

JOB INSTABILITY IN THE ITALIAN LABOUR MARKET: IS THERE AN ETHNIC BIAS?

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1. Preliminary remarks

The study of migratory flows is becoming increasingly central in political and economic analysis, not only for its direct connection with to the issues of social integration between migrants and natives, but also – and above all – for the great contribution that immigrant workers can give to the economy and welfare state.

Looking at Eurostat data the magnitude of net migration for Italy has changed significantly over the last years: the population share of migrants rose very rapidly, from 1.1 per cent in 1995 to 8.4 per cent in 2019 (about 5 million people); however, the number of immigrants participating as active population in the Italian labor market has risen appreciably over the past 10 years (Strozza and De Santis, 2017). Migrants tend to be concentrated among blue-collars (while Italians employed as blue-collars have decreased over time) and, at a sectoral level, in “Construction” and “Hotels and restaurants”; they are more willing to move within a territory, due to fewer family ties in the emigration country; in general, migrants tend to be younger, employed in low-wage sectors and in low-skilled professions (Cozzolino *et al.*, 2018).

Many studies have analyzed the dynamics of immigrants’ integration on the basis of data not always able to outline – in a longitudinal perspective – the career in the long run (Cebolla-Boado and Finotelli, 2015; Venturini and Villosio, 2008). The aim of this paper is to explore the existence, the level and nature of ethnic bias in the Italian labour market over the period 2004-2017.

More specifically, we look for the existence of significant differences between Italian and non-Italian workers in the type of labour contracts and in the level of job continuity among the two groups of workers. The empirical analysis is based on the AD-SILC database, a microdata panel containing INPS administrative data merged with very detailed data drawn from EU-SILC, the European survey on income and living conditions. The use of such rich dataset allows us to adopt a long run longitudinal perspective on the issue explored and overcome the limitations characterizing the majority of existing studies based on cross-sections short-term survey data.

2. Some introductory issues

A growing literature has put emphasis on investigating the role of ethnic bias in the inclusion and access of ethnic minorities in the labour market. Empirical research generally shows that migrants in general do not compete with natives in the labour market: foreign workers have more fragmented careers and less job stability compared to natives (more seasonal or short-term jobs; sometimes alternating between legal and illegal employment – Fullin, 2016; Dell’Aringa *et al.*, 2015).

Several studies show the existence of a gap between immigrant and native workers in terms of socio-economic status (Ballarino and Panichella, 2018; Ballarino and Panichella, 2015), consistency of employment with respect to qualification (Prokic-Breuer and McManus, 2016) and remuneration (Heath and Cheung, 2007). Part of these gaps depends on the “disadvantaged” composition of immigrant workers (educational qualifications, age, greater attitude for less skilled jobs). However almost all immigrant groups suffer a further disadvantage that is not dependent on individual characteristics: this residual disadvantage is called “ethnic penalty” (Heath and Cheung, 2007).

Immigrants are often less educated than the natives, especially if they come from less developed countries, and if they are highly educated, their qualifications are not easily recognized in many host countries. In addition, most immigrants have poor knowledge about the functioning of the labour market in the host country, so making difficult for them to find a job matching their skills and expectations (Kogan, 2007; Borjas, 1994).

The focus has mainly been on the analysis of the existing difference in earnings between stayers and immigrants, examining those factors that can contribute to the presence of significant ethnic penalties. As regards to the level of wages there is an “unadjusted” differential of about 30-40% between natives and immigrants (in favour of the former, of course); this is because immigrants tend to be younger, in low-wage sectors and less skilled professions; if you take into account socio economic characteristics (ie for the same sectors, professions, gender, age, contract, etc.) the differential is significantly lower (about 13% - Cozzolino *et al.*, 2018). Furthermore, the wage gap seems to be greater for graduates: in fact, while for natives the degree involves an increase in salary levels, this is not the case for immigrants (Tosi *et al.*, 2020)

A strand of literature (Dell’Aringa *et al.*, 2015 and Cappellari *et al.*, 2012) also explores the return of human capital (HC), considering factors such as education level and work experience, based on Chiswick’s assimilation theory (Chiswick, 1978). Evidence shows how education and labour market experience attained in a foreign country is often significantly less evaluated than human capital obtained in the domestic country, suggesting the existence of the so called “imperfect

transferability” of human capital. This imperfect transferability of human capital across countries has been modelled in several studies and findings suggest that it can contribute to explain immigrant-native wage gap (see, among others, Basilio *et al.*, 2017).

