

“National Patterns of Labour Market Integration and Social Exclusion  
over the life Course”

**La grande illusion**

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**27th CONFERENCE of the INTERNATIONAL WORKING PARTY ON  
LABOUR MARKET SEGMENTATION  
(IWPLMS)**

**Växjö University, 14 - 16 September 2006**

# “household impoverishment”.

Subjective indicators of economic condition show that this concern reflects a common sentiment of the Italian population.

yet

Indicators based on the Bank of Italy’s Survey of Household Income and Wealth reveal a surprising stability of income distribution in the period 1993-2002, **after the sharp widening in the 1991-92 recession.**

Among the possible explanations:

disappointed expectations;

significant distributive changes across socio-economic groups which have cancelled out at the aggregate level;

but especially, re-distribution of income and opportunities between different generations

- “The malaise of the middle class not only stems from a fall in its purchasing power and a loss of part of its accumulated savings, or from the difficulty of those in the lower ranges to make ends meet with the modest income they receive. It is also the outcome of the disillusionment and frustration generated by the uncertainty of their children’s future and bleak labour prospects”. Castronovo (2004, p. 104)

# A deep sentiment of insecurity

Spills over from the early phases of active life to permeate other dimensions of life

- Which are the major factors?
- Does it affect all social classes equally?
- Interactions between challenges and institutions: how are institutions coping with households' perception of impoverishment?

