;
      among whom countries may want to distinguish one or more of the following as separate groups: casual employees; other short term employees; outworking employees; contractor employees; seconded employees; work gang (crew) members; apprentice employees.

2. Employers;
   2.1 Employers of regular employees
   2.2 Other employers

3. Own account workers;
   3.1 Core own account workers;
      among whom countries may want to distinguish as a separate group: core own-account workers with casual employees;
   3.2 Other own account workers;
      among whom countries may want to distinguish one or more of the following as separate groups: franchisees; sharecroppers; communal resource exploiters; members of production cooperatives; members of sales cooperatives.

4. Contributing family workers;

5. Workers not classifiable by status."

24. As previously indicated, the R-ICSE retains the basic structure of the current ICSE. The main difference is that it is being proposed not to specify separately the present group of "members of producers' cooperatives". This is
because of the relatively small number of workers classified in this group by the large majority of countries. That group is consequently among a number of other groups listed as examples of groups which countries may want to distinguish separately at a detailed level in the corresponding national classification, but which are not intended to be part of the R-ICSE as such. Whether to make the basic distinction between "paid employment" jobs and "self employment" jobs a formal part of the R-ICSE structure was considered, but this was not thought to be necessary, given the small total number of groups in the classification.

25. The proposal subdivides three of the main groups. In the case of "employees" and "own-account workers" the main purpose is to distinguish the "core" members of the group from those who may seem to be more marginal, in the sense that their conditions of employment are such that they can be said to be different in ways which some users of the statistics feel to be significant for particular analytical and descriptive purposes. In the case of "employers" the subdivision is also made to ensure consistency with the corresponding proposals concerning statistics on employment in the informal sector (cf. Report III to this Conference). Recognizing the great variations possible in national circumstances, further subdivisions are only indicated and not made part of the formal classification structure. The detailed groups indicated do, however, represent groups for which there have been strong indications that users would like to distinguish wherever they are relevant and numerically important. Definitions have been included for the indicated detailed groups for this reason and because they will assist in the identification of the dividing lines between the groups specified in the classification structure.

(g) The proposed group definitions

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

26. The group of "Employees" is the only main group which has been defined with reference to "paid employment jobs", the definition of which therefore also applies to this group (cf. section (e)).

"1.1 Regular employees are those workers who hold the type of job defined as 'paid employment job', which has lasted or is expected to last for 6 months or more; for whom the employing organization is responsible for payment of relevant taxes and social security payments and/or where the contractual relationship is subject to standard labour legislation; who have only limited supervisory authority over other workers, if any; who regularly work at the place of work and/or under the authority of their employing organizations; and who do not receive all or part of their remuneration as training for a trade or a profession."

27. This definition is designed to reflect the "core" "regular employee" situation, underlying for example the discussion, from a labour legislation point of view, in Cordova (1985), although certain aspects of that situation are left to other classifications, such as whether the job is full- or part-time.

/...
"1.2 Chief executive and general manager employees are those workers who hold the type of job defined as 'paid employment job', with an explicit or implicit contract which gives them the authority to act on behalf of the enterprise, establishment or organization as regards contracts with other organizations and the hiring and firing of other persons in 'paid employment' with the same organization, subject only to the national legislation regulating such matters and the rules established by the elected or appointed board of the organization."

Countries may want to identify separately among "chief executive and general manager employees" controlling ownership chief executive and general manager employees who, together with other members of their family have controlling ownership of the enterprise, establishment or organization for which they work.

28. Many users have expressed a need to have "chief executive employees" as a separate subgroup among "employees", because the workers classified to this group are expected to have characteristics and behavior closer to those of persons in "self employment" in many respects. The awkward title given to this group is to recognize that it includes those members of ISCO-88 minor groups 121 "Directors and chief executives" and 131 "General managers" who are classified as "employees". This is an illustration of how two different classifications - ICSE and ISCO in this case - can have one or more very similar values, even though they reflect different variables - i.e. "status in employment" and "occupation" respectively.

29. By identifying separately the subgroup of "controlling ownership chief executive and general manager employees" it will be possible to adjust for differences over time or between countries with the inclination to organize businesses as personal or limited companies. Many users have expressed concern over the fact that this is not possible with the current ICSE, for example when trying to analyse the impact of schemes to promote self-employment and the establishment of small businesses. The separate identification of this group will also make it possible to implement a modified definition of the distinction between "paid employment" and "self employment" which takes into consideration the risk of capital loss (cf. the discussion in para. 22 above).

"1.3 Other employees are those workers who hold the type of job defined as 'paid employment job', and do not belong to group 1.1 or group 1.2.

