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in Italy and the role of the family of origin

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CHANGING LABOUR MARKET OPPORTUNITIES FOR YOUNG PEOPLE IN ITALY AND THE ROLE OF THE FAMILY OF ORIGIN

by Gabriella Berloffa[*], Francesca Modena[**] and Paola Villa[°]

Abstract

This paper considers the increased incidence of insecure job conditions for young individuals entering the Italian labour market and their chances of moving to a more secure job after a reasonable period of time. In particular, we investigate empirically whether and how long-term changes in labour market institutions and conditions have altered the role of the family of origin in both labour market entry and subsequent transitions. We use the Italian Households Longitudinal Study (Ilfi) and show that employment opportunities have changed significantly in Italy over the past three decades (from the late 1970s to the early 2000s). For an increasing share of young adults precariousness extends over a fairly long period of their working life. The family of origin reduced the probability of insecurity both in the early 1980s and during the 1990s, but in a different way: in the early 1980s, it had an effect in the entry year, but not subsequently; after the implementation of the Treu reform, its effect appeared only in the years following that of entry. Our overall results suggest that the rapid expansion of insecure contractual arrangements in the 1990s-early 2000s has increased the difficulty of transitioning to a "better" job condition (i.e. secure employment). This has enhanced the role of the family of origin in overcoming the difficulty and generated new inequalities among young Italians.

Contents

[*] Department of Economics and Management, University of Trento.
[**] Bank of Italy, Economic Research Unit, Trento Branch.
[°] Department of Economics and Management, University of Trento.

1. Introduction[1]

Labour market opportunities and economic conditions for young people in Italy worsened considerably during the 1990s, owing to various reforms of the labour market and the pension system, a sharp increase in house prices and rents, and sluggish growth. As regards the first factor, several reforms enacted since the mid-1980s have progressively increased so-called "flexibility at the margin". Italy is today a country in which a large number of atypical contractual arrangements (including apprenticeships, fixed-term contracts, collaborators, agency work, and project work) coexist with standard employment contracts characterized by high social security protection. Young people are over-represented among atypical workers (Villa, 2011), and an increasing proportion of them face discontinuous careers, low income levels, inadequate social protection, and low future pension benefits (Brandolini et at., 2007; Rosolia and Torrini, 2007; Berloffa and Villa, 2010).

This situation has reinforced the strong interdependence of parents and children: parents' economic and social resources matter in determining offspring outcomes. Indeed, Italian society is characterized by a low level of intergenerational mobility (Checchi et al., 1999; Schizzerotto and Marzadro, 2008), and young people leave home much later than in other countries (Becker et al., 2010). Moreover, since the mid-1980s, co-residence rates of young people with their parents have shown a marked upward trend in Italy: around 55% of individuals aged 20-30 lived in the parental home in the late 1970s, but around 65% did so in the late 1980s and almost 75% in the 2000s (Banca d'Italia, 2008). Cultural aspects, unfavourable economic conditions (high youth unemployment, high job instability, high housing costs), and institutional factors (no income support for first job seekers, lack of efficient public employment services) give rise to a familistic welfare regime where the family of origin has to support young people in their emancipation (Modena and Rondinelli, 2011; Simonazzi and Villa, 2010).

In this paper we focus on the increased incidence of insecure job conditions (fixed-term or other types of "insecure" contracts) for young individuals entering the labour market, and on their chances of moving to a more secure job-condition after a reasonable period of time. In particular, we examine whether the early occupational outcome and, more importantly, the transition to a "better" job condition are affected by the family background, and whether this effect has changed over time. More precisely, the research aim of this paper can be summarized in the following questions: how did labour market entrance conditions and transition patterns change between the late 1970s-early 1980s and the late 1990s/early 2000s? Are initial occupational outcomes and transitions significantly affected by the family background? Did this effect change in the two sub-periods considered?

The answers to these questions are organized as follows. The association between labour market deregulation and job instability, on the one hand, and labour market outcomes and family background on the other, are reviewed in Section 2. Section 3 describes our data and methodology. In Sections 4 and 5 we discuss the descriptive and econometric results, and in section 6 we summarize the main findings and conclude.

2. Review of the literature

A considerable number of European countries started deregulating their labour markets in the 1990s in order to enhance the flexibility of their labour markets. External flexibility was increased chiefly by attenuating employment protection legislation (EPL) for temporary contracts (fixed-term and temporary agency work) and other non-standard forms of employment (part-time, quasi-self-employment), while maintaining stringent rules for standard employment contracts (employees on open-ended contracts) largely intact[2]. In Italy, the partial liberalization of atypical contracts started in the mid-1980s with Law 863/1984, which introduced new policy tools, including work-and-training contracts (*contratto di formazione e lavoro*) and part-time contracts. Wage moderation and flexibility were further enhanced in the early 1990s, also through changes introduced in national collective agreements.