Family vs. social policies

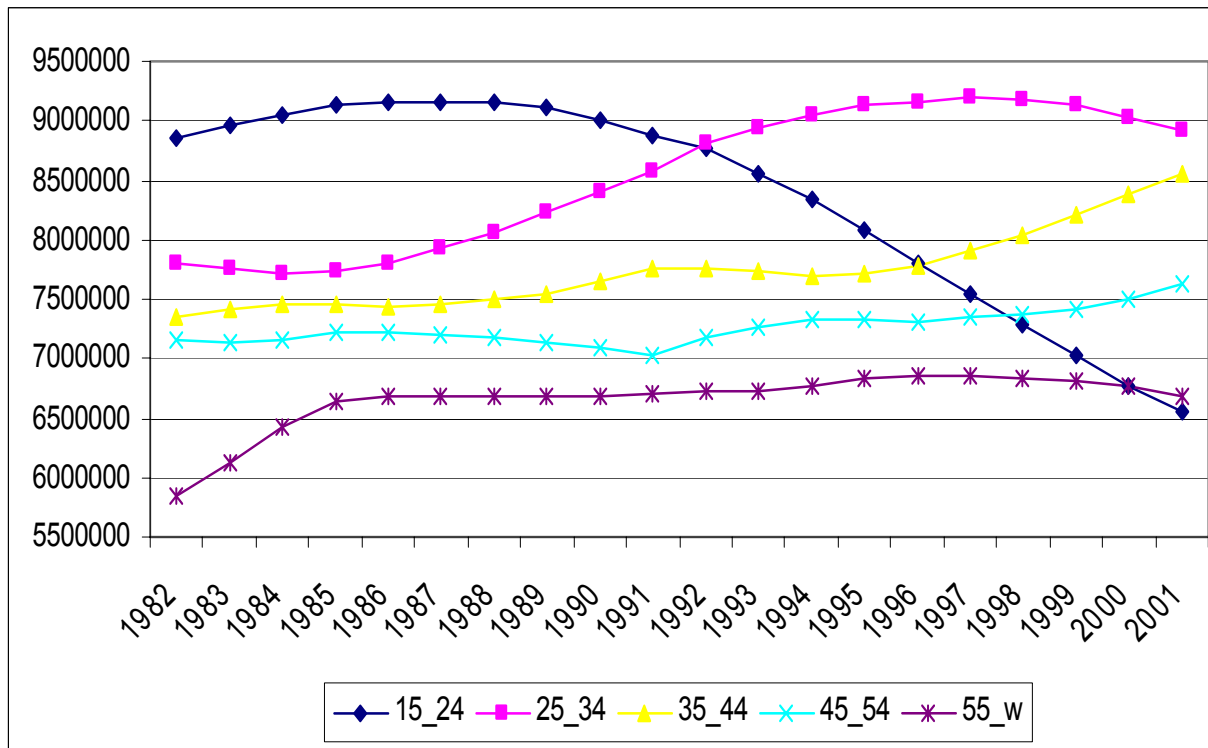
# Stylised facts

- From jobless growth to job creation without growth
- Persistently low employment rate
- Low educational attainment
- Very high average entry rate and low youth employment rate
- High share of young adults living at home (the house market, but not only...)
- Low fertility rate (since the mid '70s)
- ageing

# Major structural changes

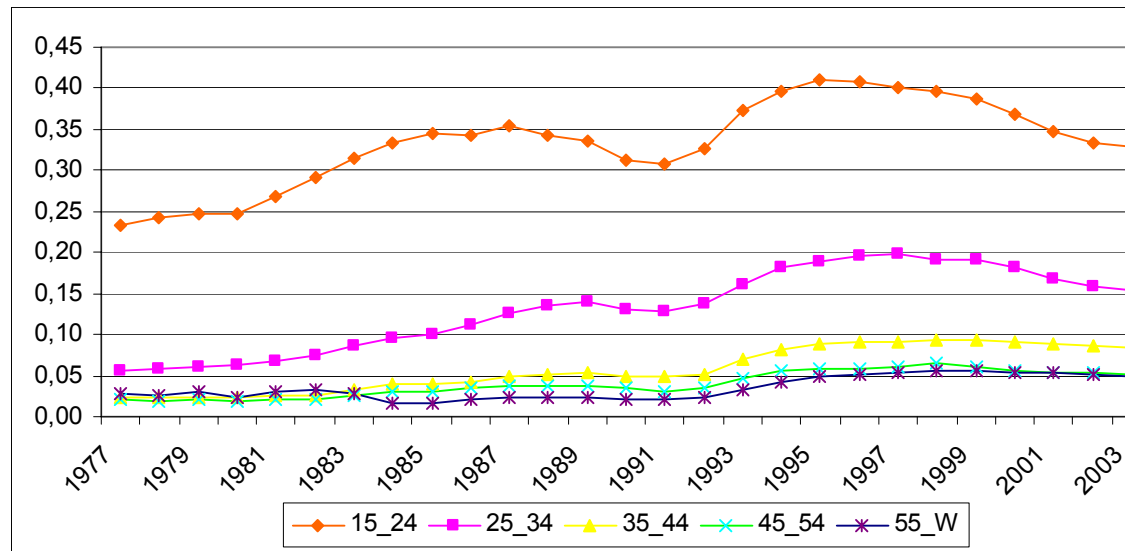
- Demographic changes
- Education
- Female participation
- Regional imbalances

# ***Demographic changes: from the baby-boom to the baby-bust, population cohorts 1981-2001***



# ...and the decline in unemployment

Figure 3 - Unemployment rate by age classes 1977-2003



Source: Fondazione G. Brodolini-Istat 1977-2003.

