

**HUNGARIAN
CLASSIFICATION OF STATUS IN
EMPLOYMENT**

Introduction

Like of every classification the main goal of the ICSE'93 is to classify the examined subjects by some uniform arranging principle in a way that allows conclusions to be reached.

A natural consequence of this is that classification results in a certain loss of information, and among various principles the one that is held most important by the philosophy of the classification gains priority while others are pushed into the background to some extent. The ICSE'93 classifies persons as working ones according to the economic risk taken in connection with working and the freedom of decision. The two strikingly different categories contain the persons who have paid employment jobs and the persons who have self-employment jobs. The actual main groups have the main characteristics of the basic categories.

Persons in **paid employment jobs** are those who hold employment contract that give them a remuneration not directly depend upon the revenue (profit) of the unit for which they work; while persons **in self-employment jobs** are those whose remuneration is directly dependent upon the profit (or the potential for profit) derived from the goods and services produced. The circumscription is based upon the entitlement for revenue and therefore it is in line with the definitions of the National Account (SNA).

Based upon the above principle, ICSE'93 consists of the following groups:

1. Employees
2. Employers
3. Own-account workers
4. Members of producers' co-operatives
5. Contributing family workers
6. Workers not classifiable by status

The Hungarian adaptation that is issued now, the Classification of Status in Employment (FVO), wishes to enforce this basic principle on the one hand to keep the earlier similar classification on the other. The different surveys of social statistics deal with employment from viewpoints that are not the same and this brings a need of breakdowns of individual groups on different levels. The classification contains the deepest (and generally used) levels but even then it can be taken only as a framework that can be extended for the need of the specific surveys or be used only at a higher aggregated level just as well.

Classification and Status in Employment FVO'99

1. Employee

- 1.1. Employee in public service relation
 - 1.1.1.1. in government official relation
 - 1.1.1.2. in public official relation
 - 1.1.1.3. in judicial, public prosecutor relation
 - 1.1.1.4. in service relation
- 1.2. Other employee with a stable contract
- 1.3. Other employee with a contract based on a non-continuous basis (casual worker excluded)
- 1.4. Casual worker

2. (Working) member of producers' co-operatives

3. (Working) member of partnership

- 3.1. Member of incorporated partnership (Ltd, share company, etc.)
 - 3.1.1.1. Member of incorporated partnership with employee
 - 3.1.1.2. Member of incorporated partnership without employee
- 3.2. Member of unincorporated partnership (deposit company, etc.)
 - 3.2.1.1. Member of unincorporated partnership with employee
 - 3.2.1.2. Member of unincorporated partnership without employee

4. Own-account worker (self-employed)

- 4.1. Own-account worker (self-employed) without employee
 - 4.1.1.1. Own-account worker (self-employed) having agricultural activity without employee
 - 4.1.1.2. Own-account worker (self-employed) having non-agricultural activity without employee
- 4.2. Own-account worker (self-employed) with 1-10 employees
 - 4.2.1.1. Own-account worker (self-employed) having agricultural activity with 1-10 employees
 - 4.2.1.2. Own-account worker (self-employed) having non-agricultural activity with 1-10 employees
- 4.3. Own-account worker (self-employed) with more than 10 employees
 - 4.3.1.1. Own-account worker (self-employed) having agricultural activity with more than 10 employees
 - 4.3.1.2. Own-account worker (self-employed) having agricultural activity with more than 10 employees

5. Contributing family worker

- 5.1. Contributing family worker of own-account worker (self-employed) having agricultural activity
- 5.2. Contributing family worker of own-account worker (self-employed) having non-agricultural activity

6. Workers not classifiable by status

Content of concepts

Employees are persons to whom the following applies:

- for their work they receive a remuneration in money or in kind not directly dependent upon the revenue (profit) of the unit for which they work.
- the character of their work is not defined by them but by their employer or representative of the employer

