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TRENDS AND DYNAMICS IN THE ITALIAN LABOUR MARKET. AN EMPIRICAL EVALUATION USING RFL DATA

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Outline

1. The Italian labour market: an international comparison;
2. A picture of the recent trends in the Italian labour market: 1993-2007;
3. The analysis of labour market transitions.

The Italian labour market: an international comparison

Remarkable improvements in labour market outcomes in the last 20 years

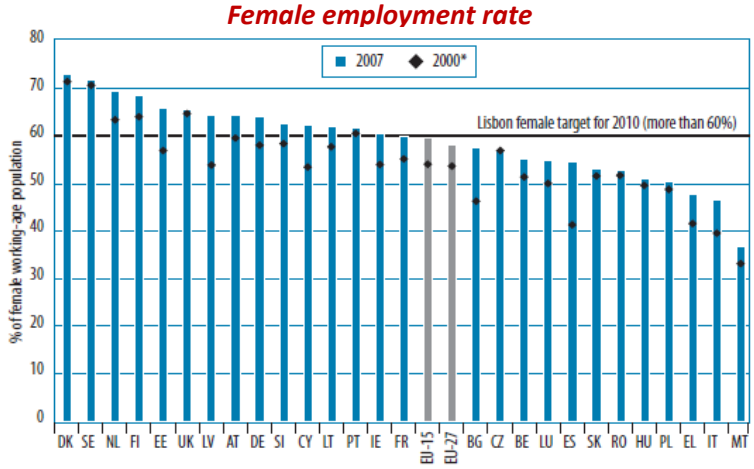
but

in 2007, Italy remained more than 10 percentage points short of all the three 2010 Lisbon targets for employment:

Employment rate	2010 Target	Italy 2007	EU-27 2007	EU-15 2007
Overall	70%	58.7%	65.4%	66.9%
Older workers	50%	33.8%	44.7%	46.6%
Female	60%	46.6%	58.3%	59.7%

The Italian labour market: an international comparison (2)

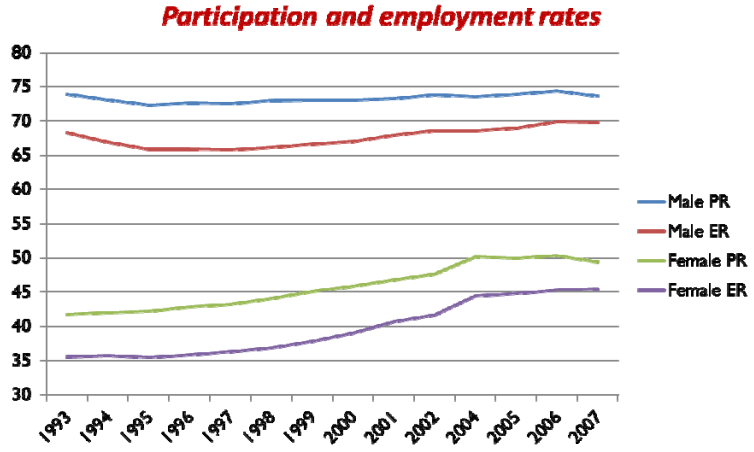
Female employment rate



Source: Eurostat, EU Labour Force Survey, annual averages.
*Note: * Data for RO, 2002.*

A picture of the recent trends in the Italian labour market: 1993-2007

Overall increase in participation (+4%) and employment (+6%) rates



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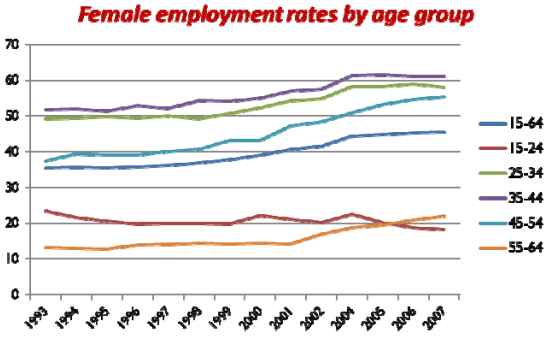
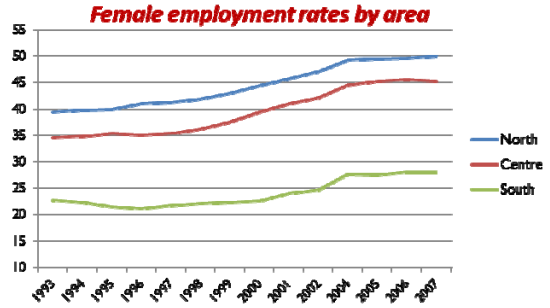


- By age group:
  - ↓ employment rate for the young
  - ↑ employment rate for the other age groups (especially 45-54)



- By geographical area:
  - ↑ employment rate for all regions, but the increase has been higher for the North and Central Italy
  - Increased gap between the South and the rest of the country

6

Data

- Longitudinal Labour Force Survey (Rilevazione sulle Forze di Lavoro), 1993/1994-2007/2008
- Pros:
  - Benchmark for the analysis of the labour market;
  - Large sample size;
  - Length of the period covered.
- Cons:
  - Discontinuity in the series (2003);
  - Lack of information on the history of the individual.

The analysis of labour market transitions

- Conditional transition probabilities are estimated on the pseudo-panel LFS 1993-2007:
  - Women aged 16-60, men aged 16-65;
  - Students, retirees, disabled or in military service excluded;
    - 554,151 observations
- Four possible states:
  - Full-time workers (those who reported working FT);
  - Part-time workers (those who reported working PT);
  - Unemployed;
  - Outside the labour market (inactive).