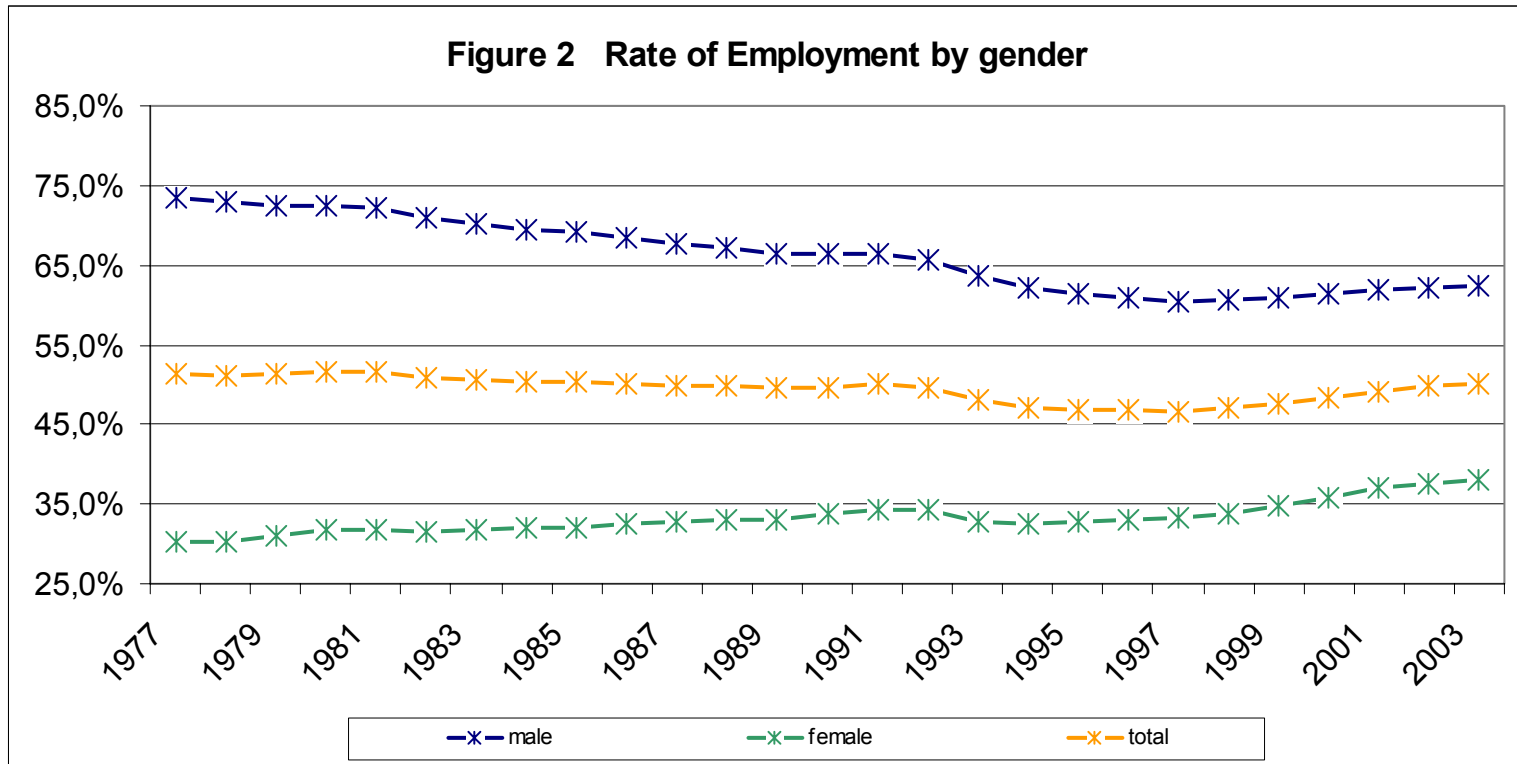
# Education:

*The population structure by educational attainment in Italy.  
1971 and 2001 (%)*

	<b>1971</b>	<b>2001</b>
<b>Tertiary education</b>	<b>1.8</b>	<b>6.5</b>
<b>Upper secondary education</b>	<b>6.7</b>	<b>26.1</b>
<b>Lower secondary education</b>	<b>14.7</b>	<b>30.5</b>
<b>Primary education</b>	<b>44.4</b>	<b>25.7</b>
<b>Less than primary or illiterate</b>	<b>32.5</b>	<b>11.2</b>

# Female participation

(population >15 years old)



# Regional imbalances:

the female employment rate by geographical region (%)  
(>15 years old)

	North	Centre	South and islands	Italy
1977	30,0	25,4	19,8	25,7
2003	40,2	35,4	21,5	32,8
change 1977-2003	+10,2	+10,0	1,7	6,1

# Female participation: motherhood and education

- Among women aged 20-39, the best-educated mothers of young children display a very high employment rate (over 80%), only few percentage points lower than their childless counterparts.
- The least-educated childless women (in the same age group) record a much lower employment rate (around 42%), well below that of the best-educated mothers of young children. And it is among the least-educated women that motherhood (as well as marriage) continues to have a marked negative impact on participation (Bettio, Villa 2000, p. 161).

