Youth employment partnership
- Evaluation studies in Spain, Hungary, Italy and Poland

6-8 November 2019
Rome
1.a Introduction

The Italian context: characteristics of the young population in the LM

Active population and activity rate, 15-29 years. Italy

Source: LFS (Istat), data processed by Inapp
1.a Introduction

Employment rate by gender, 15-29 years. Italy

Source: LFS (Istat), data processed by Inapp
1.a Introduction

Unemployment rate by gender, 15-29 years. Italy

Source: LFS (Istat), data processed by Inapp
1.a Introduction

Transitions from unemployment and employment, Italy

Source: LFS (Istat), data processed by Inapp
1.a Introduction

Transitions to open ended contracts, Italy

Source: LFS (Istat), data processed by Inapp
1.b Motivation of the study

Since 1997 Italy has experienced labour market reforms → increasing flexibility:
• Treu Package (Law 196/97)
• Biagi’s Law (Law 30/2003)
• Monti-Fornero Law (Law 92/2012)
• Jobs Act (Law 183/2014)

The Jobs Act (entered into force on 7 March 2015) has been coupled with monetary incentives in 2015 (Law 190/2014 – since 1 January 2015) and 2016.

The Italian case is interesting because:
- Extremely week economic performance
- Higher youth unemployment compared to the European average
1.b Motivation of the study

The CIE is aimed at evaluating the impact of the two policies:

- Law 190/2014, rebates of non-wage labour costs
- Decree 23/2015, reduction of dismissal costs

on the Employers’ propensity to hire with open-ended contracts young people (15-34 years old) not early employed with a open-ended contract expired within the previous 6 months), during 2015.

**Treatment:**
1) three year 100% rebates of non-wage labour costs (Law 190/2014)
2) reshape of regulation governing dismissals aimed at reducing firing cost (Decree 23/2015, under Law 183/2014, so called “Jobs Act”)

**Outcome:**
a) incidence of the new open-ended contracts over the total signed by young people (15-34 years old) not early employed with a open-ended contract expired within the previous 6 months), during 2015.

How the selected type of contracts affected employment possibilities of young women?
2. Literature review

Fana, Guarascio, 2017 • Permanent jobs activations are led by contract conversions rather than of new activations; driven by hiring incentives.

- Increase in part-time jobs in particular in permanent positions.
- Employment increases for older cohort (50+), while young workers seem penalised and receive comparably more vouchers and temporary contracts.
- Low-skills, low-technology sectors are those experiencing the larger increase in permanent positions, the opposite holds in manufacturing.

Bendinelli 2017 • Joint bearing of the two interventions is an 8% increase in activations with respect to temporary jobs.

Centra, Gualtieri 2017 • The two measures have resulted in an 2.5% increase in the probability of being employed permanently compared to the counterfactual.

Sestito, Viviano 2018 • The two policies were successful in reducing dualism and stimulating labour demand.
- The main driver of recovery was the hiring incentive that contributed by 5/6 to the doubling in the monthly conversion rate and was responsible for 20% of the gross permanent hires - vs the 8% cause by the graded-security reform.
- The graded-security reform impacted on firms' willingness to direct-hire individuals with a permanent contract without screening.
2. Literature review

Previous research:
- Evaluate reformed legal standards and hiring incentives
- Use data on 2015

Our research:
- Evaluate reformed legal standards and hiring incentives
- Use data on 2015
- Evaluate differential impact by age cohort and gender of universalistic policies
3. Legislative issues

Policy under evaluation 1: Law 190/2014 – social security rebates

Target:

- **all open-ended contracts**, both part-time and full-time, issued in the time-window 01.01.2015 – 31.12.2015.

- Apprenticeship, domestic work contracts and intermittent work contracts are excluded. Conversions from temporary contracts are allowed.

Amount of the rebate:

- **100% of the social security contribution, for a maximum of 8060 euro per year per worker** (to be scaled to daily/monthly contribution for complete coverage, as in case of part-time jobs).

Duration:

- **36 months** from the date of issuance of the contract. In case of maternity leave, the rebate is suspended for the duration of the condition.
3. Legislative issues

Policy under evaluation 1: Law 190/2014 – social security rebates

Eligibility:

- **Workers**
  - Not employed with an open-ended contract (including apprenticeship, open-ended domestic work contracts or open-ended staff leasing contracts) for at least 6 months before the beginning date of the new contract, independently of the employer.
  - In the 3 months preceding the reform (01.10.2014-31.12.2014) was not fired by the employer that is hiring or by another employer related to the latter – to avoid opportunistic behaviours.

- **Employers**
  - Type: all employers without industrial or geographical specificity. It includes associations and public enterprises but excludes public administration.
  - With no pending contributory arrears or any other irregular situation in terms of collective agreements or territorial agreements.

