

VULNERABLE EMPLOYMENT		
Economic development	Employment	

## 1. INDICATOR

(a) **Name:** Vulnerable employment, by sex

(b) **Brief Definition:** Vulnerable is measures as the proportion of own-account workers and contributing family members in total employment. The indicator is based on the status in employment indicator contained in ILO's Key Labour that generally distinguishes between three categories of the total employed. These are:

- wage and salaried workers (also known as employees);
- self-employed workers that include self-employed workers with employees (employers), self-employed workers without employees (own-account workers) and members of producers' cooperatives;
- contributing family workers (also known as unpaid family workers).

(c) **Unit of Measurement:** %.

(d) **Placement in the CSD Indicator Set:** Economic development/ Employment

## 2. POLICY RELEVANCE

(a) **Purpose:** This indicator provides information how many persons are vulnerable to economic risk because of weak institutional employment arrangements. The categories of own-account workers and contributing family workers are thought to be particularly vulnerable when it comes to both economic risk and strength of the institutional arrangement, two qualities which are closely intertwined. Given that the institutional arrangements for the work of own-account workers and contributing family workers are likely to be weak, such workers are more likely to (a) lack contractual arrangements which can lead to a lack of job security and (b) lack the degree of social protection and social safety nets that govern wage and salaried workers and are therefore not likely to benefit from social security, health or unemployment coverage.

(b) **Relevance to Sustainable/Unsustainable Development (theme/sub-theme):** The indicator of vulnerable employment may be used to confirm or refute claims of an increasing informalization of labour markets, because contributing family workers and own account workers are by definition not likely to have formal work arrangements. If the proportion of vulnerable workers is sizeable, it may be an indication of a large agriculture sector, lack of growth in the formal economy or widespread poverty. The poverty connection arises because workers in the vulnerable statuses lack the social protection and safety nets to guard against times of low economic demand and often are not capable of generating sufficient savings for themselves and their families to offset times of low demand.

(c) **International Conventions and Agreements:** None.

**(d) International Targets/Recommended Standards:** The overall goal of the International Labour Organisation is decent work for all women and men in all countries. Decent work is about opportunities for women and men to obtain decent and productive employment in conditions of freedom, equity, security and human dignity. The revised MDG monitoring framework, presented in 2007 to the General Assembly, includes the new target “Achieve full and productive employment and decent work for all, including women and young people” under MDG 7 (Eradicate extreme poverty and hunger).

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

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

### **3. METHODOLOGICAL DESCRIPTION**

**(a) Underlying Definitions and Concepts:** According to the International Classification of Status in Employment (ICSE), the basic criteria used to define the status groups are the types of economic risk that they face in their work, an element of which is the strength of institutional attachment between the person and the job, and the type of authority over establishments and other workers that the job-holder has or will have as an explicit or implicit result of the employment contract. At the 15th International Conference of Labour Statisticians (ICLS) in 1993, the definitions of categories were revised. The 1993 revisions retained the existing major categories, but attempted to improve the conceptual basis for the distinctions made and the basic difference between wage employment and self-employment.

The 1993 ICSE categories and extracts from their definitions follow:

- i. **Employees** are all those workers who hold the type of jobs defined as “paid employment jobs”, where the incumbents hold explicit (written or oral) or

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

Please note that contributing family workers are also technically self-employed according to the classification and could therefore be combined with the other self-employed categories to derive the total self-employed. The choice to remove contributing family workers from among the self-employed group was made for the purpose of this publication in order to emphasize the difference between the two statuses, since the socio-economic implications associated with each status can be significantly varied.

**(b) Measurement Methods:** Household or labour force surveys are generally the most comprehensive and comparable sources for employment statistics. Other sources include population censuses, employment office records and official estimates.

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

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

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

With respect to geographic coverage, information from a source that covers only urban areas or only particular cities cannot be compared fairly with information from sources that cover both rural and urban areas, that is, the entire country. It is, therefore, not meaningful to compare results from many of the Latin American countries with results from the rest of the world because employment-by-status information for most Latin American countries relates to urban areas only. Similarly, for some sub-Saharan African countries – where very limited information is available anyway – the self-employed group often does not include members of producers’ cooperatives, while for other countries it may.

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

**(d) Status of the Methodology:** The methodology for status in employment, on which the vulnerable employment indicator is based, is well established. The indicator is widely used in developed and developing countries.

**(e) Alternative Definitions/Indicators:** The indicator is only broken down by sex. It would be useful to break down this indicator by age group or by economic sector as these two variables certainly have a major effect on the results of this indicator. .

#### **4. ASSESSMENT OF DATA**

**(a) Data Needed to Compile the Indicator:** Employment by status and total number of employed persons preferably derived from the same survey.

**(b) National and International Data Availability and Sources:** 131 countries in the KILM database.

**(c) Data References:** Most of the information for this indicator was gathered from three international repositories of labour market data: (a) the ILO Bureau of Statistics, Yearbook of Labour Statistics (LABORSTA) database; (b) the Organisation for Economic Co-operation and Development (OECD); and the Labour Market Indicators Library (LMIL).

## 5. AGENCIES INVOLVED WITH THE DEVELOPMENT OF THE INDICATOR

(a) **Lead Agency:** The lead agency is the International Labour Office (ILO), located in Geneva, Switzerland. Contact: [kilm@ilo.org](mailto:kilm@ilo.org)

(b) **Other Contributing Organizations:** None.

## 6. REFERENCES

### (a) **Readings:**

*Yearbook of Labour Statistics* (ILO, Geneva).

*Bulletin of Labour Statistics* (biannual) (ILO, Geneva).

Statistical yearbooks and other publications issued by the national statistical offices.

*Surveys of Economically Active Population, Employment, Unemployment and Underemployment -An ILO Manual on Concepts and Methods* (ILO, Geneva, 1992).

*Sources and Methods: Labour Statistics*, Volume 3 - Economically active population, employment, unemployment and hours of work (household surveys), third edition (ILO, Geneva, 2004).

*Sources and Methods: Labour Statistics*, Volume 4- Employment, unemployment, wages and hours of work (administrative records and related sources), second edition (ILO, Geneva, 2004).

*Sources and Methods: Labour Statistics*, Volume 5- Total and economically active population, employment and unemployment (population censuses), second edition (ILO, Geneva, 1996) (third edition under preparation).

*ILO-comparable annual employment and unemployment estimates*, in *Bulletin of Labour Statistics*, 2004-4 (ILO, Geneva, 2004)

*System of National Accounts 1993* (Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, World Bank, Brussels/Luxembourg, New York, Paris, Washington, D.C., 1993)

Current international recommendations on labour statistics (ILO, Geneva, 2000). See in particular: *Resolution concerning Statistics of the Economically Active Population, Employment, Unemployment and Underemployment*, adopted by the Thirteenth International Conference of Labour Statisticians (October 1982).

### (b) **Internet sites:**

International Labour Office, Bureau of Statistics: the ILO's statistical database on labour statistics, including unemployment data and ILO-comparable estimates:

<http://laborsta.ilo.org>

International recommendations on labour statistics, including the resolution concerning statistics of the economically active population, employment, unemployment and underemployment:

<http://www.ilo.org/public/english/bureau/stat/res/index.htm>

Key Indicators of the Labour Market, Geneva, 2003 (available on CD-ROM; sample tables on web site):

<http://www.ilo.org/public/english/employment/strat/kilm/>