# But still a long way to go...

- In 2005, Italy still ranked second from the bottom within the EU25 (only Malta has a lower female employment rate):
- the female employment rate is 56.3% for the EU25 (57.4% for the EU15) but only 45.3% for Italy.
- Higher educated but lesser employed
- Problems with implementation of fairly advanced reconciliation laws

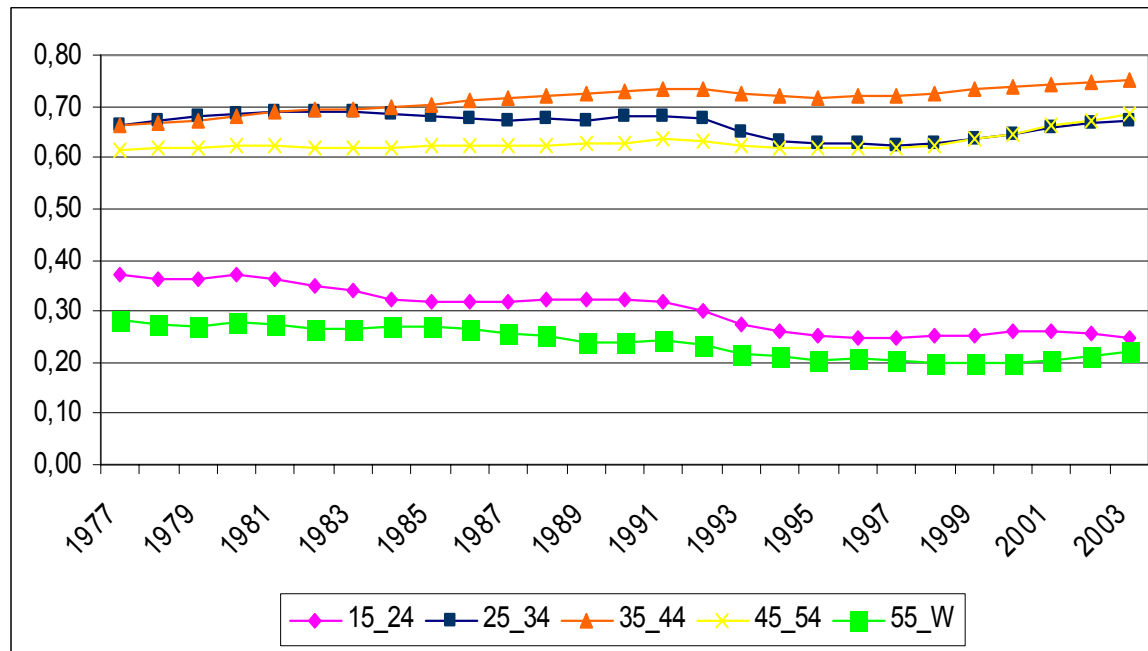
# The labour market: deregulation in a “familistic” welfare state

- From the peak of (selective) regulation and protection (mid-'70s) to the through of two-tier precarisation affecting young cohorts (and not those already in employment)
- Pension reforms affecting those entering active life since the early 1990s

