eurostat

International Labour Organization

Global Conference on Measuring New Forms of Employment

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#MeasuringEmployment

Implementing and measuring ICSE-18: the case of Italy

Session 2 – New international classification of status in employment

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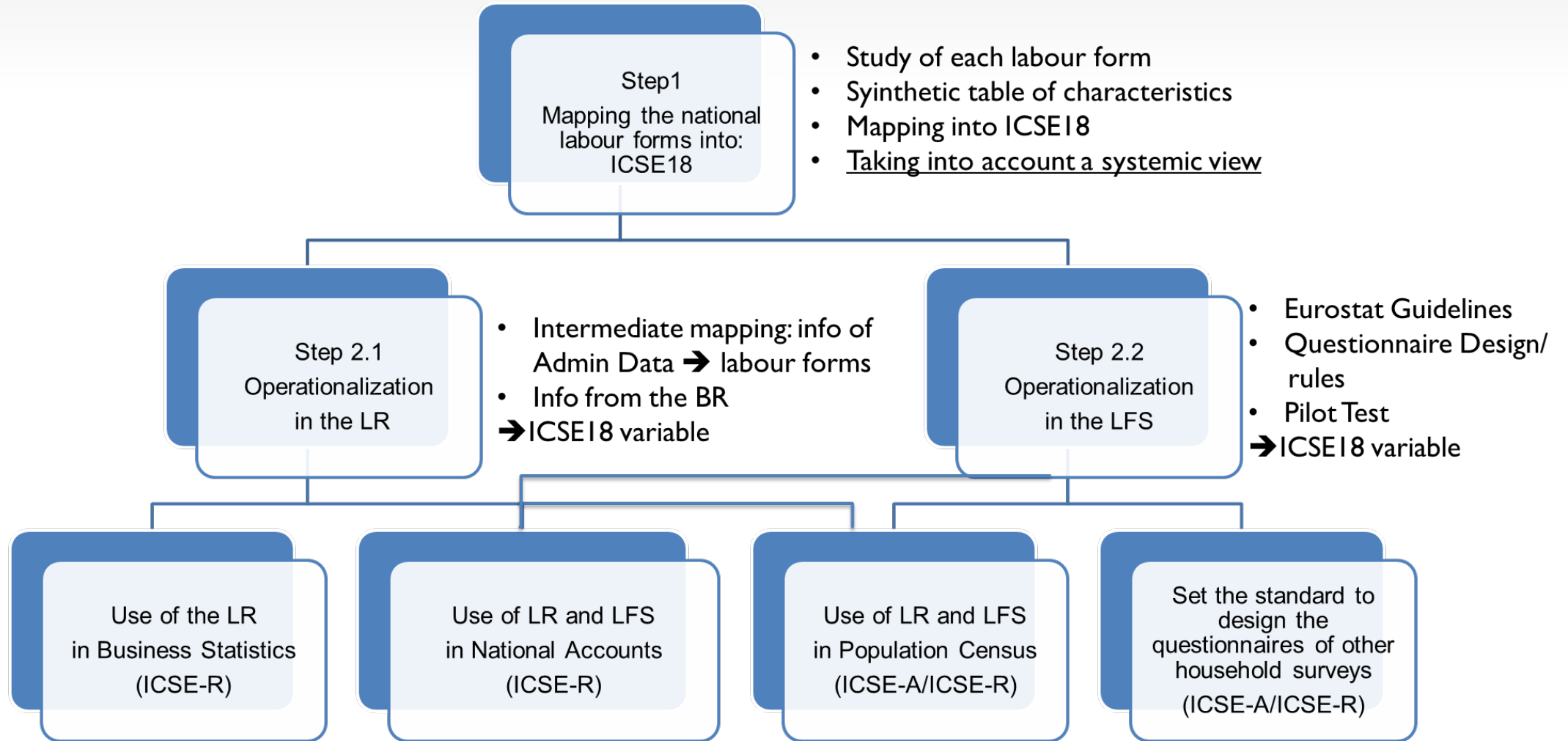
Istat Task Force

Goal

- Implement the new ICSE-18 classification for labor statistics by identifying the methodological, theoretical, and operational criteria that enable the international classification to be applied in the Italian context.