A line of research investigates the impact of country-specific labour demand on immigrants’ integration in the labour market (LM) (Fullin *et al.*, 2011). LM structural characteristics outline the pattern of immigrants’ participation; a higher level of segmentation clusters immigrants in jobs with less skill and lower opportunities for advancement or raises. Moreover, occupational segregation in low-skilled jobs is shown to be associated with wage penalties.

Both approaches HC and LM segmentation are useful in the analyses of ethnic penalties in labour force participation and wages, exploring the contribution of different components in driving the existing bias.

However, little attention has been paid to qualitative aspects of immigrant’s participation in the labour market in terms of fragmentation of career paths.

The aim of this paper is to contribute to the debate investigating the existence of an “ethnic bias” in the Italian labour market expanding the analysis to measure the level of fragmentation degree in career paths of immigrants focusing on critical dimensions such as (1) type of contract, (2) duration of employment, (3) time of stabilization and (4) contract transitions.

3. The empirical evidence

As anticipated in the introduction, the empirical analysis presented in this paper aims at exploring the existence of systematic differences in the way native and non-native workers participate in the labour market. The time span covered by our analysis is from 2004 to 2017, long enough to highlight trends and long-term changes in some structural features of working conditions and on the specific role played by citizenship. We are interested in verifying whether the working conditions and the careers differ in some key elements both in the short and in the long run. More specifically, our focus is on the contractual arrangements and the average duration of the contracts (in the short run, number of days in a year), the transition between different working status (looking at a 5-years horizon) and the overall stability of careers measured by the length of standard contracts over the period 2004-2017.

The analysis is based on an innovative database named AD-SILC. This is built by merging data from the Italian version of the EU-SILC survey with longitudinal information provided by administrative archives managed by the National Institute of Social Security (henceforth, INPS). From INPS administrative archives it is possible to obtain information on the working history of individuals. From IT-SILC

survey, the Italian database of the European union survey on income and living conditions (EU-SILC), collected by Istat, are collected information on the socio-demographic and economic status of interviewed individuals. This allows to reconstruct individuals' work and life patterns by controlling for a much higher number of variables than those included in both the original INPS and SILC datasets (for a detailed information on AD-SILC data see INAPP, 2020¹).

The first and very basic qualitative dimension we take into account to assess the level of instability of work history patterns is the type of contract. Figures 1 and 2 show the relevance of different types of contractual arrangements among respectively immigrant and native workers aged 25-64. The AD-SILC database allows us to distinguish between the following labour contracts and professional categories: open-ended contracts, fixed-term contracts, professionals, self-employed work, atypical worker. Non-standard contractual arrangements such as casual workers, voucher-based workers are not covered by AD-SILC and are not included in our analysis.

For both native and non-native groups of workers the most widespread types of working arrangements are those taking either the "permanent" or "fixed term" contractual form. The most relevant difference between the two groups of workers has to do with the relative weight assumed by these two contractual arrangements. Permanent jobs are much more diffused among native workers than among immigrants. For workers with an Italian citizenship permanent contracts account for around 60% of total jobs, whereas among the immigrant component of the labour force this type of contractual arrangement accounts only for around 50% of total jobs. In the case of the immigrant component of the labour force it is also worth noticing the significant increase over time of the share of fixed term contracts which at the end of the period account for more than 40% of total jobs. All in all, Figures 1 and 2, provide a first, although rather clear-cut, indication of the existence of higher level of instability of the working status and conditions of immigrants in comparison to what is found in the case of an Italian citizens.

¹https://inapp.org/sites/default/files/progettocompetitivi/mospi/documenti/T_Dymm%203.0%20Forecast%20model%20report.pdf

Figure 1 – Distribution by employment status of the workforce. Non-native workers.

Source: Our elaboration on AD-SILC data.

