



*Scuola Normale Superiore  
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**Research activities, methodologies, databases, implication for policies**

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## Lines of research 2018

1 – Innovation, digitalisation, employment, precarisation

2- Income distribution, inequality

# 1 - Innovation, digitalisation, employment, precarisation

## Temporary employment, labour productivity and wages

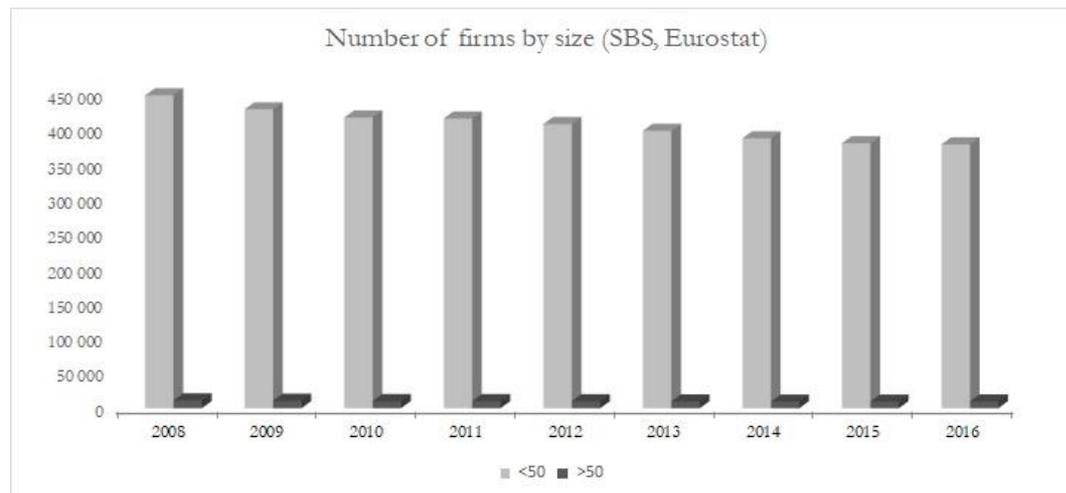
### Background context

- 1) Diffusion of fixed-term contracts in the Italian labour market - from 7.2% of total employment in 1995 to 14% in 2016;
- 2) Declining trend in labour productivity re-opened the debate on the link between the use of temporary employment, labour productivity and wages;
- 3) Reforms increasing the flexibility of the Italian labour market aiming to remove "labour rigidities" considered the major cause of stagnant labour market (OECD, 1999; 2003; IMF, 2007; Bugamelli et al., 2018);

### Aim of the study

Distributional effect of short-term contracts (external numerical flexibility) → how benefits or losses distributed between firms (profits) and workers (wages);

- ✓ Heterogeneity of the Italian production structure;
- ✓ Special focus on small firms – with less than 50 employees;