- Conduct a conceptual mapping that, through the identification and classification of all forms of employment within the Italian legal-administrative-fiscal context, allows for the coding of the basic elements in the two main dimensions of ICSE-18 (authority and economic risk).

- Ensure the consistency of the theoretical framework in Istat production.

Context

- The complexity and transversal nature of the topic necessitate a multidisciplinary group with skills and resources from various sectors: Labor Force Survey (LFS), Labor Register (LR), business statistics, national accounts, other administrative registers, and the data collection methodological unit.

Step1
Mapping the national labour forms into: ICSE18

- Study of each labour form
- Syinthetic table of characteristics
- Mapping into ICSE18
- <u>Taking into account a systemic view</u>

Step 2.1
Operationalization in the LR

- Intermediate mapping: info of Admin Data ➔ labour forms
- Info from the BR
➔ICSE18 variable

Step 2.2
Operationalization in the LFS

- Eurostat Guidelines
- Questionnaire Design/ rules
- Pilot Test
➔ICSE18 variable

Use of the LR in Business Statistics (ICSE-R)

Use of LR and LFS in National Accounts (ICSE-R)

Use of LR and LFS in Population Census (ICSE-A/ICSE-R)

Set the standard to design the questionnaires of other household surveys (ICSE-A/ICSE-R)

6

- The mapping of labor forms into ICSE-18 categories should adopt a systemic view.

- The main issue is that if a worker is classified as a worker for profit, the Statistical Business Register must have an economic unit, such as an HME, corresponding to them.

- Conversely, if the business register has an HME with working owners, these owners should be classified as workers for profit.

The proposals are still currently being discussed within the dedicated Istat Task Force (sometimes very lively!)

Consistency between LR and LFS

- LFS Advantages

  - Timeliness
  - Information on Price setting, Ownership of working tools, Decision on the start and end of working time, Degree of autonomy on tasks in main or last job
  - ➔ Identification of the DC
  - Includes unregistered employment

- LR Advantages

  - Census-like coverage of all registered jobs
  - Higher precision in the measurement of most of the ICSE18 categories (but not DC)

The operationalization in the two sources is very different.
Conceptual consistency does not necessarily equate to measurement consistency.

The implementation in the LFS must also consider constraints set by a Eurostat-led Task Force:

- **Minimum Impact Principle**: Maintain the current questionnaire approach as much as possible.

- **Do Not Touch Variables Involved in Labour Status Calculation**: Ensure variables used in calculating labour status remain unchanged.

- **Top-Down Approach.**

- **"Component Variables" Approach**: Use a set of necessary variables to derive ICSE. Definitions of these component variables should allow flexibility to accommodate national specificities.

In the Italian context, we have tested:

- **Understandability of Questions and Response Modalities**: Assessed through cognitive interviews and pilot testing.

- **Use of Legal Form of Economic Unit**: Particularly to differentiate between corporations and HMEs.

- **Alternative/Integrated Approaches**: Surveying controlling ownership status, classification of collaborators, etc.

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Status in employment

Type of remuneration/contribution to social insurance

Main job total spell

Type of enterprise

Number and importance of clients

Price setting

Decision on the start and end of working time

ICSE 18 – status in employment

The 'dependent contractors'.

Workers in the grey area between independent workers and employees:

- provide their labour to others but have contractual arrangements that are akin to self- employment;

- own and operate their own business but do not have full control or authority over their work.

Economic and/or organizational dependence
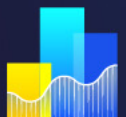
The Role of **Remuneration** and **Social Contributions**

According to ILO, if the remuneration is considered "for pay" (as opposed to "for profit") **OR** if the employer contributes to social insurance, the aggregated ICSE-18 category is classified as Employees.

Surveying these two pieces of information is challenging, especially when a legal contract refers to a hybrid relationship between self-employment and employment.

There are subjective aspects regarding different work modalities, including agreed situations and forms of payment.

Further investigation is necessary to define the wording and instruments required to ensure the reliability of this information.