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[2] This process has been referred to as 'partial and targeted deregulation' (Esping-Andersen and Regini, 2000), 'two-tier reforms' (Boeri and Garibaldi, 2007) and reforms 'at the margin' (EC, 2010).

Two major reforms further increased the use of atypical contractual arrangements: the Treu law in 1997 (Law 196/1997) legalized and regulated the supply of temporary workers by authorized agencies (Ichino et al., 2008) and provided incentives for part-time work, the Biagi Law in 2003 (Law 30/2003) introduced new forms of atypical contracts such as staff leasing, job on call, job sharing and occasional work (*lavoro a progetto*). As a result, segmentation in the labour market deepened, with the burden of flexibility falling on workers on atypical contracts. Non-standard employment grew substantially, with a strong concentration in the younger cohorts[3]. Indeed, several scholars argue that there has been a steady increase in the precariousness of youth jobs (Scarpetta et al., 2010; Standing, 2011; Chung et al., 2012). Thus, where flexibility has been increased, it has been at the cost of security for particular groups at a disadvantage within the labour market, basically new entrants (Heyes, 2011; Standing, 2011; Berton et al., 2012).

However, proper analysis of the role of atypical contractual arrangements (i.e. stepping stones or dead ends) requires consideration of transition patterns[4]. Transition patterns vary significantly across both individuals and countries: there are marked differences in both the speed of labour market entry and individual trajectories (Scherer, 2005; Brzinsky-Fay, 2007; Quintini and Manfredi, 2009; de Graaf-Zijl et al., 2011). Given the lack of appropriate data, there are only few analyses in the case of Italy (Gagliarducci, 2005; Picchio, 2008; Ichino et al., 2008; Barbieri and Scherer, 2009; Berton et al., 2011). Barbieri and Scherer (2009) show that the more recent labour market entry cohorts face an increasing probability of being trapped in precariousness at later stages. On the other hand, Berton et al. (2011) show that the transition to permanent employment is more likely from temporary contracts than from unemployment, but the time needed for the transformation appears rather long, suggesting that individuals should be tracked for a significant number of years after they have entered the labour market.

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[3] In Italy, the share of fixed-term contracts (among total employees) increased for people aged 15-24 from around 10% in the mid-1980s to 18.7% in 1996 and climbed to 37% in 2005 (the last year considered in our analysis), but only from 4% (mid-1980s) to 6% (in 1996) and then to10.4% (in 2005) for people aged 25-54 (http://stats.oecd.org/Index.aspx).

[4] Analysing transitions, instead of using standard labour market performance indicators (employment and unemployment rates, NEET rates, months needed to enter the first job), makes it possible to avoid the over-simplification of the complex transition process associated with the static picture provided by the analysis of a single status.

Transitions depend on both individual characteristics (including educational choices, gender, work experiences during schooling, family background, etc.) and the socio-economic environment (institutional set-up, as well as local labour market conditions). Given the role played in Italy by the family of origin in the economic support of even adult children, this paper focuses on the effect of the family background on transitions.

Some papers have recently emphasized the direct impact of the family of origin on offspring labour market outcomes (employment and earnings), controlling for education (Franzini et al., 2013; Mocetti, 2007; Raitano, 2011)[5]. The literature has identified three main channels of influence, which interact with each other: i) economic (household income and wealth), ii) cultural (the role of parents in shaping the choices and preferences of children), and iii) social (i.e. social network)[6]. Although the economic channel is more important for educational choices, it also affects occupational status and the job-search process by leading to different option values (for example, the possibility to reject a job offer may be very different for individuals from low- or high-income families), or by making it easier to start an independent economic activity. The cultural channel works through the values attached to the different alternatives (e.g. the intrinsic value of "secure" labour contracts)[7] or through better knowledge of important information (e.g. how to write a CV, how to behave during a job interview), or through the stimulus of non-cognitive/soft skills that obtain a premium in the labour market. Finally, the social channel (i.e. the network effect) influences opportunities and choices through peer effects, network-related advantages such as informal contacts in job-search, etc.

The relationship between social networks and labour market outcomes has been explored by many papers[8]. Theoretically, social networks act as screening and search

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[5] Several studies have documented the indirect effect via education of parents' economic and social resources in determining offspring labour market outcomes (Becker and Tomes, 1986. See Corak, 2006 for a survey; for Europe and Italy see Brunetti and Fiaschi, 2010; Comi, 2010; Franzini and Raitano, 2010; Giuliano, 2008; Schizzerotto and Marzadro, 2008).