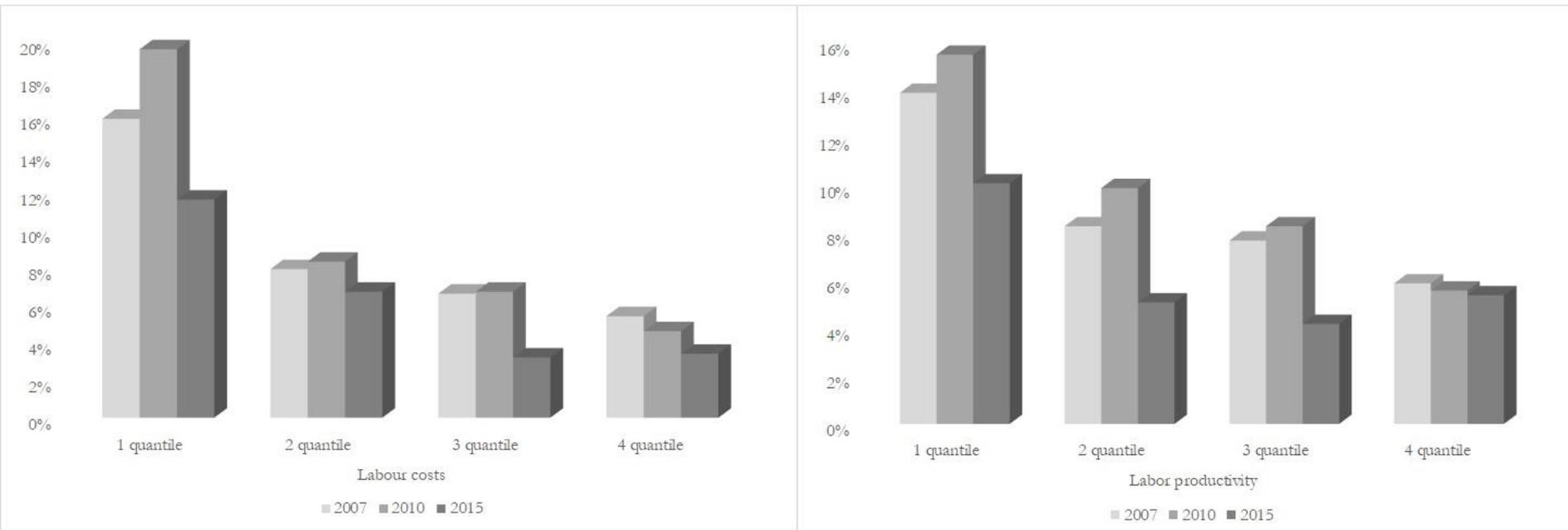


## Data

- ✓ Rilevazione su Imprese e Lavoro - INAPP for 2007, 2010 and 2015 on a representative sample of Italian firms;
- ✓ 25.000 firms operating in non-agricultural private sector;
- ✓ A sub-sample of the included firms (around 35%) are followed over time, RIL dataset partially panel over the period under study;
- ✓ Merge RIL data with AIDA archive provided by the Bureau Van Dijk (balance sheets of almost all the Italian corporations operating in the private sector, except for the agricultural and financial industries);
- ✓ The longitudinal RIL-AIDA sample is made up of approximately 2600 firm-year observations over the period 2007-2015;

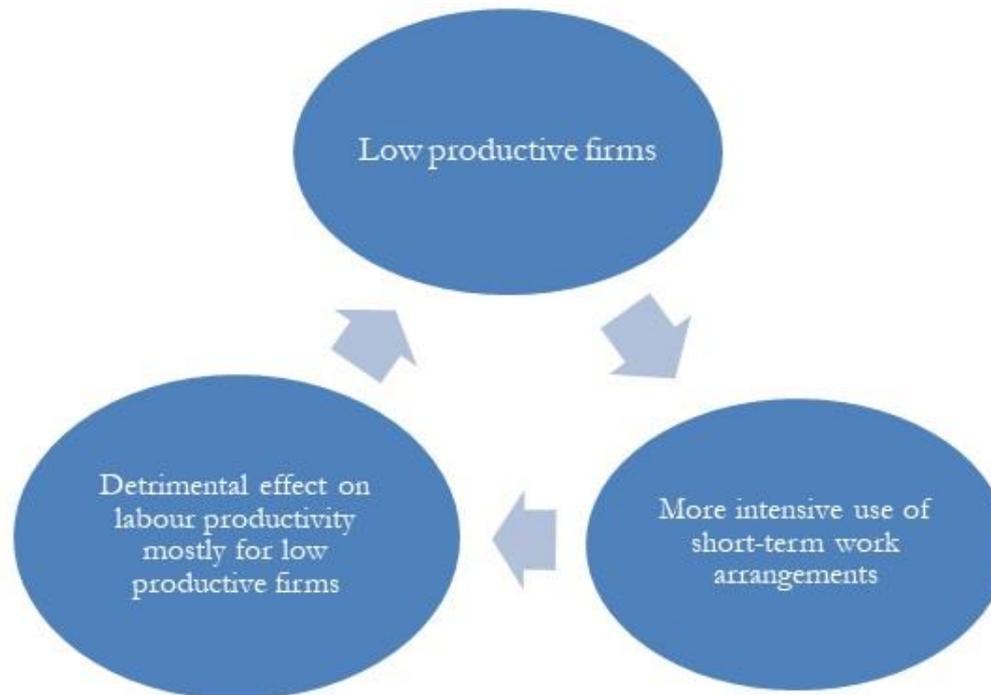
## Methods

- ✓ Quantile regression with robust and clustered standard errors (Machado and Santos Silva, 2000; Parente and Santos-Silva, 2016);
- ✓ Selection bias: instrumental variable quantile regression technique (Abadie et al.) to identify the causal effect of the share of FT contracts.