Among these workers countries may want to distinguish between one or more of the following separate groups:

- Casual employees who have an explicit or implicit contract of 'paid employment' which is not expected to continue for more than two weeks. (Anticipated interruptions without pay which will last for two days or less are to be disregarded.)
Short-term employees who hold explicit or implicit contracts of 'paid employment' which is expected to last for more than two weeks but less than 6 months and who have only limited supervisory authority over other workers, if any. (Anticipated interruptions without pay which will last for one week or less are to be disregarded.)

Outworking employees who hold explicit or implicit contracts of 'paid employment' under which they regularly are working most of the time at or close to their place of residence, away from the place of business of the employing organization.

Contractor employees who hold explicit or implicit contracts of 'paid employment', but who 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 so that the employing organization is not responsible for payment of relevant social security payments and/or the contractual relationship is not subject to standard labour legislation applicable to e.g. 'regular employees'.

Seconded employees who hold explicit or implicit contracts of 'paid employment', but who regularly work at a different place of work from that of their employing organization and who work for - and receive instructions about their tasks and duties from - a person who (is representing an organization which) is paying the employing organization a fee for the employees' services.

Work gang (crew) members who are members of a group of workers who have been engaged as a group on terms corresponding to those of 'paid employment', and where the employing organization has entered into a contract only with the crew leader or with a crew organizing agent, and not with the individual worker.

Apprentice (trainee) employees who hold explicit or implicit contracts of 'paid employment' which specify that all or part of their remuneration should be in the form of training for a trade or profession. When identifying 'apprentice (trainee) employees' separately one may also want to distinguish between those who hold a formal training contract and those who do not."

30. These definitions illustrate the wide range of different contractual form and work arrangements existing within the residual group of "Other employees". All the groups have been identified by some users or commentators as groups which it would be important to be able to identify separately from other "employees". However, it is clear that the numerical significance of many of these groups is limited in many countries, and they are therefore not proposed to be explicitly identified in the structure of the R-ICSE. An additional consideration is that to do so would not be consistent with the wish of many commentators to retain a simple structure for the ICSE. The
suggested time-limits to be used for the definition of "casual" and "short term" employees may need to be evaluated in the light of national experience, custom and legislation. For example, NHSCP (1991), page 150 has proposed to use a contract time-limit of one month in the definition of "casual workers".

"2. Employers are those workers who, working on their own account or with one or a few partners, hold the type of job defined as 'self employment job', and in this capacity during the reference period have engaged one or more persons to work for them in their business on explicit or implicit terms which mean that these persons will be classified as having a job as an 'employee'.

(Note that the partners may or may not be members of the same family or household; and that 'chief executive and general manager employees' will exercise on behalf of their employing organization the same type of authority over other workers as members of this group do.)

2.1 Employers of regular employees are those 'employers' (cf. sect. 11 above) who in this capacity during the reference period have engaged at least one person to work for them in their business on explicit or implicit terms which mean that he or she will be classified as having a job as 'regular employee' as defined under section 10 above.

2.2 Other employers are those 'employers' who are not classified as 'employers of regular employees'."

31. This definition of "employers" corresponds to that of the current ICLS. The separate identification of subgroup 2.1 "Employers of regular employees" has been introduced because this group is explicitly excluded from the informal sector (cf. Report III to this Conference). Engaging regular employees can also be seen as a significant change in the nature of the operations of an establishment, whether personally owned or incorporated.

"3. Own-account workers are those workers who, working on their own account or with one or a few partners, hold the type of job defined as 'self-employment job', and who during the reference period have not engaged one or more 'employees'. (The partners may or may not be members of the same family or household.)

3.1 Core own-account workers are those 'own-account workers', who work independently of special conditions imposed by the suppliers of credit, raw materials etc. or of one main customer, and who rent or own their own equipment and other means of production.

3.2 Other own-account workers are those 'own-account workers' who are not classified as 'core own-account workers'.

Among these workers, countries may want to distinguish between one or more of the following separate groups:
- **Franchisees** are those workers who hold a 'self-employment' job and in this capacity have explicit or implicit contracts with the owners of certain factors of production (land, buildings, machinery, trade marks, etc.), holders of operational licenses or suppliers of credit which to a significant extent determine how the business is operated and require the payment of a specified part of total sales.

- **Sharecroppers** are those workers who hold a 'self-employment' job and in this capacity have explicit or implicit contracts with the owners of certain factors of production (land, buildings, machinery, etc.) or suppliers of credit or raw materials which to a significant extent determine how the business is operated and require the payment of a part of total production.

