

the EU-SILC, based on ILO recommendations ⁽⁶⁴⁾, provided an overview of the central distinction between self-employment and employee status. The difference is determined by:

- The nature of the economic risk undertaken by the person concerned.
- The mode of remuneration.
- The type of authority enjoyed, and the authority to which the respondent is subject.

For instance, employees responsible for paying their own social insurance and tax contributions, but who are employees in other respects, should be considered as employees. Outworkers should be considered as employees if (a) there exists an explicit or implicit contract or agreement of employment and (b) the remuneration depends basically on the time worked or the amount produced. However, an outworker should be considered as being self-employed if (a) there is no such contract or agreement and the decision as to the markets, scale of operation and finance is in the hands of the outworker or (b) the person's remuneration is a function of receipts or profits from the sale of his/her products or services.

Summary of distinction between employee and self-employed status

	Employee	Self-employed
Economic Risk	No (or very little) capital investment	Has capital investment (not a necessary condition, e.g. Professional practice)
Mode of remuneration	Wage or salary based on hours worked or amount produced	Profit, amount depending on sales of produce or service
Type of authority 1 (autonomy)	Existence of implicit or explicit contract/agreement of employment	No such contract or agreement
Type of authority 2 (control)	No (or very little) say in decisions on markets, scale of operation and finances	Final decision on markets, scale of operation and finances

Among the self-employed, those who employ paid employees are defined as 'employers', while those without paid employees are defined as 'own-account workers'. Often a distinction is made between 'own-account workers' and 'unpaid family workers'. However, in an enterprise in which members of a household are engaged jointly, this distinction can be culturally (especially gender) biased, and in any case arbitrary. Furthermore, the income may not be strictly 'individual', as for example in the case of a household enterprise in which several members of the household are engaged jointly. For the purpose of the EU-SILC, both of these groups are to be considered as being 'self-employed', i.e. as sharing self-employment income from the enterprise.

On the other hand, there are growing numbers of self-employed who do not consider themselves to be "running a business" and for whom therefore concepts such as gross revenue or even annual profit or loss have very little meaning. For this reason, some experimentation has been carried out, for example in the UK, to distinguish different groups of self-employed people and to try to tailor questions more closely to their circumstances (see Martin et al, 1996). For some people, such as casual workers and sub-contractors, their remuneration is more akin to employment income than to gross revenue – they have very few, if any, of the outgoings listed above (such as operating costs). They may even be uncertain about their employment status – whether they are in fact self-employed or employees. In the UK, it was found that the best way to distinguish this type of self-employed person from one who is in fact running a business was whether they prepared annual accounts for the tax authority.

If they do not prepare such accounts, it is more appropriate to use a concept akin to that of earnings from employment to capture their income.

Measurement of income from self-employment

It is universally acknowledged that self-employment income is one of the most problematic elements of household income to define and to measure accurately. These difficulties result not only in inaccurate income data but also in lack of comparability both across time and across countries. While it is unrealistic to suppose that all the difficulties can be solved in the context of the EU-SILC, the aim should be to draw on current best practice and 'state of the art', so that accuracy and comparability of the information on income from self-employment is improved.

There is also evidence that self-employment is becoming *more prevalent* in the EU and that it is becoming more *heterogeneous* in its nature. The types of occupation in which the self-employed are engaged have diversified. More women are becoming self-employed and more employees are taking on subsidiary work on a self-employed basis. Many of the new self-employed are engaged in the service sector, but the skill level of these jobs varies widely from low paid jobs on temporary contracts to high paid and specialised jobs in the

⁽⁶⁴⁾ R. Hussmanns and F. Mehran and V. Verma: Surveys of Economically Active Population, Employment, Unemployment and Underemployment: An ILO Manual on Concepts and Methods. Geneva: International Labour Office, 1990.