## Take home message

- A) Strong and negative relationship between the share of temporary employees and both labour productivity and wages;
- B) Lower productivity of temporary employment is compensated by lower labour costs;
- C) Relation is not constant along the distribution of wages and labour productivity;



Cirillo, V. and Ricci, A. (2018) Fixed-term contracts, productivity and wages: strengthening the *dualism* of Italian firms. INAPP research paper (forthcoming).

## Lines of research 2018

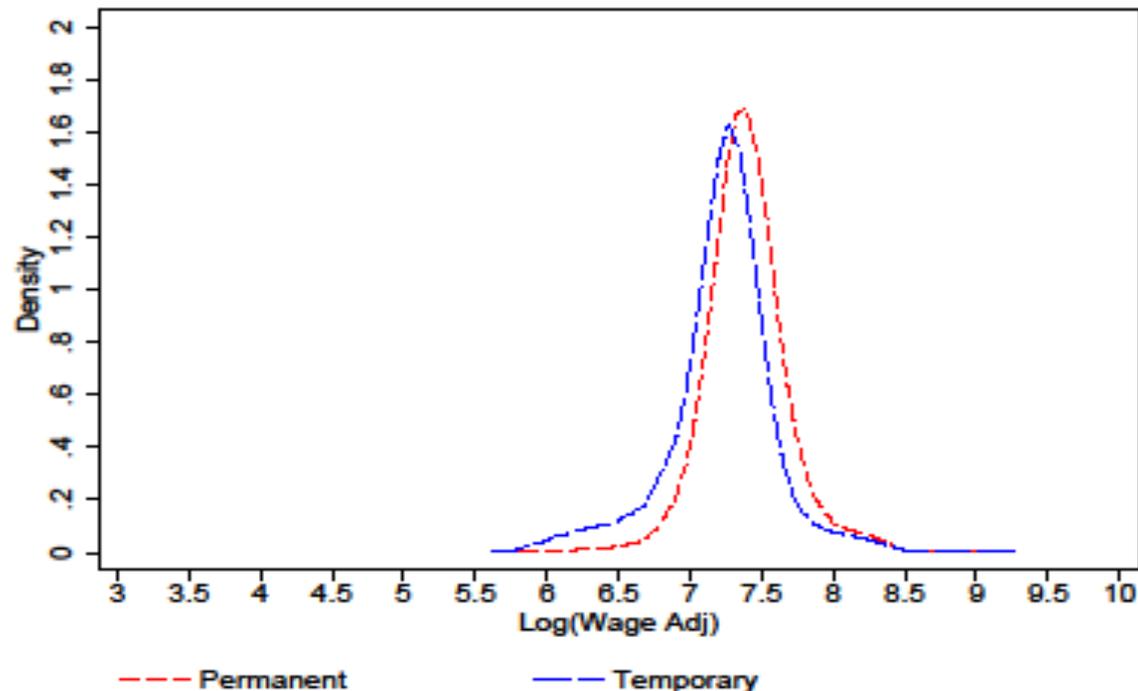
### 2 – Income distribution, inequality

Brunetti, I., Cirillo, V. and Ferri, V. (2018) Wage Differentials Among Italian Graduates. Short-term Versus Permanent Contracts. Research paper INAPP (forthcoming).

Bloise, F., Brunetti, I. and Cirillo, V. (2019) Determinants of firm-level labour share. Evidence from RIL survey (ongoing work).

## Wage Differentials Among Italian Graduates. Short-term Versus Permanent Contracts (with I. Brunetti and V. Ferri)

- We investigate the temporary-permanent wage gap on graduates workers in the Italian labour market (Oaxaca, 1973; Blinder, 1973).
- We decompose the wage differential along the entire wage distribution (RIF decomposition - Firpo *et al.*, 2007).
- Source: “*Inserimento Professionale dei Laureati* “ (Istat, 2015) → 28000 graduates employees (17296 with permanent contract and 11048 with a temporary contract).