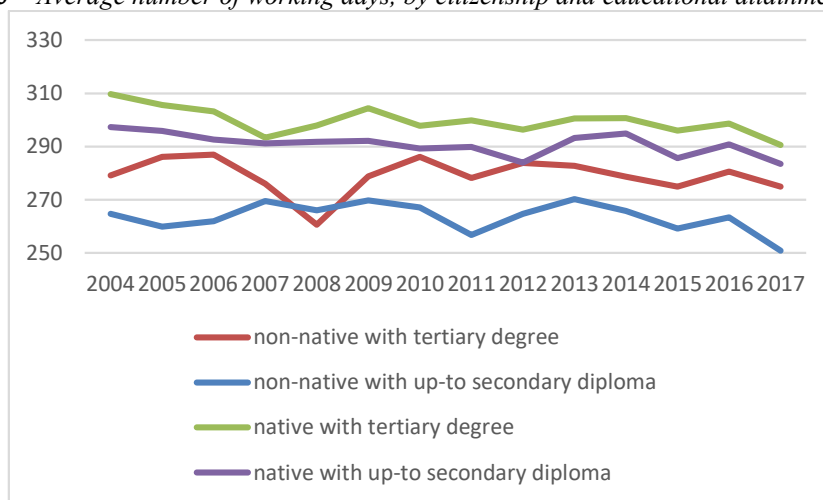
Figure 2 – Distribution by employment status of the workforce. Native workers.

Source: Our elaboration on AD-SILC data.

The second dimension used to measure the instability of work history patterns is the length of the contracts. Figure 3 shows the average number of working days – computed on a yearly basis – over the period 2004-2017, respectively for immigrants and native workers. The role played by the educational level is also introduced to include the distinction between graduate workers from those who only have an up-to-secondary diploma. The figure clearly shows that the average length of the

contracts is strictly correlated both to the level of education and the citizenship of the workers. The longest contracts are appanage of Italian workers having a tertiary degree. For this group of workers, on average, the contract duration is around 300 days per year although the time length of the contracts has considerably shrunk over the 2004-17 period. Immigrant workers having only a secondary diploma show, on the contrary, the shortest contracts. Also, for this latter group of workers the duration has progressively declined reaching, at the end of the period, on average, the level of 250 days per year. In summary, for both natives and immigrant workers, the educational level affects the duration of the contracts although, in the case of immigrant workers, the tertiary degree is not a guarantee of long-lasting jobs. In fact, immigrants holding a tertiary education work on average a higher number of days than less educated non-native workers but the length of their contract still remains below the average length of native workers with a secondary diploma. Summing up, the rather limited number of days worked during the year by immigrant workers provides further evidence on the existence of a high level of precariousness and fragility of the working status of this component of the Italian labour force.

Figure 3 – Average number of working days, by citizenship and educational attainment.



Source: Our elaboration on AD-SILC data.

The analysis of the job transitions covers a 5-year period and allows us to provide a more in depth and dynamic picture of the level of instability of the work histories of the two groups of workers considered in this study (non-native and native workers). Through the transition matrix it is possible to describe the probability of a change from one working status to another one (net to job-to-job transitions). In

order to compare the dynamic picture of the careers of native and non-native workers, the initial period (t_0) has been associated with the state observed after five years (t_5). Each value in the transition matrix should be read as the (average) probability of changing the status over the period 2004-2013.

Table 1 – *Work-status transition matrix from time (t_0) to (t_5). Immigrant and Native workforce.*

		<i>Immigrant</i>					
		<i>(t_5) time</i>					
		Permanent	Fixed	Professional	Self-employed	Atypical	Out of work
<i>(t_0) time</i>	Permanent	58,2	11,2	0,4	4,5	0,8	24,9
	Fixed	27,1	32,4	0,2	1,3	1,0	38,1
	Professional	7,4	2,0	77,7	2,7	4,1	6,1
	Self-empl.	7,2	3,9	0,0	71,7	2,5	14,7
	Atypical	35,4	15,1	3,6	5,6	17,4	23,0
		<i>Native</i>					
		<i>(t_5) time</i>					
		Permanent	Fixed	Professional	Self-employed	Atypical	Out of work
<i>(t_0) time</i>	Permanent	74,4	6,7	0,7	2,6	1,3	14,2
	Fixed	34,4	18,3	1,0	2,2	1,7	42,5
	Professional	8,5	2,0	82,9	1,6	1,4	3,6
	Self-empl.	5,5	3,1	0,3	81,2	1,8	8,0
	Atypical	30,0	11,6	6,3	5,1	29,7	17,2

Source: Our elaboration on AD-SILC data.