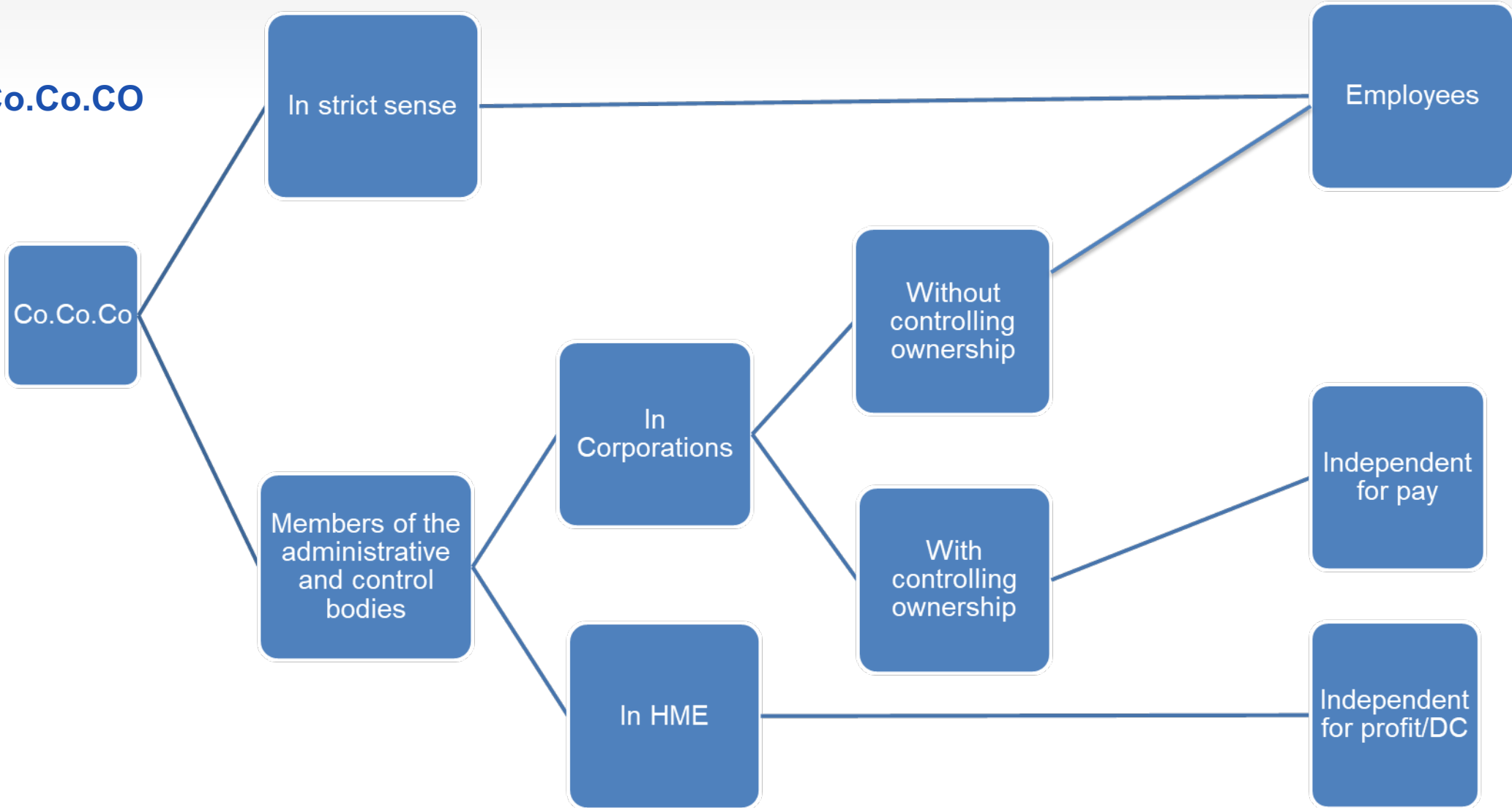Comparing and integrating survey and administrative