Labour market transition matrix by gender

		Year t+1			
		Employed FT	Employed PT	Unemployed	Inactive
Year t		Men			
	Employed FT	96.42	1.12	1.42	1.05
	Employed PT	40.08	48.67	6.22	5.02
	Unemployed	26.03	3.89	52.60	17.48
	Inactive	23.56	3.55	26.38	46.51
		Women			
	Employed FT	91.00	4.13	1.60	3.27
	Employed PT	19.08	69.48	3.32	8.12
	Unemployed	13.33	6.62	47.55	32.50
	Inactive	3.31	1.96	5.38	89.35

Projecting labour market transitions

- We use estimates from gender-specific multinomial logistic models (Bellman et al., 1995; Chies et al., 1998; Zaidi et al., 2009) :
  - Dependent variable: status at time *t+1*
    - (base outcome: FT employment)
  - Covariates: state observed at time *t*; education; age, age^2; geographical area; marital status; sector of employment (public or private); type of employment (employee or self-employed); time dummies
  - Standard assumption: employment decisions depend solely on individual characteristics, and are thus independent of demand-side factors

Multinomial logit analysis of labour market transitions – Men

	Marginal effects							
Work state at time t+1	**Full-time employment**		**Part-time employment**		**Unemployment**		**Inactivity**	
Whether in PT employment at time t	-0.5864 ***	(0.007)	0.4994 ***	(0.008)	0.0478 ***	(0.004)	0.0391 ***	(0.003)
Whether unemployed at time t	-0.6498 ***	(0.007)	0.0358 ***	(0.003)	0.4567 ***	(0.009)	0.1573 ***	(0.006)
Whether inactive at time t	-0.6871 ***	(0.007)	0.0294 ***	(0.003)	0.255 ***	(0.009)	0.4027 ***	(0.011)
Upper secondary	0.0117 ***	(0.001)	-0.0011 **	(0.001)	-0.0055 ***	(0.001)	-0.0051 ***	(0.000)
Tertiary	0.0208 ***	(0.001)	-0.0016 *	(0.001)	-0.0105 ***	(0.001)	-0.0087 ***	(0.001)
Age	0.0032 ***	(0.000)	-0.0008 ***	(0.000)	-0.0010 ***	(0.000)	-0.0014 ***	(0.000)
Age^2	0.0000 ***	(0.000)	0.0000 ***	(0.000)	0.0000 ***	(0.000)	0.0000 ***	(0.000)
Centre	-0.0180 ***	(0.002)	0.0026 ***	(0.001)	0.0094 ***	(0.001)	0.0059 ***	(0.001)
South	-0.0508 ***	(0.001)	0.0065 ***	(0.001)	0.0268 ***	(0.001)	0.0175 ***	(0.001)
Married/cohabiting	0.0295 ***	(0.001)	-0.0050 ***	(0.001)	-0.0123 ***	(0.001)	-0.0123 ***	(0.001)
Public sector	0.0147 ***	(0.001)	0.0053 ***	(0.001)	-0.0125 ***	(0.001)	-0.0075 ***	(0.001)
Employee	-0.0091 ***	(0.001)	-0.0014 **	(0.001)	0.0078 ***	(0.001)	0.0027 ***	(0.001)
Time dummies	yes		yes		yes		yes	

Multinomial logit analysis of labour market transitions – Women

	Marginal effects							
Work state at time t+1	**Full-time employment**		**Part-time employment**		**Unemployment**		**Inactivity**	
Whether in PT employment at time t	-0.4556 ***	(0.003)	0.4380 ***	(0.007)	-0.0065 **	(0.003)	0.0241 ***	(0.009)
Whether unemployed at time t	-0.4954 ***	(0.003)	-0.0534 ***	(0.002)	0.2515 ***	(0.012)	0.2974 ***	(0.013)
Whether inactive at time t	-0.8148 ***	(0.002)	-0.0338 ***	(0.002)	0.0484 ***	(0.003)	0.8002 ***	(0.003)
Upper secondary	0.1428 ***	(0.005)	0.0088 ***	(0.002)	-0.0083 ***	(0.002)	-0.1433 ***	(0.005)
Tertiary	0.2388 ***	(0.008)	0.0134 ***	(0.004)	-0.0253 ***	(0.002)	-0.2269 ***	(0.007)
Age	0.0042 ***	(0.002)	0.0071 ***	(0.001)	0.0039 ***	(0.001)	-0.0153 ***	(0.002)
Age^2	-0.0001 ***	(0.000)	-0.0001 ***	(0.000)	-0.0001 ***	(0.000)	0.0003 ***	(0.000)
Centre	-0.0477 ***	(0.006)	-0.0149 ***	(0.002)	0.0167 ***	(0.003)	0.0459 ***	(0.006)
South	-0.1411 ***	(0.005)	-0.0534 ***	(0.002)	0.0449 ***	(0.002)	0.1496 ***	(0.005)
Married/cohabiting	-0.1477 ***	(0.005)	0.0030	(0.002)	-0.0411 ***	(0.002)	0.1858 ***	(0.005)
Public sector	0.1062 ***	(0.007)	0.0016	(0.003)	-0.0158 ***	(0.003)	-0.0920 ***	(0.009)
Employee	0.0334 ***	(0.007)	0.0187 ***	(0.003)	0.0287 ***	(0.005)	-0.0808 ***	(0.009)
Time dummies	yes		yes		yes		yes	

Projecting labour market transitions

- Estimates confirm the high level of persistence in the original state; also, a relatively high probability of transition between non-work states;
- Education and age contribute to 'better' labour market outcomes;
- Regional differences persist;
- Being married/cohabitating is associated with higher employment probabilities for men, but to a lower attachment to the labour market for women.

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