# Is there a quantitative effect?

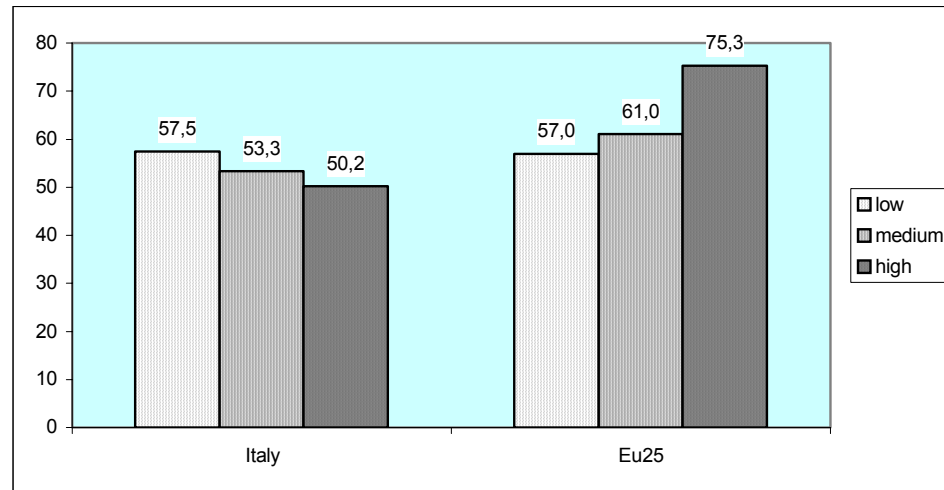
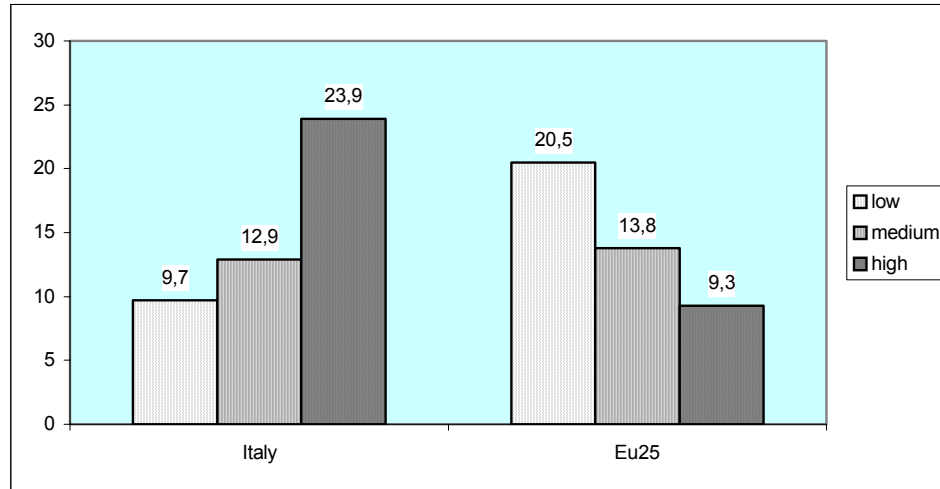
## The youth employment rate in Italy

Figure 4 - Employment rate by age classes 1977-2003



Source: Fondazione G. Brodolini-Istat 1977-2003.

# Youth unemployment and employment rate (20-29 years old) by educational attainment level, 2005



# The quality of employment: segmentation by cohort, gender and regional area

		CTD	CO.CO.CO
Sex	Male	0,81	0,69
	Female	1,3	1,47
Educational level	Low	0,96	
	Medium	0,98	
	High	1,22	
Geographical area	North	0,87	1,09
	Centre	0,99	1,49
	South	1,21	0,55
age bracket	15-25	2,33	
	26-35	1,25	1,3
	36-45	0,74	
	46-55	0,52	0,66
	56-65	0,41	1,73
Sector	Agriculture	2,24	
	Industry	0,88	
	Services	1,13	