- **Communal resource exploiters** are those workers who hold a 'self-employment' job and in this capacity use a natural resource (e.g. land, fishing grounds, hunting and gathering areas) to which there are no individual property rights but for which their community or the state may have certain management responsibilities.

- **Members of production cooperatives** are those workers who hold a 'self-employment' job and in this capacity belong to a production cooperative where each member takes part on an equal footing with other members in bodies which govern the organization of production and other work of the establishment, and determines investments as well as the distribution of the proceeds of the establishment among its members. (Note that persons who own stocks in a limited company for which they also work and which also have outside stockholders, will not be regarded as being a 'member of a production cooperative', even if the stocks cannot freely be sold to outsiders.)

- **Members of sales cooperatives** are those workers who hold a 'self-employment' job and in this capacity belong to a sales cooperative where each member takes part on an equal footing with other members in bodies which govern most of the sales of what they have produced, the investments made on behalf of the cooperative as well as the distribution of the proceeds among the members."

32. These definitions show that "own-account workers", defined as persons in "self employment jobs" who during the reference period have not engaged any "employees", in practice have very different work situations as determined by the explicit or implicit contracts under which they work. The reference to "working ... with one or a few partners ... who may or may not be members of the same family or household", which is also a part of the definition of "employers", refers mainly to the situation where members of the same family or household (e.g. wife and husband, parent and child) together work in a family or household business on more or less equal footing. It also refers to the situation where two or more unrelated persons run a business together and where their remuneration is only in the form of a share in the products or
profits. "Partners" in e.g. big law or accounting firms should only be included in this group if their jobs can be classified as "self employment jobs" (cf. sect. (e) above), even though they in principle may share with their partners unlimited liability for claims against the partnership. However, the partnership as such will normally carry insurance against such claims, illustrating the complexities of trying to introduce considerations such as "liabilities" and "risk of capital loss" into the delineation between "paid employment" and "self employment" jobs.

33. The group of "core own-account workers" is, as the title indicates, intended to cover the classification of the own-account worker "who operates his or her own economic enterprise or engages independently in a profession or trade", as formulated in the current ICSE definition. All the groups listed as possible subgroups of "other own-account workers" have been identified by some users or commentators as groups which it would be important to be able to identify separately from others. However, the numerical significance of many of these groups is unclear and probably limited in many countries, and they are therefore not proposed to be explicitly identified in the structure of the R-ICSE. An additional consideration is that to do so would not be consistent with the wish of many commentators to retain a simple structure for the R-ICSE. Definitions are, however, included in the resolution, to provide guidance on the dividing line between the two subgroups of "own-account workers" and on the dividing line for "employees", as well as to provide countries with starting-points for the formulation of definitions if they want to specify any of the groups in their national classifications.

34. The numerical significance of some of the indicated possible subgroups may be difficult to evaluate in the absence of national statistics. It is clear, however, that the group, for example, "franchisees" will include not only those operating under what is commonly understood as "franchise contracts" with the owners of a business concept, trade mark or product line (e.g. Macdonalds, Mister Minit, Bennetton), provided that they are not "employer", but also those taxi drivers, hairdressers and commission sales persons, etc. who derive their whole remuneration on the basis of the sales made while operating the means of production owned or promoting the products produced by someone who also imposes specific operational restrictions as part of the contract. Such restrictions may be with respect to dress, behaviour, marketing, geographic area of operation, purchases to be made, etc.

35. "Sharecroppers" and "communal resource exploiters" relate to work situations which are commonly expected to be more important in some developing countries than in industrialized ones, although the group may be important in the latter's fishing regions. These are also groups where it can be expected that direct consumption of the products and services produced and payment in kind constitute an important part of total remuneration.

36. The current ICSE group of "members of producers' cooperatives" has been divided into separate groups for production and sales cooperatives, on the basis of comments received. The decision to propose that, as formulated, it should not be retained as an explicit group in ICSE has been made on the basis of the experience with data-reporting for this group.
"4. Contributing family workers are those workers who hold a 'self-employment' job in an establishment operated by a related person living in the same household, but who cannot be regarded as a partner. (Where it is customary for young persons, in particular, to work without pay in an economic enterprise operated by a related person who does not live in the same household, the requirement of 'living in the same household' may be eliminated.)"

37. This group is intended to correspond closely to the group "unpaid family workers" in the current ICSE, with the exception that this definition, as well as those of "employers" and "own-account workers", tries to ensure that family members who work more or less on an equal footing in a household enterprise, should be classified to the same group. It has been argued that with the current definitions, there is a tendency that married men are classified as "own-account workers" while married women as "unpaid family workers", even if they have equal responsibility for the family business. Those classified in this group should clearly be in a subordinate position and, in this respect, paralleling the situation of "regular employees".