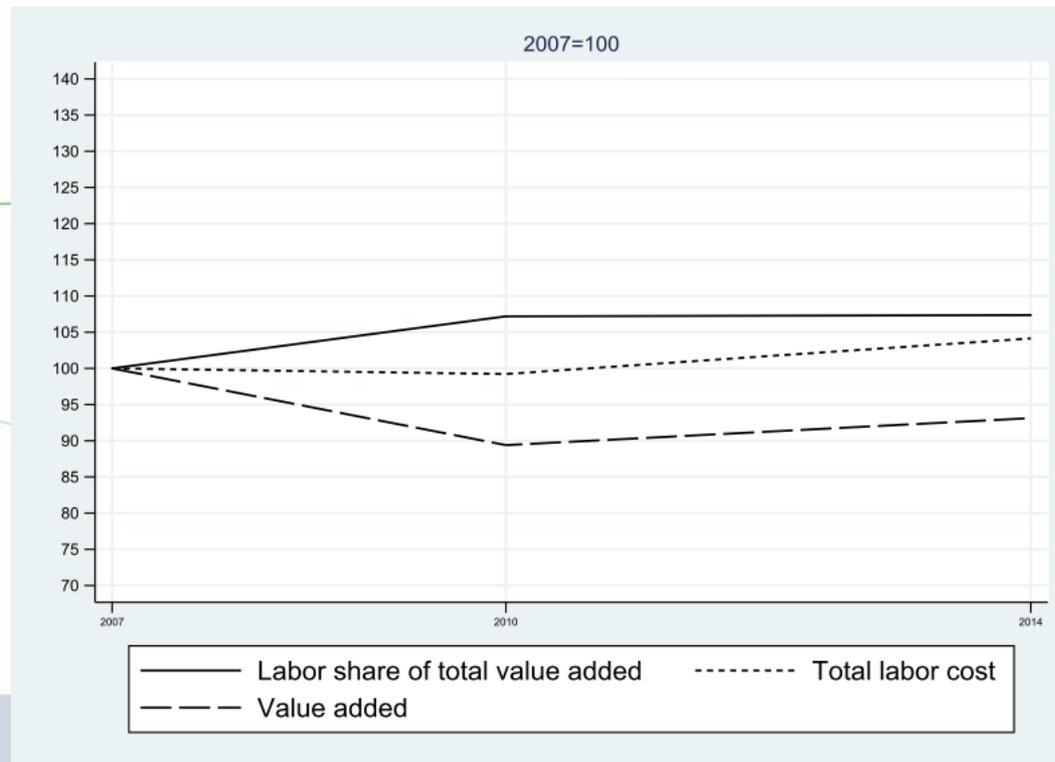


## Wage Differentials Among Italian Graduates. Short-term Versus Permanent Contracts (with I. Brunetti and V. Ferri)

	10° percentile	50° percentile	90° percentile
<b>Permanent</b>	7.108***	7.424***	7.759***
	(0.003)	(0.002)	(0.004)
<b>Temporary</b>	6.847***	7.274***	7.664***
	(0.009)	(0.003)	(0.006)
<b>Difference</b>	0.261***	0.150***	0.095***
	(0.010)	(0.004)	(0.008)
<b>Explained</b>	0.047***	0.028***	0.017***
	(0.004)	(0.002)	(0.004)
<b>Unexplained</b>	0.214***	0.122***	0.078***
	(0.009)	(0.004)	(0.007)

## Dynamics of labour share in a sample of heterogeneous Italian firms (with I. Brunetti and F. Bloise)

- ✓ Few firm-level studies on functional distribution of income
- ✓ Disentangling how technologies, offshoring and institutions interact
- ✓ Heterogeneity of firms
- ✓ Long-term dynamics of labour share (2007-2014), over the crisis (2007-2010), after the crisis (2010-2014)
- ✓ Database: RIL – *Rilevazione Imprese e Lavoratori* - cross-section (30.000 firms)
- ✓ Methodology: RIF (*Recentered Influence Function*) decomposition proposed by Firpo et al. (2007)



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