# The young cohorts: a disposable labour force

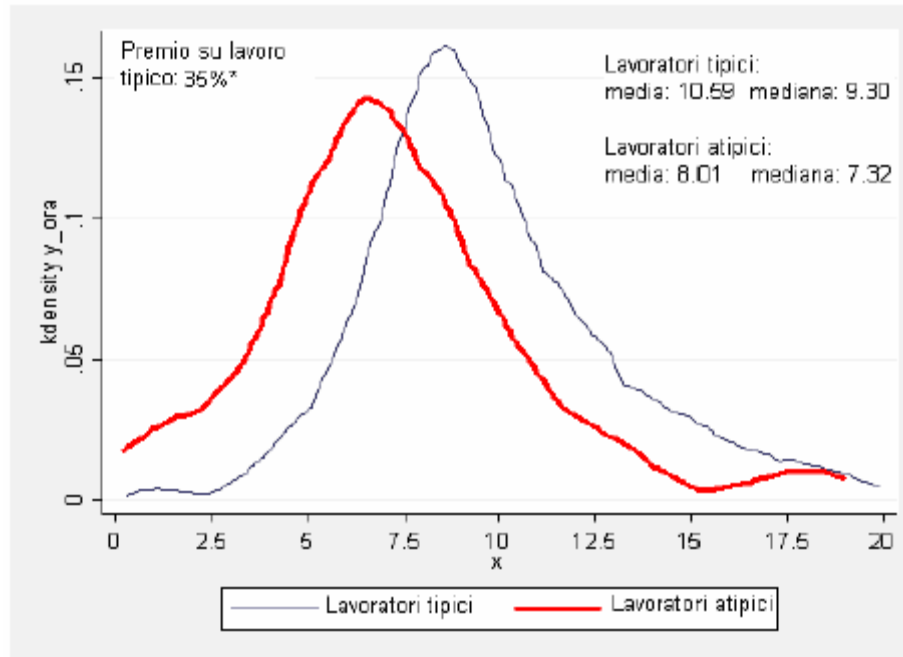
**Table 12. Employment position by type of contract and age class, 1993-2003**

	15-29		30-49		50_w	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
1993	93,7	6,3	95,0	5,0	94,1	5,9
1995	92,5	7,5	94,3	5,7	93,5	6,5
1997	91,9	8,1	93,6	6,4	93,3	6,7
1999	90,5	9,5	92,4	7,6	92,9	7,1
2001	90,3	9,7	91,6	8,4	92,6	7,4
2003	90,8	9,2	91,2	8,8	92,6	7,4
	Permanent	Fixed term	Perma-nent	Fixed term	Perma-nent	Fixed term
1993	88,5	11,5	95,8	4,2	96,2	3,8
1995	85,8	14,2	94,9	5,1	95,7	4,3
1997	84,6	15,4	94,4	5,6	95,4	4,6
1999	80,6	19,4	93,2	6,8	94,7	5,3
2001	81,0	19,0	92,5	7,5	94,3	5,7
2003	80,1	19,9	92,3	7,7	94,7	5,3

*Source:* Potestio (2005, p. 277-278).

# Income and employment protection: reduction in economic independence

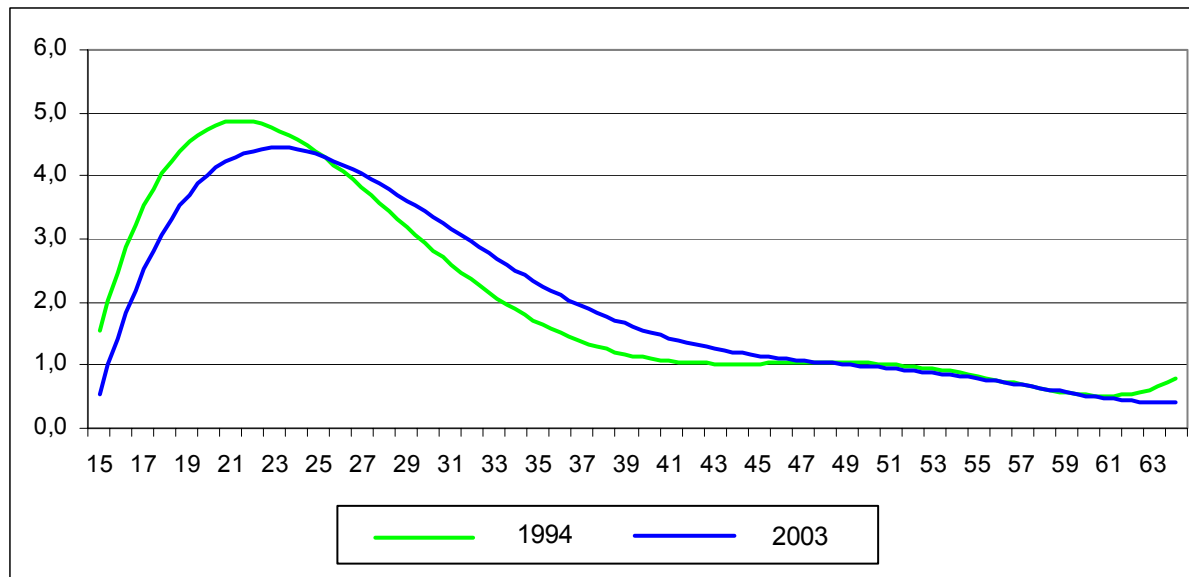
**Figure 8 Take home pay: regular and atypical work**



Source: Boeri and Garibaldi (2006).