[6] There may be also a genetic channel (i.e. transmission of cognitive abilities).

[7] Living with parents may strengthen this effect, as "individuals may feel forced, or may prefer, to choose occupations similar to those of their relatives in order to comply with social conventions, or family tradition" (Mocetti, 2007, p. 16).

[8] Indeed, even in modern economies a high percentage of workers find their jobs through friends, relatives, and other social contacts (Granovetter, 1974; Sylos Labini, 2004; Calvó-Armengol, 2006), with

devices to overcome asymmetric information and high search costs, reducing unemployment duration and increasing wages (Calvó-Armengol and Jackson, 2004; Bramoullé and Saint-Paul, 2010; Montgomery, 1991). However, the effectiveness of networks depends on the characteristics of the job seeker, his/her social ties, and the labour market institutions (see Ioannides and Datchet Loury, 2004, for a review). The empirical evidence is mixed. The effect on wage premiums is controversial: some papers find a positive premium for the US (Kugler, 2003; Marmaros and Sacerdote, 2002), while others find a negative premium in Europe (Pistaferri, 1999; Addison and Portugal, 2002; Antoninis, 2006; Pellizzari, 2010)[9]. But scholars agree that informal search methods increase the probability of finding a job (Cappellari and Tatsiramos, 2010; Pistaferri, 1999; Cingano and Rosolia, 2012; Meliciani and Radicchia, 2011).

To the best of our knowledge, few papers have investigated whether parents and social networks matter in affecting other dimensions of job quality, such as contract types (fixed-term or open-ended). This paper seeks to fill the gap. The widespread use of temporary contracts to hire young people makes the role of the family of origin *a priori* more ambiguous: on the one hand, since firms can use more flexible contracts, it should be easier for individuals to find a job without the family's support; on the other hand, the family may act in order to ensure a 'better' job for the children (generally a more secure one) or allow them to undertake a longer 'on-the-job training period' with a sequence of insecure, low paid jobs. Therefore, in this paper we intend to investigate empirically whether and how long-term changes in labour market institutions and conditions have modified the role of the family of origin for both labour market entry and subsequent transitions.

3. Data and methodology

In order to answer our research questions we needed longitudinal data on individual job histories with information about the family of origin. To our knowledge, the only dataset that provides this information for Italy before 2005 is the Italian Households Longitudinal Study (Ilfi), a panel survey begun in 1997 and carried out for five biennial

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the potential creation of a self-perpetuating poverty trap (Durlauf, 2006); this is particularly true for Italy (Mocetti, 2007; Ballarino and Bratti, 2010).

[9] This effect depends on the nature of ties. For example, in Italy professional networks are associated with a wage premium, while the reverse occurs for family networks (Meliciani and Radicchia, 2011; Sylos Labini, 2004).

waves (up to 2005) on a national representative sample of about 11.000 adults[10]. The first wave gathered retrospective information[11] on all significant events occurring to the members of the sample in the period between their births and the date of the interview. The four subsequent surveys updated this information.

Beside covering the time period of interest, namely the years before and after the institutional changes that occurred in the Italian labour market, this dataset provides information on work and educational histories. We were thus able to follow the occupational status of each individual at different points in time, and also the family of origin (household composition and house tenure at birth and at 14 years of age, education and occupational status of the parents and of the person who was head of household if he/she was different from parents).

We conducted the analysis by education cohort, i.e. by the year in which individuals finished their educational careers. This would enable us to compare individuals at similar "labour-market cycle" stages thus improving our analysis of labour market opportunities[12].

Another methodological issue concerned the type of analysis to be carried out in order to examine the family effect on transitions. While the family effect on occupational outcomes at a given year of observation is conceptually quite simple and can be grasped by estimating a multinomial logit (as we did), the problem of transition is more complex. In particular, there are different aspects that may be considered: for example, the family effect on the conditional or unconditional probability of leaving an insecure spell, or on the probability of leaving an insecure spell for a sufficiently long period of time, or on the total length of insecure spells. We decided to look at the family effect on transition probabilities in two different ways.

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[10] The survey description and other relevant information are available at www.soc.unitn.it/ilfi/eng/index.html. From 2005, a new national survey has been implemented, ISFOL PLUS, gathering longitudinal information on labor supply.