To be in this category is not a condition to have the job within legal frames (thus, in a way that it is registered at the social security, or is done with paying the necessary taxes and contributions). The primary classification is differentiating within the employee on the basis of how “stable” the employment status is. The classification handles separately the legal relations which are treated by different laws (public service, government official, judicial, public prosecutor or service relation) and other relations where establishing and terminating of the employment is done under unusual conditions. At the other pole stand the casual workers, who (with or without an employment card) work but only for a short period of time. Considering that the number of legalized and effective employment show a remarkable difference in this category, legal prescriptions can be only a limited guideline. Taking the ILO concept of employment as basis, casual work is where working exceeds one hour per day, continuous work is only of a short duration (not exceeding one week in general) and is aiming a specific work or phase of work. The definition of casual work does not preclude case when after the finishing of a given work a new written or oral contract between the employee and the employer comes into being, the subject of which is competition of an other work. With generalisation of the definition, persons who do certain intellectual work not as self-employed (that is, they do not give receipts) can also be taken as casual workers (such cases as writing a study within the frame of commission, giving a lecture in a specific field etc.)

Persons who work with contract where duration exceeds the short time period mentioned the casual work but the contract is a non-continuous basis are also employees but it is expedient to put them separately in the category “employed with a contract based on a non-continuous basis”.

National circumscriptions earlier have taken members of producers’ co-operation together with employees. Those falling into these two groups – similarly to have working members of partnership – are labelled as “being in employment” when they are present together in analyses. The theoretical basis for this is that all of the significant criteria of work – remuneration is not directly dependant upon the revenue (profit) of the unit, lack of influence on the circumstances of work – are the same as with employees. With the transformation of the traditional co-operation and the establishing of new producers’ co-operations, the membership of producers’ co-operation in Hungary became appropriate to the ICSE’93 definitions and does not differ significantly from other forms of partnerships. Members of producers’ co-operation are those workers who produce goods and services in from a voluntary (co-operative) partnership on some sharing of work and responsibility (those workers who work at the co-operative as not members – without ownership licences – are failing into the category of employees).

Members of partnerships have a separate category in the Hungarian classification while the ICSE'93 put those together into group 3. with the „classical” own-account workers who work on their own account or with once or a few partners, or treat them as employer if they engage one more persons to work continuously for them in their business. If is the employed person that the classification of status in employment classifies according to the relation to the work, therefore there is no significance of the legal formation in which the person is working as own-account worker (self-employed). The reasons for keeping these groups as individual categories are to have clearer picture of proprietorship and the fact that members of the different legal forms have a different share of financial responsibility. Further classification is important to make it possible to differentiate between own-account workers (self-employed) and employers within the members of partnerships, and thus ICSE'93 and the Hungarian FVO may agree.

The category of **own-account workers (self-employed) with employees on a continuous basis** is equivalent to the employer category of ICSE'93. The circle is naturally constricted to the working owners for working is a criterion to be entitled as employed. The definition of employed meets the international recommendation, the subcategorization done by the number of employees classifies the size of the enterprise and is secondary to the original goal of the classification. This latter breakdown, along with the differentiation between own-account workers (self-employed) with agricultural or non-agricultural activity, is justified by the need to know more about national circumstances.

In the case of own-account workers (self-employed) having agricultural activity, the only criteria of classification is also whether the remuneration is depending mainly on the result of the work and that the person or his/her representative makes the decisions concerning the enterprise. When the persons, has employee other than a family member then that employees, is an own-account workers (self-employed) having agricultural activity with employee. In this case the person is an employer according to the ICSE categories.

A problem may arise because of the national practice that many of the own-account workers (self-employed) and co-contractors are so called quasi- entrepreneurs, entrepreneurs in a way that they do their earlier work (the work they did before as employee) but they are in connection only with one firm (their former employer), they cannot have decisions on their work and in the contract, they have the remuneration is independent of the profit. In this case the basic criteria of the ICSE (aspects of economic risk, type of authority) are proper to be taken into account, no matter what the legal form is.

Own-account workers (self-employed) and co-contractor (either with or without agricultural activity) may have **contributing family worker**. The criterion for this classification is that the contributing family worker is to take regularly in the business that is propriety of the household, may this be a limited daily, weekly or monthly amount of time (at least one hour per week). The classification of status in employment can be used only in case of employed persons, therefore the person who was not an active party to the work of the enterprise during the reference period (either for subjective or objective reasons) cannot be classified as contributing family worker the different surveys may alter the above definition according to their own purposes.

The persons in the category of workers not classifiably by status are those about whom no sufficient information is at disposal and/or cannot be classified into any of the above categorises.