Table 1 and 2 show the transitions respectively for all native and non-native workers and by level of educational attainment. The main results emerging from this comparison are the following: when compared to immigrants, native workers have a higher probability to maintain over time a permanent working status. Almost three out of four native workers with a permanent contract at time t_0 are found having the same contractual arrangement after five years. In the case of non-native such percentage value drops to less than 60%. Furthermore, the probability of moving from a fixed-term contract to a permanent position is low for non-native (vis-à-vis native workers) indicating a greater difficulty for those workers to reduce the instability over their careers. The high level of instability of the work history patterns of migrant workers is also confirmed by the rather high percentage of them working at time t_0 but being “out of work” at the end of the 5-years period and this is hold

true irrespective of the working status observed at time t_0 . The same type of ethnic gaps in the work histories emerge looking at graduated workers. Table 2, replicating the transition matrixes for the more educated components of the labour force, shows, for native workers, a higher probability of maintaining a permanent job, a greater possibility of moving towards more stable jobs, and the lower risk of becoming unemployed.

As shown in the transition matrix, having a permanent contract does not guaranty a real stability over the career in the long run, given the possibility, especially in the case of small firms, in particular sectors and after the recent reform (i.e., Jobs Act, Legislative Decree 81/2015) to be laid off and a “forced end” of these types of contracts. The real level stability (instability) of work history patterns can be assessed taking into account the individual work histories in a sufficiently long period and measuring (ex-post) the actual duration of stable contracts.

Table 2 – *Work-status transition matrix from time (t_0) to (t_5). Immigrant and Native workforce with tertiary degree.*

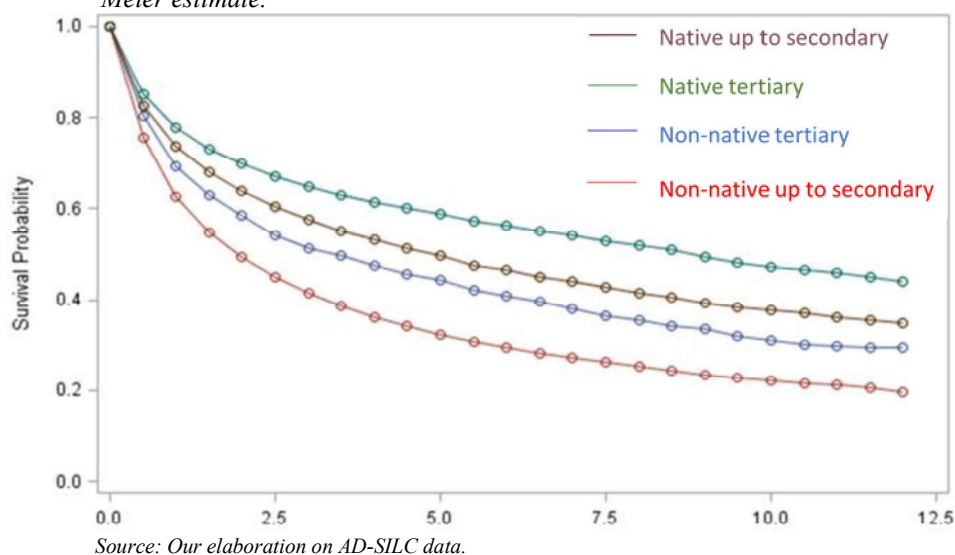
		<i>Immigrant</i>					
		<i>(t_5) time</i>					
		Permanent	Fixed	Professional	Self-employed	Atypical	Out of work
<i>(t_0) time</i>	Permanent	63,7	10,9	2,1	2,5	1,2	19,7
	Fixed	29,7	28,1	0,7	1,7	2,8	37,1
	Professional	6,3	1,0	85,4	2,1	2,1	3,1
	Self-empl.	7,0	3,5	0,0	70,2	3,5	15,8
	Atypical	35,1	13,4	7,2	1,0	22,7	20,6
		<i>Native</i>					
		<i>(t_5) time</i>					
		Permanent	Fixed	Professional	Self-employed	Atypical	Out of work
<i>(t_0) time</i>	Permanent	79,4	4,8	2,8	1,2	2,1	9,7
	Fixed	39,6	13,7	3,6	1,4	3,2	38,5
	Professional	8,2	2,3	85,1	0,9	1,1	2,5
	Self-empl.	9,6	5,6	2,4	69,4	3,2	9,9
	Atypical	32,0	12,9	10,7	2,6	25,8	16,0

Source: Our elaboration on AD-SILC data.