[11] There may be distortions due to memory errors. The likelihood of giving a wrong date (the "telescoping effect") or of forgetting an event ("recall decay effect") is greater the longer the time that has elapsed since that event, the less important the event for the respondent, and the shorter its duration. Even if there is no straightforward way of preventing this problems, the literature suggests that recall bias is not a relevant problem in the ILFI dataset (Gagliarducci, 2005).

[12] We focus on the occupational status three years after the end of education since in our data the average search time is just over two years (see the descriptive statistics in the following section). We performed some robustness checks by considering one year after the end of studies.

First, we considered the transition between the occupational status three and six years after the end of education (either university or high school for those individuals who did not continue to university)[13]. We aggregated the different occupational categories into three main groups: secure[14] employment (which included employees on open-ended contracts and self-employed persons who worked continuously[15]), insecure employment (which included fixed-term contracts, individuals working without a contract or in occasional employment), and unemployment. We defined the transition from insecure to secure employment and from unemployment to either a secure or an insecure job as an improvement in working condition, and we modelled the probability of experiencing this transition. Since we did not observe the transition for those who were "initially" in stable employment, we used a probit model with sample selection to control for the probability of being unemployed or insecure in the initial state (Van de Ven and Van Praag, 1981).

Secondly, we estimated the family effect on the probability of being insecure *conditional* on the previous period status through a dynamic correlated random effects model. This would tell us whether, once individuals with different family backgrounds have entered into a particular occupational status, they have the same chances of remaining in that status or not.

The third important methodological issue concerned the choice of variables to capture the family background. Clearly, this choice had to take into account the different channels of influence described in the previous section. As underlined by Raitano (2011), a good proxy for all the channels is represented by the parents' occupation, in particular that of the father (which in our data was measured when the individual was fourteen). Hence this was also our main variable of interest[16]. In order to identify the occupational groups that may be relevant for analysis, it was important to

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[13] The choice of three years after the end of studies as the "initial" period will be explained in the following section.

[14] In this paper we use the words "stable" and "secure" interchangeably.

[15] We could exploit a specific question present in the survey for this.

[16] We also carried out some robustness checks by using different proxies (the father's education, and the highest educational level between the father and mother). When considering the economic channel, some authors have underlined the decisiveness of the timing of poverty: economic difficulties in the initial years (0-5) have particularly negative effects on future outcomes (because of their impact on cognitive development). In our dataset the only variable that related to the economic situation of the household in the initial years was house tenure (i.e. whether the house was rented or owned by the individual's parents). This is a too weak a proxy for the economic condition, so we did not include it in our analysis.

bear in mind that the types of fathers' occupations that provide "favourable" networks may differ substantially between the labour markets for high-school diploma-holders and university graduates. While for the latter the relevant occupations may be managers and professionals, for the former one should also consider qualified occupations in services and commercial activities. Since we could not distinguish the two markets, we constructed a dummy variable capturing these three types of occupations[17]. We also included mother's education in order to check whether it plays an independent role, because it has been shown to have stronger effects on children's cognitive and non-cognitive skills[18].

A few more technical details are worth mentioning before turning to the analysis. First, given that our dataset reported all educational and job episodes for each individual, we had both individuals who had started to work while in education and individuals who had interrupted their educational careers for a certain period of time. For these individuals, the definition of the "end" of the educational career is somewhat arbitrary. We considered an educational career as "not ended" when the interval between the end of a cycle (educational level) and the start of a new one was less than eight years[19]. Furthermore, we dropped those individuals who had finished education "too late", i.e. after age 25 for high school, 35 for university, and 40 for masters and PhDs.

Second, for our empirical analysis we divided observations into two periods: those individuals who had finished education between 1971 and 1985, and those who had finished after 1992 (and before 2005 given that this was the last year of the survey). In this way we avoided possible confounding effects for those individuals who had been hit by the recession of the early 1990s in their sixth year after the end of education, and for those who had started their job search during the same recession. In order to allow for a different role of the family according to the macro circumstances, we allowed the

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[17] These correspond to the first, second and fifth group in the Isco-Istat classification.
[18] In particular, we identified those individuals whose mothers had a secondary or tertiary level of education. We also included secondary education because in the 1970s-early 1980s there were too few cases with a highly educated mother.
[19] The percentage of these cases was very low (see table 1).

effect of father's occupation to be different within each period (before and after 1979 in the first period, and before and after 1997 in the second one)[20].

4. Descriptive analysis

The sample in our dataset consists of about 12,000 individuals. Of those born after 1940, 7,280 individuals reported all the information necessary to construct their final year of education. We have 2,646 individuals who had finished their educational careers between 1971 and 1985, and 1,421 who had finished after 1992. Table 1 presents some characteristics of the two groups.