data can provide valuable insights.
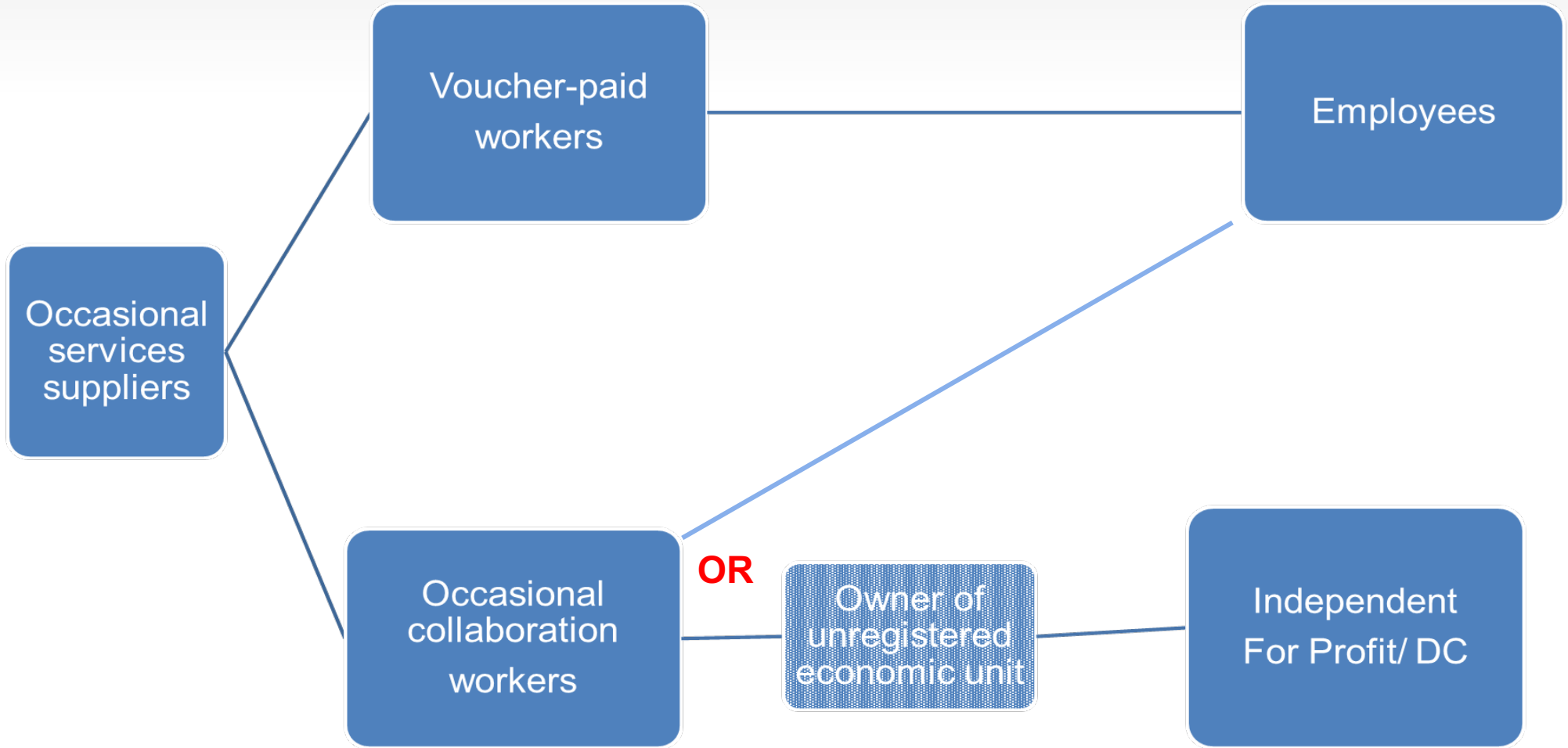
The Co.Co.Co case