"5. Workers not classifiable by status will include those for which not sufficient relevant information is available and those who are looking for a job, who either are without regard for the new job's type of status, or who did not have a previous job - depending on the relevant job to be classified. (When a 'paid employment' job has the characteristics of two or more of the groups 1.1, 1.2, 1.3, then this job should be classified first to 1.2, if that is relevant. If that group is not relevant, then it should be classified to 1.1. When a 'self-employment' job has the characteristics of two or more of the groups 2.1, 2.2, 3.1 or 3.2, then this job should be classified to the relevant group listed first.)"

38. It may be useful to distinguish in the statistical records the two conceptually very different situations included in this group. Efforts should of course be made to reduce the "inadequate information" group as much as possible, while the size of the "not relevant" group in itself may provide interesting information. Strictly speaking, it may be claimed that neither of these groups forms part of the ICSE as such. However, this residual group is needed in practical survey operations and it should be noted that with the stated priority rules for choice of group within "paid employment" and "self employment" jobs respectively, this residual group should only include those inadequate responses where it is not possible to decide whether the job is a "paid employment" or a "self employment" one.

(b) Classification of persons and households

"Employed persons can be classified by status in employment according to the following rules:

(1) Employed persons with only one job during the reference period should be classified to the status in employment group of that job;
(2) Employed persons with two or more jobs during the reference period should be classified to the status in employment group of that set of equally classified jobs at which he/she has worked the longest hours or which have provided the highest income from employment during that period (or which can be expected to provide the highest income from work carried out in that period, if payment from some of the jobs only can be expected in the future).

Households with at least one employed member can be classified by status in employment according to the following rules:

(1) Where only one member of the household has been classified by status in employment, then the household should be classified to the status in employment group of that person;

(2) Where more than one member of the household has been classified by status in employment then the household should be classified to the group of those jobs taken together in which the members have worked the longest hours or have earned the highest income from employment, depending on the rule used to decide the status in employment group of the persons."

39. Following the guidelines given in UNSO (1990a) the draft resolution leaves open whether the status in employment group for a person or a household should be chosen on the basis of that job (or set of jobs which belong to the same group) in which the reference person (household members) worked the longest hours or from which he/she/they earned the highest remuneration. Only the "highest income" criterion was included in an earlier proposal presented in ILO (1991), on the basis that this was the criterion most consistent with the underlying principles of the R-ICSE and that this would also be more consistent with the role of the classification as a basis for sub-classifying the household sector in the SNA. However, the comments received strongly indicated that such considerations may need to be overruled by the need to ensure that persons and households whenever relevant are classified according to "occupation", "industry" and "status" with reference to the same job(s), as well as by data collection considerations.

(i) International reporting

"Countries should make available to and discuss with the ILO information about how the groups, aggregates thereof or subdivisions thereof defined in the classification (or classifications) used for national purposes can best be related to the groups of ICSE.

For the purpose of international reporting of employed persons by status in employment groups, countries should design their data collection and processing procedures so that they will be able to give estimates for the following categories:"
1. Employees;
   1.1 Regular employees
   1.2 Chief executive and general manager employees
   1.3 Other employees
2. Employers;
   2.1 Employers of regular employees
   2.2 Other employers
3. Own-account workers;
   3.1 Core own-account workers
   3.2 Other own-account workers
4. Contributing family workers;
5. Workers not classifiable by status”.

40. The intent of the proposal is to encourage countries to give estimates for all nine groups included at the most detailed level of the R-ICSE. If they can do so they will also be able, of course, to report statistics using for example only the main groups. By discussing the national practices with the ILO it should be possible to ensure the best possible link between the national classifications and the R-ICSE.

(j) Classification by source of income

"Persons, households and families can also be classified by a 'source of income' variable which should consist of the following categories:

(1) employers
(2) own-account workers
(3) contributing family workers
(4) employees
(5) recipients of property and transfer incomes
(6) not classifiable by source of income

/...
Persons, households and families should be classified according to that 'source of income' category which provides the largest income during the reference period (or which can be expected to provide the highest income in that period, if payment can only be expected in the future)."

41. It is seen as appropriate to include this clause in the ICSE resolution because many countries have extended the value set of national status in employment classifications to be able to apply this extended classification to those persons and/or households to whom no relevant job can be referenced. This also corresponds to the way the status in employment variable will be used within the revised SNA according to section G.3, paragraphs 152-154 (cf. UNSD (1992)), with the exception that the SNA proposal does not seem to justify the proper classification of "contributing family workers". However, the intention in UNSD (1992) may be that they are to be classified with the "own-account workers".