The composition by educational level (of both the individuals and their parents[21]) reflects the general increase in education. The percentage of individuals who interrupted their educational career for more than one year between one educational level and the next one is below 5%, and it reduces to less than 1-2% when we consider interruption periods of more than seven years. The incidence of working while studying diminishes over time, while the average length of time between graduation and the beginning of the first job increases for both high-school diploma holders and university graduates. Since the average search time is just over two years, we focus on the occupational status three years after the end of education, when, on average, individuals should have started to work.

In order to grasp the changes in employment opportunities that have occurred in the past three decades, we compare the occupational statuses three years after the end of education in the two periods (table 2)[22]. The reduction in the incidence of employees with open-ended contracts is quite impressive for both educational levels, and somewhat higher for university graduates: from 52% to 28% for high-school diploma holders and from 58% to 27% for individuals with higher educations[23]. This huge

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[20] 1979 was chosen to mark the years of high and increasing youth unemployment, following the oil shocks of the 1970s; 1997 was chosen to mark the years of high and increasing flexibility at the margin (i.e. after approval of Treu Package).

[21] We define parents' education as the highest educational level between the mother and father.

[22] We defined the occupational status three or six years after the end of studies by observing the job or unemployment episodes that started or were on-going in that year. We included in the unemployed category also those individuals who did not report any unemployment or inactivity episodes but declared that they were looking for a job at the time of the interview, when the latter was subsequent to the end of the educational career.

[23] The percentages for the second period are quite similar to those emerging from two much larger cross-sectional surveys carried out by Istat on high-school diploma holders and university graduates (precisely

reduction gives rise to a remarkable increase in the share of precarious workers (17 and 13 percentage points for high-school diploma holders and university graduates respectively), and in unemployment (around 10 percentage points for both categories), and in a more moderate increase in self-employment (3 and 7 percentage points respectively). Changes in inactivity go in the opposite direction for high-school diploma holders and university graduates.

In short, employment opportunities have changed quite significantly in Italy over the past three decades. While in the 1970s and early 1980s more than 2 out of 3 high-school diploma holders or university graduates who decided to participate in the labour market (i.e. excluding inactive individuals) were in a stable employment condition three years after the end of their education (employees on open-ended contracts and self-employed persons working continuously), in the 1990s and early years of the new century this proportion decreased to less than 1 out of 2.

In order to check whether these changes in employment opportunities are simply a transitory phenomenon (i.e. whether the changes that occurred during the 1990s have modified only the mode of labour market entry) or whether they have caused a deeper structural change of employment opportunities, we exploited the longitudinal feature of our dataset and considered the transition matrices. Given the small number of observations on which we could rely (1,226 in the first period but only 478 in the second one)[24], we aggregated these different occupational categories into four main groups: secure employment (which included employees on open-ended contracts and self-employed persons who worked continuously), insecure employment (which included employees on fixed-term contracts, individuals working without a contract or in occasional jobs), unemployment, and inactivity. The two transition matrices (one for each period) for these categories are presented in table 3 (cells report the row

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three years after they obtained their qualifications). These surveys (*Indagine sull'inserimento professionale dei laureati* and *Indagine sui percorsi di studio e di lavoro dei diplomati*) were conducted every three years from 1989 to 2007 for university graduates, and from 1998 to 2007 for high-school diploma holders. They also collected information about job and other conditions three years after the end of school (i.e. for 1998 we have information about those who finished in 1995, etc). The percentage of employees on open-ended contracts in the 1998 Istat survey on high-school diploma holders is 25%, whereas the same percentage in the surveys on university graduates carried out from 1992 to 2004 is 31% on average.

[24] Since the latest year in our dataset is 2005, when we consider six years after the end of education we loose all those individuals who finished their studies after 1999.

percentage, i.e. the proportion of individuals who were in a given category three years after the end of education and ended up in the different categories three years later).

The results are consistent with the description of the Italian labour market as deeply segmented, and they highlight the increase in this segmentation over time. Persistence in secure employment is very high, although it slightly diminishes in the second period. There is a significant increase in the persistence in insecurity between the first and the second period (from 68% to 80%). This means that, consistently with previous findings described in Section 2, for an increasing share of young workers the condition of being precarious does not characterize only the beginning of the career but extends for a quite long period of the working life. Also the persistence in unemployment slightly increases (from 44% to 47%), and in the second sub-period exit from it is much more towards insecure employment (29% vs. 13%) than to a secure job (24% vs. 41%). Persistence in inactivity increased, signalling that it may include a higher share of "discouraged workers".