Type of contract/agreement	Employment Contract. It defines the object of the collaboration, work modalities, the starting date, duration, compensation. Any dispute is submitted to the labor court.
Social Contributions	Social Contributions are borne for 2/3 by the Employer\Client and for 1/3 by the Worker. Both parts are paid by the Employer\Client to the Social Security institution. The part of the contribution rate borne by the worker are slightly higher than that of a standard employee and the total contribution rate is slightly lower than that for a standard
Type of remuneration	The remuneration is frequently paid periodically, often on a monthly basis (theoretically based on work progress). The remuneration rates are set in some cases according to parameters fixed in National Agreements between Employers Associations and Workers Unions.
Economic Risk for the worker	There is no business risk. More generally, the worker does not risk his/her personal wealth.

The Co.Co.CO case

Co.Co.Co
- In strict sense → Employees
- Members of the administrative and control bodies
  - In Corporations
    - Without controlling ownership → Employees
    - With controlling ownership → Independent for pay
  - In HME → Independent for profit/DC

The Occasional services suppliers case

Voucher-paid workers

Employees

Occasional services suppliers

Occasional collaboration workers

OR

Owner of unregistered economic unit

Independent For Profit/ DC

The question **on number of clients -** already in the current LFS questionnaire – needs to be clarified by interviewers and contextualized within the specific occupation.

Generally, this approach works well, although in some cases, the term "clients" may not be immediately understood and identified. For instance, for riders or individuals under co.co.co. contracts, the term "client" is inappropriate and confusing (typically referring to the individuals or entities to whom they deliver food or other goods). In these cases, the appropriate term appears to be "employer."
In Italy, instead of simply asking about the main client, a question about the **percentage of earnings derived from the main client in the last 12 months** has been tested, despite potential memory and calculation challenges. Simplifying the question and providing clear response options can facilitate understanding.

Example question: "Considering your income over the last 12 months, what percentage of it came from your main client (i.e., the client from whom you earned the most)?

1. Less than 50%   2. Between 50% and 74%

3. Between 75% and 100%   4. Not have a prevalent customer   5. Don't know

The question "**how easy it is to replace the client/intermediary**" appears to lack informative value, heavily influenced by subjective perceptions such as confidence or optimism rather than reflecting actual circumstances. We observed a wide range of responses that may not necessarily correlate directly with objective conditions and seem to diverge from the ILO definition.

The question "'Consider the prevailing circumstances, **how is the price of your products or services set?"** seems to be efficient and easy for respondent if the answer modalities are presented:

Price are:
set by the respondent
negotiated between the respondent and the clients, customers
set by the clients, customers
defined by law
defined by another actor
Other (specify _____

The specification 'Consider the prevailing circumstances' allows to account for the different requirements of different clients.
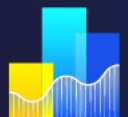
No specific problems were found with the question on the **ownership of tools/facilities** used to work (as PC, sales premises or offices)

Owned, rented or leased tools
Tools exclusively owned by the client/customer
Tools partially owned by the respondent and partially owned by the client/customer
Other (specify) _____
Does not know

In Italy, in 2022, self-employed without employees:

- who cannot freely set their fees for work were 457,000 people (14% of self-employed individuals without employees)

- who earned more than 50% of their income from a single or predominant client in the last year numbered 788,000, 23.7% of self-employed individuals without employees (those who earned more than 75% of their income from a single or predominant client in the last year numbered 550,000); among them:

  - 251,000 have no restrictions, while the remaining 537,000 show at least one sign of subordination, and 358,000 exhibit at least two signs.

  - 396,000 individuals, in addition to having a dominant client, face restrictions related to their choice of workplace location; those with restrictions on working hours number 291,000, 237,000 cannot freely set their fees for work, and 194,000 lack ownership of the tools they use in their work.
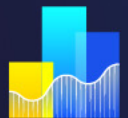
Corporation vs. Household Market Enterprise

- The question regarding the **legal form of enterprises** appears to be well understood, enabling a clear distinction between corporations and household market enterprises (HMEs). Self-employed typically possess a strong awareness of their administrative status.

- An extensive pilot study to validate the reliability of this variable is under preparation. It includes comparisons with administrative data. If confirmed, this question could effectively differentiate between household market enterprises and corporations.

- There are instances of self-employed individuals who, despite being obligated, have not yet registered (Commerce Chambre) and may be uncertain of their legal status. It is suggested to include a category for 'not registered yet' to capture these situations and the associated informality. This approach may help classify them as HMEs (?)

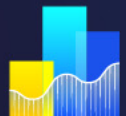## Corporation vs. Household Market Enterprise

- A challenge arises when a self-employed holds multiple simultaneous positions, performing the same work within both a corporate context and as a Household Market Enterprise (HME), such as being a company partner in an LLC and perform activities on its own with a private VAT number.

- In such cases, could it be useful to establish a hierarchy between these two situations?

- Further research is necessary to support decision-making and define appropriate methodologies and tools for implementing the ICSE18 classification.

- This effort could enhance systemic consistency in employment statistics, taking into account national specificities.

Thank you