(k) Data collection

"The Conference notes that the ILO Bureau of Statistics will provide guidelines on how to collect and process information about status in employment in statistical surveys and censuses."

42. It has not been possible to find much work documented on the problems of collecting information about the status in employment variable in statistical surveys and censuses. This clause in the resolution represents a promise that the ILO will share with member countries, in the form of guidelines, its conclusions on how this type of information can most effectively be collected. Such conclusions will have to be drawn both on national experiences and experiments and on general statistical principles. The experience from working with other, related classifications will also be exploited.

43. One of the attractions of ICSE from a narrow data-collection point of view is that it has a value set small enough to be pre-coded on questionnaires, to allow either the interviewers or the respondents themselves to select directly the most appropriate group. This works well if the group's (alternative responses) as described on the questionnaire or in interviewers' instructions correspond closely to existing and easily recognizable work situations, and/or a high degree of precision is not required in sorting the respondents into the appropriate groups. In the industrialized economies, where the "regular employee" situation, the "core own-account worker" situations and/or "member of producers' cooperative" situation have dominated, these conditions seem traditionally to have satisfied, and pre-coded responses could be used in household survey questionnaires with little explanatory information needed for respondents or interviewers. Even so, however, the respondents' self assessment of being 'self employed" is not accepted in some of these countries unless they are employed in an unincorporated private business (cf. OECD (1992)), presumably because they want this value of the variable to reflect a specific legal situation which has bearing on e.g. the economic risks and responsibilities involved.
44. It seems clear that with the proposed R-ICSE it will still be possible to use pre-coded questionnaires, based on the number of classes. This may also be the case for national classifications which are extended with those of the indicated subgroups thought to be most relevant. However, this procedure may not give the desired or needed precision of measurement. It is, for example, possible that some of the "chief executive employees", and some of the "controlling ownership chief executives" in particular, will self-assess themselves as "employers" or "own-account workers" (cf. para. 40 above). It is also possible that some of the "franchisees" (e.g. taxi drivers driving cars belonging to a company with a fleet of cars and a central radio dispatch unit; hairdressers working in a large studio) will self-assess themselves as "employees" because that is how they regard themselves, even if their work contract stipulates that they depend on their total sales for their total remuneration.

45. Increased precision in the measurement of some of the R-ICSE groups will require the use of several questions, where the membership in the different groups is derived from relevant response alternatives. With this approach the allocation of respondents to specific RE/ICSE groups will normally take place at the tabulation stage. Some of the questions already commonly included in population censuses and surveys may serve as adequate proxies for distinctions one may wish to make, in particular "occupation", "industry" and "place of work" (i.e. "at home/at a separate place"). In other cases additional questions may be needed, such as: "type of remuneration" ("in kind/tips/commissions/piece rate/..."), "length of work contract", "type of work contract" for the definition of subgroups of "employees" and "own-account workers"; and "type of tenancy contract", "length of tenancy contract", "terms of sales" and "scale (size) of operations". In operational terms the work of implementing a revised ICSE in actual data-collections will therefore take the form of formulating questions with relevant response categories and rules for how they should be combined to arrive at the desired groups. Even if it is not possible to use a more elaborate questionnaire to determine the correct group, it can be expected that a more precise identification of the conceptual basis and definitions of the ICSE variable and its groups should serve as a basis for improved questions as well as instructions to and training of interviewers, thereby contributing to improved data quality.

VI. POINTS FOR DISCUSSION

46. The Commission may wish to:

(a) Take note of the work on the revision of the International Classification of Status in Employment (ICSE);

(b) Endorse the action taken by the Fifteenth International Conference of Labour Statisticians on the revised ICSE;
(c) Request that ILO, UNSTAT and other interested organizations undertake technical cooperation activities including training workshops to assist countries in effective implementation of the revised Classification.

Notes

1/ Information on the background of ICSE is partly based on UNSO (1985), pp. 5-7.

2/ It is not easy to find good references which can give an overview of this work and the difference and similarities of the classification systems which have been used. For recent references see: Erikson and Goldthorpe (1992); Wright (1985); and Ganzehoom, De Graaf and Treiman (1992).

3/ During the discussion it was suggested that the question of whether "a person can be dismissed from his/her job by any other person, group of persons or organization (if necessary with redundancy or compensation payments" is another, and possibly the most important, criterion which distinguish "paid employment" (answer "yes") and "self employment" (answer "no") jobs. However, given the very significant differences between countries in legislation concerning termination of contracts before time, whether employment contracts or other business contracts, it is difficult to see that it is always easier to "fire" "employees" than "own-account" workers (cf. that in some countries certain "employees" can only be dismissed after a case for incompetence has been proven in a court of law). It is also difficult to see how this criterion can be used to subdivide main groups.