5. Empirical results

In our econometric analysis we restrict our attention only to high-school diploma holders and university graduates, because the labour market segment that they can access is quite different from the one for individuals with only compulsory schooling, and also because there are very few of the latter in the second period. We proceed in two steps: first, we assess the role of the family of origin on the probability of being insecure, after the average search time has passed; then we estimate the effect of the family background on transitions.

Our first step is to determine the effect of the family background on the probability of being either unemployed or in insecure employment. We run two multinomial logit models for three categories (secure, insecure and unemployment, where the secure category is the baseline[25]) including variables that refer to individual and family characteristics. Among the former we include gender, educational level, regional and time dummies, a dummy variable capturing whether individuals finished education late (after 30 years of age for university and after 22 for high-school), and

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[25] We performed two generalized Hausman tests to check the independence of the "inactivity" category and we could reject the hypothesis of non-independence at 19% and 79% of significance level in the two periods respectively.

another one capturing whether they started to work before the end of education. As described in section 3, for the family background we included a dummy for the father's occupation, and one for the mother's education. We also interacted the former with two time dummies in order to allow the effect of father's occupation to be different within each period (before and after 1979 in the first period, and before and after 1997 in the second one). Table 4 presents the estimated marginal effects of the two multinomial logits for the two periods[26], where the base outcome is secure employment. As regards the family effects on the probability of being insecure, neither the father's occupation nor the mother's education are significant in either period, even though the former appears to gain importance in the early 1980s, and during the second period (estimated marginal effects are larger and the probability of a non-zero effect increases)[27].

As regards the other variables, the results are in line with what one would expect. While being female and having a university degree increase the probability of being insecure in the first period, these effects disappear in the second period. Similarly, finishing education very late and living in the Centre of Italy decrease the probability of being insecure in the first period, whereas they have no effect in the second period. What appears to increase the probability of being insecure is time and residence in the North.

Our next step is to estimate the effect of the family background on transitions. We do this in two different ways. First we model the transition to a "better" employment situation (i.e. from either an insecure job to a secure one, or from unemployment to any form of employment) between the third and the sixth year after graduation, by means of a probit model with sample selection. Second, we estimate two

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[26] In the second period, we restrict our attention to those individuals for whom we can observe the occupational status both three and six years after the end of education because this is the sample that we will use in the subsequent probit model. We performed a Chow test for the equality of coefficients in the two periods, but we could reject the hypothesis at a very high level of significance.

[27] As a check of our results we used different proxies for the family background: the educational level of the father and the highest educational level among parents. No significant effect on the probability of being insecure emerges in both periods, but again, when we use the educational level of the father, marginal effects are larger and the probability of a non-zero effect increases in the early 1980s and over the 1990s (results are available upon request). We also estimated various multinomial logit models on Istat data for university graduates (using the surveys that correspond to our second period, i.e. those carried out in 1995, 1998, 2001 and 2004), where we added more control variables given the large sample size (results are available from the authors). The marginal effect of father's occupation on the probability of being insecure is always significant, slightly increasing in absolute terms for those who graduated from 1998 onwards.

correlated random effects dynamic probit models for each period: one for the probability of being unemployed and one for the probability of being insecure.

Dynamic probit models allow the estimation of a 'persistence' coefficient, i.e. the effect of the current state (e.g. unemployment) on the probability of being in the same state in the following period, conditional on a set of time-varying and time-invariant individual characteristics. However, the presence of both the past value of the dependent variable and an unobserved heterogeneity term in the equation, and the correlation between them, cause some problems for estimation of these models (known as the initial conditions problem). We follow the solution to this problem proposed by Heckman (1981a, 1981b), which involves specification of an approximation to the reduced form equation for the initial observation and maximum likelihood estimation using the full set of sample observations allowing cross-correlation between the main and initial period equations[28].

Let us first consider the simple probit model for the transition to a better employment situation. In order to identify the transition and the selection equations, we need to impose some exclusion restrictions. We assume that having finished education late, and having started to work before the end of education affect only the selection probability, whereas the length of time in which an individual has been working in the current job affects only the probability of transition. Furthermore, as regards time effects, we introduce a time trend into the selection equation, while in the transition equation we add only a dummy variable indicating whether the transitions occurred after a certain year (i.e. after 1979 for the first period, and after 1997 for the second one). Tables 5 and 6 report the results of the two probit models, and the estimated marginal effects for father's occupation.