# Long term sustainability? Delayed entry....

**Figure 7** Entry age into the labour market: comparison between 1994 and 2003



*Source:* Isfol, Panel data

## ...and low pension benefits

**Table 12. Pension benefits: an atypical worker (co.co.co) compared with a “typical” contract**

	Pension per year (Euro 2005)	In % of last wage
	seniority=40	seniority=40
atypical (co.co.co/project)	4945	41%
permanent contract (entry wage 1000 euro)	11100	62%

# Labour market segmentation: old and new

- The cohorts that entered active life in the '70s and '80s experienced the privilege of “employment for life”, though an increasing number of young people was experiencing long-term unemployment. Entry into employment was difficult, but once that access to a job was conquered, the risk of unemployment was extremely low and the degree of protection granted to regular employees was high. Moreover, the rules governing the pension system were generous and certain in terms of future treatment. Thus, access to employment could assure not only income security in working age but also after retirement.
- With respect to the cohorts entering active life in the '70s and '80s, the cohorts entering the labour market nowadays are better qualified (in terms of educational attainment levels), they are much older when they start to work, and they experience relatively shorter unemployment spells (as first job seekers). When they succeed in entering employment, however, it is no longer for life, earnings are significantly lower in relative terms (with respect to earnings of the previous cohorts), career prospects are uncertain, finally they know that they will have to work much longer in life in order to gain access to a lower pension in retirement age.

# *Atypical jobs: stepping stone for a more stable job?*

**Table 13 - Transition matrix for people aged 15-30, 1994 and 2004**

	standard employee	atypical employee	self employed	unemployed	inactive	student	standard employee	atypical employee	self employed	unemployed	inactive	student
standard employee	86,9	3,36	2,59	2,61	3,44	1,09	89,62	3,98	2,67	1,69	1,54	0,50
atypical employees	31,9	41,9	2,50	10,88	10,11	2,65	33,62	51,50	2,66	5,02	3,88	3,33
self-employed	7,60	1,48	79,50	3,69	3,69	4,04	5,89	2,66	80,36	2,21	2,87	6,01
unemployed	8,59	7,38	2,65	51,10	25,27	5,01	8,94	8,93	3,45	55,10	19,42	4,16
inactive	5,95	2,29	2,82	14,39	51,40	23,14	5,92	3,42	3,81	11,82	45,50	29,53
student	2,35	1,50	1,53	5,14	5,81	83,68	2,58	3,25	1,66	3,74	4,27	84,50

# Transition from atypical to typical jobs

- Using the Panel data (1997, 1999, 2001), Barbieri and Scherer (2005) analysed three cohorts: 1948-57; 1958-62; 1963-67
  - the risks of entrapment have increased for the younger cohorts,
  - the negative effect seems even stronger in the North, once adjusting for the more favourable market conditions).
  - the medium educated/professional workers in the North show the higher positive values, once again confirming the quality of labour demand of SMEs in those regions.
  - women have the lower probability of moving to a stable job, while they are at the highest risk of exiting from the labour market or entering into unemployment.
- The more one moves between atypical jobs, the more likely it is that he /she becomes entrapped.
- Waiting (or queuing) for a secure/good job (while in the shelter of one's family, can be more rewarding than accepting any job.
- Implications in terms of social equity: those families that cannot afford to support their members while searching for a good job will be discriminated against, and their children will lack the opportunities of a transition to a good jobs.