4/ This is of course the approach recommended for the measurement of "unemployment" in labour force surveys (cf. Hussmanns et al. (1990)).
BIBLIOGRAPHY


Annex

DRAFT RESOLUTION CONCERNING THE INTERNATIONAL
CLASSIFICATION OF STATUS IN EMPLOYMENT

The Fifteenth International Conference of Labour Statisticians,

...  

"Recalling the resolution concerning an international standard classification according to industrial status adopted by the Seventh International Conference of Labour Statisticians (1949) and the conclusions regarding the International Classification according to Status reached by the Ninth Conference of Labour Statisticians (1957); and

Considering the supplementary recommendations for Housing and Population Censuses adopted by the twenty-fourth session of the United Nations Statistical Commission (1987);

Adopts this ... day of January 1993, the following Resolution:"  

"The classification of status in employment shown in the Appendix to this resolution is endorsed by the Conference and is designated the International Classification of Status in Employment (ICSE)."

"The ICSE classifies jobs past, present or future. It classifies persons and households by virtue of their actual and potential relations with jobs according to the rules set out in the Appendix. Jobs are classified with respect to the type of explicit and implicit contract of employment which the incumbent has with other economic actors. The basic criteria used to define the groups of the classification, as defined in the appendix, are the type of economic risk and the type of authority over establishments and other workers which the job incumbents have or will have."

In collecting and processing statistics according to status in employment each country should ensure the possibility of conversion into the groups defined for the ICSE.

Countries should make available to and discuss with the ILO information about how the groups, aggregates thereof or subdivisions thereof defined in the classification (or classifications) used for national purposes can best be related to the groups of the ICSE.

The Conference notes that the ILO Bureau of Statistics and other interested organizations will provide guidelines on how to collect and process information about status in employment in statistical surveys and censuses.

/...
Appendix

INTERNATIONAL CLASSIFICATION OF STATUS IN EMPLOYMENT (ICSE)

I. THE CONCEPTUAL BASIS FOR ICSE

1. The ICSE classifies jobs past, present or future. It classifies persons and households by virtue of their actual and potential relations with jobs according to the rules set out in section III below.

2. Jobs are classified with respect to the type of explicit and implicit contract of employment which the incumbent has with other economic actors. The basic criteria used to define the groups of the classification, as defined in section II below, are the type of economic risk and the type of authority over establishments and other workers which the job incumbents have or will have.

II. THE ICSE GROUPS*

3. The ICSE consists of the following groups, which are defined in section III:

1. Employees
   1.1 Regular employees
   1.2 Chief executive and general manager employees among whom countries may want to distinguish as a separate group; controlling ownership chief executive and general manager employees
   1.3 Other employees among whom countries may want to distinguish one or more of the following as separate groups: casual employees; other short-term employees; outworking employees; contractor employees; seconded employees; work gang (crew) members; apprentice employees

2. Employers
   2.1 Employers of regular employees
   2.2 Other employers

* For linguistic convenience the group titles and definitions have been formulated to refer to the situation where each person is holding only one job during the reference period. Rules for classifying persons with two or more jobs are given in section IV.
3. Own account workers

3.1 Core own account workers among whom countries may want to distinguish as a separate group: core own account workers with casual employees

3.2 Other own account workers, among whom countries may want to distinguish one or more of the following as separate groups: franchisees; sharecroppers; communal resource exploiters; members of production cooperatives; members of sales cooperatives

4. Contributing family workers

5. Workers not classifiable by status

III. GROUP DEFINITIONS*

4. The groups in the ICLS are defined with reference to the distinction between "paid employment" jobs on the one side and "self-employment" jobs on the other. Given this basic distinction groups and sub-groups are defined with reference to one or more aspect of the economic risk or the type of authority which the explicit or implicit job contract gives the incumbent or subjects him/her to.

5. Paid employment jobs are those jobs where the incumbents hold explicit or implicit employment contracts which give them a basic remuneration which is independent of the sales or profits of the establishments for which they work, i.e. the basic remuneration is determined by the time worked or the number of products produced or clients served. The level of the basic remuneration referred to is to be determined in each country in relation to its national circumstances. The basic remuneration can wholly or partly take the form of money or payment in kind.