First of all, note that the predicted probability of improving the employment situation decreases from 40% to 14% from the 1970s-early1980s to the 1990s (tab. 6). The fact that transitions to a better employment condition becomes increasingly difficult over time is confirmed by the significance of the time dummies in each period. As regards individual characteristics, while in the first period the probability of improving

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[28] Arulampalam and Stewart (2009) compare the estimators proposed by Heckman, Orme and Wooldridge. Their results indicate that none of the three estimators dominates the other two in all cases. In most cases, all three estimators display satisfactory performance except when the number of time periods is very small (below four).

the employment situation is negatively affected by being female and living in the South, gender and regional differences lose significance in the second period. What maintains a significant negative effect in both periods is the length of time in which an individual has been working in the current job. The father's occupation has generally no significant effect on transitions, but it becomes relevant if the transition occurs after 1997 (the estimated coefficient is significant at the 6% level).

In short, estimation of this model confirms the increasing difficulty of young people in reaching secure employment, and it seems to suggest that the family of origin becomes important, especially after 1997. However, the results may not be so clear-cut because, owing to the sample size, we had to pool different types of transitions (from insecure to secure employment and from unemployment to any kind of employment). In order to obtain less ambiguous results, we therefore resorted to estimation of two random effects dynamic probit models (one for the probability of unemployment, conditional on participation; and one for the probability of insecurity, conditional on working) for each period. The results are reported in tables 7 and 8. Recall that, because of the way in which our dataset is constructed, the coefficient estimates in the initial period equation represent the effects on the probability of being unemployed or insecure in the first year after graduation (which we will refer to as the entry year). Instead, the coefficients in the main equation represent the effects in any year after graduation, from the second to the sixth.

While there are no significant effects of the family of origin on the probability of unemployment, the picture is different for insecurity. The father's occupation has a negative and significant effect in the early 1980s in the entry year, but no effect for the subsequent years. Over the 1990s, instead, the father's occupation significantly reduces the probability of being insecure after 1997, in any year after graduation, except the entry one[29]. In other words, the father's occupation appears to play an important role in reducing the probability of insecurity in both periods, but in a different way: in the early 1980s it has an effect in the entry year, but not subsequently. Over the 1990s, the

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[29] As a check for this result we estimated two multinomial logit models for the employment status in the first year after graduation for the two periods. Indeed, the father's occupation has a significant negative effect on the probability of being insecure in the early 1980s, but no significant effect over the 1990s (results are available upon request).

father's occupation becomes relevant after implementation of the Treu Package, but its effect appears only in the years following the entry one.

The coefficient associated with the lagged dependent variable is positive, large, and highly significant in all models, indicating that current status significantly increases the probability of being in the same status in the following year, even when controlling for individual and regional characteristics (i.e. the high degree of persistence shown in the transition matrices in Section 4 is not due only to individual and regional characteristics). The effect of the latter are qualitatively in line with what was observed from the multinomial logits: being female, having a low level of education, and living in the Centre-South increase the probability of unemployment in *any year* after graduation during the 1970s-early 1980s and during the 1990s.

By contrast, the probability of being insecure (conditional on working) is influenced – again in *any year* after graduation – by gender only in the first period, and by education only in the second one; regional effects are positive for the South only in the entry year. It is also interesting to note that this probability increases in the early 1980s, but only for the entry year, whereas it increases continuously over the 1990s for any year after graduation.

6. Conclusions

In this paper we have focused on the increased incidence of insecure job conditions (fixed-term or other types of "insecure" contracts) for young individuals entering the labour market and on their chances of moving to a more secure job-condition after a reasonable period of time. In particular, we have examined whether the early occupational outcome, and more importantly the transition to a "better" job condition, are affected by the family background, and whether this effect has changed over time.

We used the Italian Households Longitudinal Study (Ilfi) and divided observations into two periods according to the year in which individuals finished their educations: between 1971 and 1985 and from 1992 to 2002. By considering the individuals' occupational status three years after finishing education, we showed that employment opportunities have changed quite significantly in Italy over the past three decades: while in the 1970s and 1980s about two out of three high-school diploma holders or university graduates who participated in the labour market were in secure

employment (employees on open-ended contracts and self-employed workers) three years after the end of their educations, in the 1990s and early 2000s this proportion reduced to one out of two.

Furthermore, transition matrices between three and six years after the end of studies show a deeply segmented labour market, and highlight the increase in this segmentation over time. Persistence in secure employment is very high, although it slightly diminished in the second period. There is a significant increase in the persistence in insecurity, which means that, for an increasing share of workers, precariousness does not characterize only the beginning of the career but extends for quite a long period of the working life. Also the persistence in unemployment increased, and exit from it is much more towards insecure employment than to a secure job, when compared with the first period.