- Low wages, low job security, higher unemployment rates, lack of social rights make young workers heavily dependent on their families.
- The increasing age at which young Italians leave the parental home is attributable to the rise in the proportion of 25-34 year olds:
  - upward trend for young people in both the 25-29 and 30-34 year old age groups,
  - young women being much more likely to leave the family earlier.

# Prime age generation

- This generation needs money and time for having and raising children, investing in lifelong learning, building a house and progressing in their career, caring for dependants, and their children's families. This meant increasing pressure on resources, and need for dual earnings to meet ends and avoid poverty. The increase in female employment in the 35-54 cohort, where the effect of education still does not apply, may respond to these factors, in spite of the insufficient reconciliation policies and negative firms' attitude.

# movers and stayers

gross worker turnover by age class  
(Veneto region)

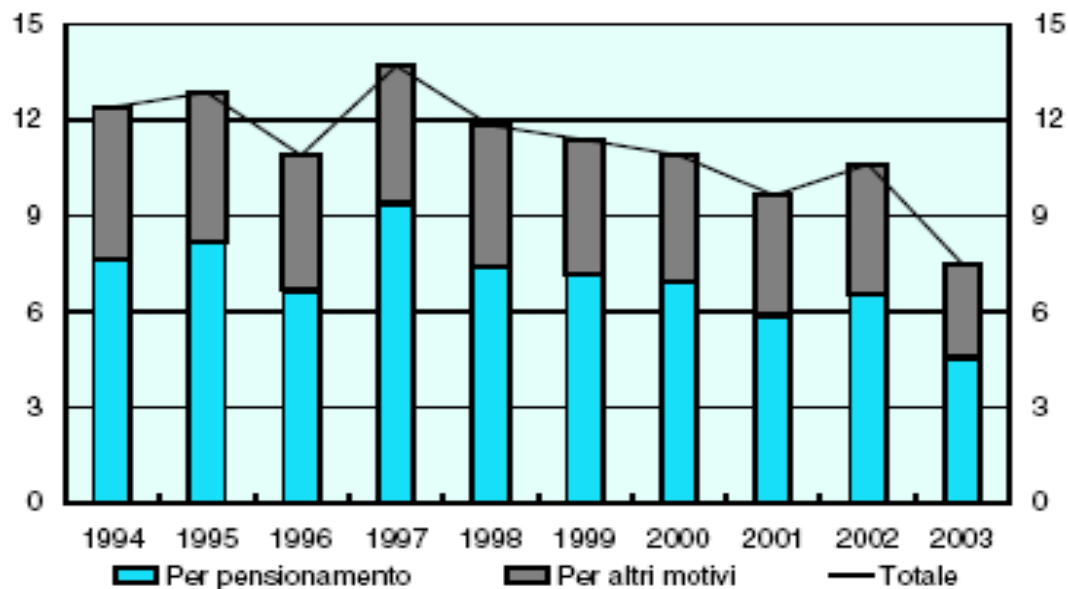
	Cohort			
	14-24	25-34	35-44	45-54
1982	51.70	22.06	16.01	15.59
1996	79.25	41.77	29.39	24.73
average	66.73	32.98	22.65	20.06
standard deviation	10.14	7.61	4.94	3.09

# Retirement

In the '80s early retirement (before 55) accounted for about 20% of new male pensioners. By making for ever more stringent requirements (increasing minimum age for retirement and/or minimum years of contributions) the pension reforms of the '90s aimed at reducing the rate of exit from employment of workers in the age bracket 53-64. However, by creating uncertainty about future rights, reforms announcements caused flights from employment as soon as one possibility opened up. Since 1994 the average age at retirement in the private sector started to increase (by 1,2 years between 1994 and 2001).

# Exit rate from employment for workers aged 53-64 (%)

**Tasso di uscita dall'occupazione  
delle persone di età compresa tra 53 e 64 anni (1)**  
*(in percentuale dell'occupazione della stessa classe di età)*



Fonte: Istat, *Indagine sulle forze di lavoro*.

(1) Per il 2003 media delle rilevazioni di gennaio, aprile e luglio.