Funding:

3. Legislative issues

Policy under evaluation 2: Decree 23/2015 – Graded security

Period:
Since 7 March 2015

Target:
All newly signed open-ended (or fixed-end converted into open-ended) contracts

Characteristics:
- entail no reinstatement in case of dismissal declared unlawful by a court (unless in case of discriminatory dismissal).
- Monetary compensation is envisaged (two monthly wages for each year of seniority, between a minimum of six months and a maximum of 36 months)
4. Data: sources

In this CIE it has been used an administrative data set.

It is a systematic sample selected from the population in the administrative register (SISCO), managed by the Ministry of Labour and Social Affairs, which coordinates the regional agencies in charge of the local maintenance and deployment.

Administrative register = CO= “Comunicazioni Obbligatorie”: based on the compulsory notices integrated system (SISCO).

Variables included in the data includes both demographic and labor characteristics.

It includes the entire population of the flows in and out of formal employment, as well as mobility within different contractual arrangements.

The dataset used is a sample of more than 782 thousands records which includes data related to the “comunicazioni obbligatorie” registered within the period between 2014 and 2015 referred to hires (employees with a open-ended contract) and firing (expired contracts of any kind), of individuals ranging from 15 and 34 years old eligible and not-eligible according to law 190/2014 (“Legge di stabilità 2015”).
5. Empirical strategy

Who is affected? **Eligibility criteria** for young people and firms.

**Target group=Eligible:**
- young people (15-34 years old) not early employed with an open-ended contract expired within the previous 6 months) hired with an open-ended contract (Aprenticeship excluded) during 2015, by all kind of private employers (Farmer and Public Administrations excluded);
- all employers without industrial or geographical specificity. It includes associations and public enterprises but excludes public administration and agriculture;
- employers with no pending contributory arrears or any other irregular situation in terms of collective agreements or territorial agreements.

**Control Group=NOT-Eligible:**
- Young people hired during 2015, if early employed with an open-ended contract expired within 6 months before the new open-ended contract.

**Law 190/2014**
EMPLOYERS/EMPLOYEES within private sector (agriculture excluded)
Art. 1, co. 118. 
“(…) datori di lavoro privati, con esclusione del settore agricolo, e con riferimento alle nuove assunzioni con contratto di lavoro a tempo indeterminato, con esclusione dei contratti di apprendistato e dei contratti di lavoro domestico, decorrenti dal 1° gennaio 2015 con riferimento a contratti stipulati non oltre il 31 dicembre 2015 (…).
5. Empirical strategy

Who is affected by? Eligibility criteria for young people and firms.

Decree 23/2015, under Law 183/2014, so called “Jobs Act”

**Target group:** all employers and employees. Since March 2015 all **newly signed open-ended contracts** (or from fixed-end converted) entail **no reinstatement** in case of dismissal declared unlawful by a court (unless in case of discriminatory dismissal).

**Instead, monetary compensation is envisaged,** in the ratio of two monthly wages for each year of seniority, between a **minimum** of six months and a **maximum** of 36 months.

(Sacchi-Megara 2013, pp. 194-195).
5. Empirical strategy

The identification strategy = based on a *Diff-in-Diffs* model (Card e Krueger 1994).

Applied to the contracts registered in the Ministry of Labour Data-Base (SISCO) referred to the communication sent by Employers due by law (Comunicazioni Obbligatorie, CO).

Period = between 1st January 2015 and 31st of December 2015.
According to the Diff-in-Diffs model, we define:

- two different groups (treated and control)*
- two periods, 2015 and 2014
- the outcome = the share of new open-ended contracts caused by treatment

*In this model, eligible and not eligible to the treatment.
5. Empirical strategy

The identification strategy is structured in two stages:

I. In the **first stage**, it is estimated the incremental share of new open-ended contracts caused by treatment;

II. In the **second stage**, the share is applied to the whole new *eligible* open-ended employment contracts registered during 2015 to estimate the impact of the public intervention on the number of the new contracts that would not have been signed in its absence.
5. Empirical strategy

Control Group Design and DID Design

Definition of the outcome variable: the outcome is a Dummy, $Y$, with two possible values
$Y=1$, for open-ended employment contracts;
$Y=0$, for fixed-term employment contracts.

Definition of treated (eligible) and control group (not-eligible):
$T=1$, for eligible new open-ended contracts;
$T=0$, for not-eligible new open-ended contracts.

