

Does it cost less if it expires? Risks and opportunities of labour market flexibility in Italy. (in Italian)

Se scade costa meno? Rischi e opportunità della flessibilità in Italia. Conseguenze economiche e occupazionali delle forme di lavoro temporaneo

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Long abstract

In this book, we provide an overall evaluation of the socio-economic consequences, at a micro level, of Italian LM market deregulation process.

We address essentially three research questions.

First of all we look at the effect of contractual arrangements on wage inequality. We analyze the level of inequality in wages between contingent and secure work positions, the determinants of such wage inequality and the degree of internal wage differentiation among temporary workers.

From a theoretical point of view, should we expect to find a wage premium, a wage penalty, or no difference in the rewards for standard and non-standard jobs? According to various declinations of the theory of compensating differentials, in a market unaffected by information asymmetry and characterized by mobility between jobs, we may expect a wage premium for workers holding temporary positions which compensates for the risks associated with the limited duration of their contracts. Moreover, Italy is largely a country of «job-insecurity» labor market adjustment, which may therefore support the expectation that some monetary «compensation» is forthcoming because of the lack of guarantees. Nonetheless, a large body of literature reports that, in Italy, partial and targeted labor market deregulation has also been intended to reduce labour costs, while empirical research shows that, compared to permanent employment, flexible jobs are less appreciable in terms of working conditions, risks of subsequent unemployment, and career interruption. This is not entirely surprising, given that the aim of the labor market deregulations of the 1990s was to include the weakest and marginal segments of the workforce in the labor market. To be realistic, the wage premium would require workers to be both perfectly informed about vacancies and (overall) free to choose among a set of job offers differing only by contractual arrangement – and the amount of remuneration. This is clearly not the case of the present Italian labor market, where the majority of job-seekers have only the options of accepting atypical employment or postponing their entry into the labor market.

From an empirical standpoint, we make use of several sources of longitudinal data: the European Community Household Panel for the period between 1994 and 2001, the Eu-Silc for the years between 2003 and 2006, and a self-constructed panel dataset using Bank of Italy Shiw data for the period between 2000 and 2008.

Applying multivariate regression panel methods (Random effects and Fixed effects estimations) and counterfactual approach techniques, we provide empirical evidence not only of the negative impact of temporary contractual arrangements on individual current wage (-11% on average), but also a detrimental effect on mid-term earnings career as long as initial temporary job does not lead to a stable inclusion in the LM (with an increment of 1.4 OR of low pay risk for each additional year spent in atypical jobs).

A further relevant empirical finding is the negative role played by temporary employment on wage prospects and on their chances of avoiding or exiting low pay: especially for those individuals with poor endowments and high low-pay risks profile, participating in the LM by means of temporary job seem to expose individuals to increasing risks of long term entrapment in low pay occupations.