6. Self-employment jobs are those jobs where the remuneration is determined wholly or mainly by sales or profits of the goods or services which are being produced (where own-consumption is considered to be part of the "sales"). By "mainly" is understood that the part of total remuneration which is independent of sales or profits or own consumption should be below the limit specified for the definition of "paid employment jobs" (cf. sect. 4 above).

7. 1. Employees are all those workers who hold the type of job defined as "paid employment jobs" (cf. para. 5 above).

8. 1.1 Regular employees are all those workers who hold the type of job defined as "paid employment job" (cf. para. 5 above), which has lasted or is expected to last for six months or more; for whom the employing organization is responsible for payment of relevant taxes and social security payments and/or where the contractual relationship is subject to standard labour legislation; who have only limited supervisory authority...
over other workers, if any; who regularly work at the place of work
and/or under the authority of their employing organizations; and who do
not receive all or part of their remuneration as training for a trade or
a profession.

9. **Chief executive and general manager employees** are those workers who
hold the type of job defined as "paid employment job" (cf. para. 5
above), with an explicit or implicit contract which gives them the
authority to act on behalf of the enterprise, establishment or
organization as regards contracts with other organizations and the hiring
and firing of other persons in "paid employment" with the same
organization, subject only to the national legislation regulating such
matters and the rules established by the elected or appointed board of
the organization.

Countries may want to identify separately among "chief executive and
general manager employees" **Controlling ownership chief executive and
general manager employees** who, together with other members of their
family have controlling ownership of the enterprise, establishment or
organization for which they work.

10. **Other employees** are those workers who hold the type of job defined
as "paid employment job" (cf. para. 5 above), and do not belong to group
1.1 or group 1.2. Among these workers countries may want to distinguish
between one or more of the following separate groups:

- **Casual employees** who have an explicit or implicit contract of "paid
  employment" which is not expected to continue for more than two
  weeks. (Anticipated interruptions without pay which will last for
two days or less are to be disregarded.)

- **Short-term employees** who hold explicit or implicit contracts of
  "paid employment" which is expected to last for more than two weeks
  but less than 6 months and who have only limited supervisory
  authority over other workers, if any. (Anticipated interruptions
  without pay which will last for one week or less are to be
disregarded.)

- **Outworking employees** who hold explicit or implicit contracts of
  "paid employment" under which they regularly are working most of the
time at or close to their place of residence, away from the place of
business of the employing organization.

- **Contractor employees** who hold explicit or implicit contracts of
  "paid employment", but who 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 so that the
  employing organization is not responsible for payment of relevant
  social security payments and/or the contractual relationship is not
  subject to standard labour legislation applicable to e.g. "regular
  employees".

/...
- **Seconded employees** who hold explicit or implicit contracts of "paid employment", but who regularly work at a different place of work from that of their employing organization and who work for - and receive instructions about their tasks and duties from - a person who (is representing an organization which) is paying the employing organization a fee for the employees' services.

- **Work gang (crew) members** who are members of a group of workers who have been engaged as a group on terms corresponding to those of "paid employment", and where the employing organization has entered into a contract only with the crew leader or with a crew organizing agent, and not with the individual worker.

- **Apprentice (trainee) employees** who hold explicit or implicit contracts of "paid employment" which specify that all or part of their remuneration should be in the form of training for a trade or profession. When identifying "apprentice (trainee) employees" separately one may also want to distinguish between those who hold a formal training contract and those who do not.

11. 2. **Employers** are those workers who, working on their own account or with one or a few partners, hold the type of job defined as "self-employment job" (cf. para. 6 above), and in this capacity during the reference period have engaged one or more persons to work for them in their business on explicit or implicit terms which mean that these persons will be classified as having a job as "employee" as defined under section 9 above.

(Note that the partners may or may not be members of the same family or household; and that "chief executive and general manager employee", as defined in paragraph 8 above, will exercise on behalf of their employing organization the same type of authority over other workers as "employers" do.)

12. 2.1 **Employers of regular employees** are those "employers" (cf. sect. 11 above), who in this capacity during the reference period have engaged at least one person to work for them in their business on explicit or implicit terms which mean that he or she will be classified as having a job as "regular employee" as defined under section 10 above.

13. 2.2 **Other employers** are those "employers" (cf. sect. 11 above), who are not classified as "employers of regular employees", (cf. sect. 12).

14. 3. **Own-account workers** are those workers who, working on their own account or with one or a few partners, hold the type of job defined as "self-employment job" (cf. sect. 6 above), and who during the reference period have not engaged one or more "employees" as defined under section 9 above. (The partners may or may not be members of the same family or household.)
15. 3.1 Core own-account workers are those "own-account workers" (cf. sect. 14) who work independently of special conditions imposed by the suppliers of credit, raw materials etc. or of one main customer, and who rent or own their own equipment and other means of production.