Definition of the period:
$P=0$, for the new employment contracts signed during 2014;
$P=1$, for the new employment contracts signed during 2015.
5. Empirical strategy

The «short» model: the effect is estimated by defining an OLS model as follows:

\[ Y = \alpha + \beta P + \gamma T + \delta PT + \varepsilon \quad (1) \]

where:

\( Y = \) contractual arrangement of each new hire, equals to 1, if open-ended, or equals to 0, if fixed-term;

\( P = \) Period, equals to 0 in 2014 or to 1 in 2015;

\( T = \) Treatment, equals to 1, if it is a new eligible hire, or equals to 0, if it is a new not-eligible hire;

\( \delta = \) ITT = Intention To Treat = incidence of new hire which would not have been registered among eligible if the two policies under evaluation were not implemented.
6. The preliminary Results

6.a Sample descriptive statistics

6.b Evaluation results
New hires with open-ended employment contract: not-eligible vs. eligible (15-34).

<table>
<thead>
<tr>
<th>Period/contract</th>
<th>not-eligible</th>
<th>eligible</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>fixed-term</td>
<td>open-ended</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>0.53</td>
<td>0.47</td>
<td>1</td>
</tr>
<tr>
<td>2014</td>
<td>0.53</td>
<td>0.47</td>
<td>1</td>
</tr>
<tr>
<td>2015</td>
<td>0.57</td>
<td>0.44</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Ministry of Labour (SISCO), data processed by Inapp
6.a Sample descriptive statistics

New hires with open-ended employment contract: 15-34 vs. over 35.

Source: Ministry of Labour (SISCO), data seasonally adjusted and processed by Inapp
6.a Sample descriptive statistics

New hires with open-ended contract: eligible vs. not-eligible (15-34).

Source: Ministry of Labour (SISCO), data seasonally adjusted and processed by Inapp
6.b Evaluation
preliminary results

Diff in Diffs results

<table>
<thead>
<tr>
<th>y, by T P</th>
<th>P</th>
<th>Diff (y, P)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>T 0</td>
<td>0</td>
<td>0,473588430</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>0,146922220</td>
</tr>
<tr>
<td>DiDs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

y = outcome 0, if fixed-term employment contract; outcome 1, if open-ended employment contract;
P = period 0, if 2014; period 1, if 2015;
T = treatment 0, if open-ended employment contract not-eligible; treatment 1, if open-ended employment contract eligible

Source: Ministry of Labour (SISCO), data processed by Inapp
6.b Evaluation preliminary results

CIE with *Diff in Diffs*

\[
\text{impact} = +14.21
\]
6.b Evaluation preliminary results

Since the «short» model has been defined as follows:

\[ Y = \alpha + \beta P + \gamma T + \delta PT + \varepsilon \]  \hspace{1cm} (1)

The results are:

\[ \delta = ITT = \text{Intention To Treat} = \text{incidence of new hiring which would not have been registered among eligible without the two policies under evaluation} = +14.21\% \]

Although, if the «long» model is defined to control the differences between the groups’ composition by introducing covariates:

\[ y = \alpha + \beta T + \gamma P + \delta TP + \lambda X + \xi T \bar{X} + \varphi P \bar{X} \]

The results are:

\[ \delta = ITT = 0.1516 \]
6.b Evaluation preliminary results

CIE with \textit{Diff in Diffs and covariates}

\begin{itemize}
  \item Impact = \(+15.16\) \%
\end{itemize}
6.b Evaluation preliminary results

Impact/effects of the policy on the outcome variables

Impact/effects = +15.16% is the increased incidence in hiring of young workers in open-ended jobs caused by both the social security costs rebates (law n. 190/2014, art. 1, c. 118) and the reduced firing cost of open-ended employees (D. lgs n. 23/2015).

An increased amount of 400,208 new open-ended hires of young people between 15 and 34 years old as effects of the policies over a global amount of 2,640,249 new open-ended hires were registered during the 2015.
6.b Evaluation preliminary results


The results have been checked also by comparing the two groups within the previous periods, 2013 - 2014, in order to control the assumption of Common trends.

The result is definitely consistent with the assumption made for the Diff. In Diff.s model used in this CIE exercise.

\[ \text{effect} = +16.61 \]
WORK IN PROGRESS...

The «long» model cross-sectional with covariates and 2 time-span periods:

$$y = \alpha + \beta T + \gamma_1 P_1 + \gamma_2 P_2 + \delta_1 TP_1 + \delta_2 TP_2 + \bar{\vartheta}X + \bar{\varphi}T \bar{X} + \bar{\lambda}P_1 \bar{X} + \bar{\xi}P_2 \bar{X}$$

$$ATT = \delta_2 - 2\delta_1$$
8. References


Centra M., Gualtieri V. (2018), Incentivi al lavoro a tempo indeterminato e contratto a tutele crescenti. Una stima dell’impatto sulle nuove assunzioni nel 2015 e nel 2016, SINAPPsi, VIII, n.2, pp.35-63
https://oa.INAPP.org/bitstream/handle/123456789/342/Gualtieri_Centra_SINAPPsi_2_2018.pdf?sequence=3


