

# Career consequences of atypical employment in Italy

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## (Forthcoming)

Paolo Barbieri ([paolo.barbieri@unitn.it](mailto:paolo.barbieri@unitn.it))

Giorgio Cutuli ([g.cutuli@unitn.it](mailto:g.cutuli@unitn.it))

Ruud Luijkx ([adrianus.luijkx@unitn.it](mailto:adrianus.luijkx@unitn.it))

Gabriele Mari ([gabriele.mari@unitn.it](mailto:gabriele.mari@unitn.it))

Stefani Scherer ([stefani.scherer@unitn.it](mailto:stefani.scherer@unitn.it))

This paper aims at examining the incidence and career consequences of holding temporary contracts in the Italian labour market, across reforms implemented in the 1990s and early 2000s.

We ask first whether or not temporary jobs substitute more stable positions as a port of entry into the Italian labour market. Evidence both at the macro- and micro-level (Kahn, 2010; Barbieri and Scherer, 2009) suggest that this substitution is triggered by partial and selective reforms (Esping-Andersen and Regini, 2000) such as the ones carried out in Italy. Therefore, we expect post-reforms cohorts of school-leavers to bear the risks of atypical entry, whereas their chances of entering the market through stable jobs conversely decrease.

A second and core contribution regards the issue of stepping stone opportunities versus entrapment risks, i.e. whether temporary jobs provide a springboard towards more secure positions or represent a dead end, leading to precarious career paths. In line with signalling arguments and dual labour market theories, we claim that previous experiences in atypical employment may generate a negative loop, trapping school-leavers in unstable jobs.

Work histories are derived from life-history data in the 2009 wave of the Multipurpose Survey of Italian Households (FSS 2009). We retrieve yearly information and obtain an unbalanced panel in the period 1980-2009 (N of total observations = 218,413; N of individuals = 12,917).

Labour market status is the dependent variable and is mainly coded focusing on the cleavage between typical and atypical employment relations. First, permanent dependent employment and traditional self-employment are aggregated in the primary core of typical and secure positions. Second, atypical jobs are defined as either forms of temporary dependent employment (fixed-term contracts, TWA and others) or of pseudo self-employment. It is worth noting that all labour market participants are part of the sample under investigation.

Focusing on the cohort cleavage, five school-leaver cohorts are identified: leavers in the period 1980-1985 (the reference category), pre-flexibilization cohorts (1986-1990, 1991-97) and post-reforms cohorts (1998-2003 and 2004-09). Standard controls for both macro-trends (EPL on temporary contracts, GDP growth) and micro-level variables are included (sex, education area of residence, years since school-leaving, class of origin).

Population-averaged (PA) probit models provide robust descriptive evidence for substitution (AME shown in Figure 1, Appendix). Although slightly more likely to find any job within 3 years since school-leaving, post-reforms cohorts access the market increasingly through atypical jobs. Conversely, we observe a decrease in their chances of finding a stable job up to 9 years out of the school-system.

Still, the renowned costs attached to unstable jobs would be transitory if atypical employment would eventually lead to more secure positions. Dynamic probit models, however, suggest that strong state-dependence exist within atypical employment. This trap effect is significantly more pronounced for post-reforms cohorts. Predicted probabilities of permanence in atypical employment increase the most - across cohorts - for individuals featured by low or average unobserved heterogeneity, after controlling for micro-level characteristics and macro-level trends. These findings suggest not only that previous experiences in unstable jobs give rise to a negative loop for post-reforms cohorts, but that this trap effect increased “inefficiently”, hitting the most those featured by lower unobserved propensity to hold atypical positions in the Italian labour market.





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