The Kaplan-Meier reported in Figure 4 provides an estimate of the duration of stable contracts. The event estimated is observed whereas a stable contract is interrupted (therefore net to job-to-job transition among stable jobs) and a transition

toward a fixed term contract, or an atypical contract, or a job interruption is observed. Steep and low curve in the Figure 4 represent the worst-case scenario: for every year in the x axis, each point of the curve represents the number of workers, conditional on keeping the stable contract until that moment. In Figure 4 the median duration of stable contracts is shown respectively for Italian and migrant workers, according to their educational attainment. The median duration of stable contracts is 9 years for graduated natives, 5 years for natives with an up to secondary diploma, 3.5 years for non-natives with a tertiary degree and 2 years for non-natives with an up to secondary diploma.

Figure 4 – Duration in years of stable contracts for native and non-native workers: Kaplan-Meier estimate.



4. Some concluding remarks

The existence and relevance of an ethnic bias in the labour market of advanced economies is a theme of policy and social concern and one attracting an increasing amount of empirical research. So far, the bulk of the literature on this topic, including the one looking at the Italian case, has been largely focussed at assessing and quantifying such a bias looking at wages and at exploring the possible determinants of a wage gap between native and immigrant workers. Other more qualitative aspects differentiating the modalities through which immigrant and native workers participate to the labour market have remained under investigated. With this

contribution we have provided fresh descriptive evidence on some of these qualitative aspects and in particular on those able to quantify and qualify the level of stability (instability) of jobs and the work histories of immigrant and native workers. We have focussed our empirical analysis on the contractual forms under which work activities take place and the duration of such contracts, analysing these two fundamental aspects in a dynamic longitudinal perspective and taking into account a rather long-time span (2004-2017). This has been possible thanks to the matching of the longitudinal microlevel data from the National Institute of Social Security (INPS) with data collected by the EU harmonised survey on “Income and Living Conditions (SILC)” carried out by the Italian Institute of Statistics (Istat). Despite the evidence presented in this contribution is purely descriptive it has provided relevant insights confirming the presence of strong and persistent differences between immigrant and native workers in the ways in which these two groups of workers take part in the Italian labour market. The paper has shown that the work histories of immigrants when compared to native ones, are characterized by a higher level of precariousness and fragility and in particular by a higher relevance of short-term contracts, a shorter average job duration, a higher difficulty of moving towards permanent and long-lasting contracts. Two main conceptual and methodological implications can be drawn from the evidence presented: a) the very high level of fragmentation of the working conditions of immigrants is likely to be a very important factor behind the wage gap between native and non-native workers found by existing empirical studies. This implies that any empirical exercise aiming at assessing such a gap should take this into account; b) the variables and dimensions taken into account in this study (i.e. the type and duration of contracts, the level of saturation of the potential working time, the specific characteristics of the individual work histories) are even more crucial when we conceptualize and measure the wage gap issue (as should be done) in a more dynamic and long term perspective, that is taking into account differences in the cumulative capacity to generate incomes.

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SUMMARY

Job instability in the Italian labour market: is there an ethnic bias?

By using a unique dataset (AD-SILC) merging the longitudinal microlevel data from the National Institute of Social Security (INPS) with data collected by the EU harmonised survey on “Income and Living Conditions (SILC)” carried out by the Italian Institute of Statistics (Istat), this contribution aims at investigating the existence of an “ethnic bias” in the Italian labour market. More specifically, the paper explores the existence of structural differences in the way immigrant and native workers participate in the labour market taking into account: a) the type of contract (permanent versus fixed term); b) the duration of the contracts; c) the patterns of transition among different contractual arrangements; the overall long term level of stability of the work history trajectories. The evidence presented shows that the work histories of immigrants when compared to natives’ ones, are characterized by a higher level of precariousness and fragility and in particular by a higher relevance of short-term contracts, a shorter average job duration, a higher difficulty of moving towards permanent and long-lasting contracts.

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