16. 3.2 Other own-account workers are those "own-account workers" (cf. sect. 14), who are not classified as "core own-account workers" (cf. sect. 15).

Among these workers countries may want to distinguish between one or more of the following separate groups:

- **Franchises** are those workers who hold a "self-employment" job and in this capacity have explicit or implicit contracts with the owners of certain factors of production (land, buildings, machinery, trade-marks, etc.), holders of operational licences or suppliers of credit which to a significant extent determine how the business is operated and require the payment of a specified part of total sales.

- **Sharecroppers** are those workers who hold a "self-employment" job and in this capacity have explicit or implicit contracts with the owners of certain factors of production (land, buildings, machinery, etc.) or suppliers of credit or raw materials which to a significant extent may determine how the business is operated and require the payment of a part of total production.

- **Communal resource exploiters** are those workers who hold a "self-employment" job and in this capacity use a natural resource (e.g. land, fishing grounds, hunting and gathering areas) to which there are no individual property rights but for which their community or the state may have certain management responsibilities.

- **Members of production cooperatives** are those workers who hold a "self-employment" job and in this capacity belong to a production cooperative where each member takes part on an equal footing with other members in bodies which govern the organization of production and other work of the establishment and determines investments as well as the distribution of the proceeds of the establishment among its members. (Note that persons who own stocks in a limited company for which they also work and which also have outside stockholders, will not be regarded as being a "member of a production cooperative", even if the stocks cannot freely be sold to outsiders.)

- **Members of sales cooperatives** are those workers who hold a "self-employment" job and in this capacity belong to a sales cooperative where each member takes part on an equal footing with other members in bodies which govern most of the sales of what they have produced, the investments made on behalf of the cooperative as well as the distribution of the proceeds among the members.
17. Contributing family workers are those workers who hold a "self-employment" job in an establishment operated by a related person living in the same household, but who cannot be regarded as a partner. (Where it is customary for young persons, in particular, to work without pay in an economic enterprise operated by a related person who does not live in the same household, the requirement of "living in the same household" may be eliminated.)

18. Workers not classifiable by status will include those for which not sufficient relevant information is available and those who are looking for a job, who either are without regard for the new job's type of status, or who did not have a previous job - depending on the relevant job to be classified. (When a "paid employment" job has the characteristics of two or more of the groups 1.1, 1.2, 1.3, then this job should be classified first to 1.2, if that is relevant. If that group is not relevant, then it should be classified to 1.1. When a "self-employment" job has the characteristics of two or more of the groups 2.1, 2.2, 3.1 or 3.2, then this job should be classified to the relevant group listed first.)

IV. CLASSIFICATION OF PERSONS AND HOUSEHOLDS

19. Employed persons can be classified by status in employment according to the following rules:

(a) Employed persons with only one job during the reference period should be classified to the status in employment group of that job;

(b) Employed persons with two or more jobs during the reference period should be classified to the status in employment group of that set of equally classified jobs at which he/she has worked the longest hours or which have provided the highest income from employment during that period, (or which can be expected to provide the highest income from work carried out in that period, if payment from some of the jobs only can be expected in the future).

20. Households with at least one employed member can be classified by status in employment according to the following rules:

(a) Where only one member of the household has been classified by status in employment, then the household should be classified to the status in employment group of that person;

(b) Where more than one member of the household has been classified by status in employment then the household should be classified to the group of those jobs taken together in which the members have worked the longest hours or have earned the highest income from employment, depending on the rule used to decide the status in employment group of the persons.
V. INTERNATIONAL REPORTING

21. For the purpose of international reporting of employed persons by status in employment groups, countries should design their data collection and processing procedures so that they will be able to give estimates for the following categories:

1. Employees
   1.1 Regular employees
   1.2 Chief executive and general manager employees
   1.3 Other employees

2. Employers
   2.1 Employers of regular employees
   2.2 Other employers

3. Own-account workers
   3.1 Core own-account workers
   3.2 Other own-account workers

4. Contributing family workers

5. Workers not classifiable by status.

VI. CLASSIFICATION BY "SOURCE OF INCOME"

22. Persons, households and families can also be classified by a "source of income" variable which should consist of the following categories:

1. employers

2. own-account workers

3. contributing family workers

4. employees

5. recipients of property and transfer incomes

6. not classifiable by source of income.
Persons, households and families should be classified according to that 
"source of income" category which provides the largest income during the 
reference period (or which can be expected to provide the highest income 
in that period, if payment only can be expected in the future).

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