The econometric analysis reveals not only that the probability of being insecure or unemployed increased from the first to the second period, but also that both of them kept to increase during the 1990s. Moreover, the predicted probability of improving the employment situation decreases from 40% to 14% from the 1970s-1980s to the 1990s, and it further reduces after the introduction of the Treu Package. The effect of the current employment status on the probability of being in the same status in the following year is positive, large, and highly significant, even when controlling for individual and regional characteristics.

The role of the family of origin, captured by the father's occupation (when the individual was fourteen), seems to have become more important over time in reducing the probability of being insecure at a specific point in time (three years after the end of education), but coefficients are not precisely estimated in the multinomial logits. The analysis of the effect of the family on transitions reveals that the father's occupation played an important role in reducing the probability of insecurity both in the early 1980s and during the 1990s, but in a different way: in the early 1980s, it has an effect in the entry year, but not subsequently. During the 1990s, the father's occupation becomes important after implementation of the Treu reform, but this time its effect appears only in the years following the entry one. This difference in the family effect may be due to the much more widespread use of temporary contracts after 1997. Indeed, our analysis

showed that insecurity has become a much less gender- and education-specific characteristic, especially in the first years of labour market participation. The more general use of these contracts for the initial hiring of young people may explain why the family can help more in subsequent transitions than at the moment of entry.

Given the limitations of our data, the analysis in this paper should not be considered conclusive. Future research should investigate whether our results on transitions extend beyond 2005 (assessing in particular the effects of the Biagi's law), by exploiting the longitudinal features of the recently implemented national survey on labour supply Isfol-Plus. However, our analysis provides evidence on the ineffectiveness of labour market policies in terms of ensuring equal access to secure job conditions to young people entering the labour market. Indeed, our overall results suggest that the rapid expansion of insecure contractual arrangements in the 1990s-early 2000s have produced increasing difficulties in terms of transitions to a "better" job condition (i.e. into secure employment), which enhanced the role of the family of origin in overcoming them, generating new inequalities among young Italians.

This implies two main policy suggestions. First, it would be crucial for policy makers to design and implement measures, available for all new entrants, that allow the transformation from insecure to secure employment within a reasonable period of time. Second, specific measures should be planned in order to help those groups that are trapped in insecure employment or long-term unemployment to move out towards secure employment.

Tables

Table 1.
Sample characteristics (%)

Final year of education	1971-1985	1992-2005
Individuals' education		
Lower secondary	46.8	18.7
Upper secondary	42.2	49.9
Tertiary	11.0	31.4
Parents' education*		
Lower secondary	83.4	53.9
Upper secondary	12.8	35.1
Tertiary	3.8	11.0
Percentage of individuals who interrupted their educational career		
for more than 1 year	4.8	4.6
for more than 2 years	3.7	2.3
for more than 7 years	1.9	0.4
Percentage of individuals who started to work before the end of education		
Lower Secondary	38.7	19.2
Upper secondary	42.0	25.2
Tertiary	47.7	28.8
Average job-search period after graduation**		
High school	*1.84 years*	*2.07 years*
University	*1.38 years*	*2.02 years*
(Number of obs)	*(2646)*	*(1421)*

Source: Authors' calculations on Ilfi data.
Notes: *: Parents' education is defined as the highest educational level between the mother and father.
**: For those who started work after finishing their education.

Table 2.
Occupational status of high-school diploma holders and university graduates three years after the end of education, for different periods of the final year of education (%)

	High school		University	
Final year of education	1971-1985	1993-2002	1971-1985	1993-2002
Employees on open-ended contracts	51.9	28.0	58.0	27.1
Self-emp./Entrepreneurs who work continuously	7.9	10.8	9.2	16.7
Temporary/precarious/occasional employees and self-employed	12.2	29.6	19.6	32.6
Unemployed	14.0	24.9	7.1	16.3
Inactive	14.1	6.7	6.1	7.3
	100	100	100	100
(Number of obs)	(974)	(464)	(266)	(289)

Source: Authors' calculations on Ilfi data.

Table 3.
Transition matrices, three years and six years after the end of education

Final year of education :1971-1985

3 years	6 years				
	Secure	Insecure	Unempl.	Inactive	N. obs.
Secure	95.8	1.6	1.3	1.3	767
Insecure	26.2	67.9	2.1	3.7	187
Unempl.	41.2	13.0	44.1	1.7	238
Inactive	35.3	2.9	0.0	61.8	34
(No. of obs.)	(894)	(171)	(119)	(42)	(1,226)

Final year of education :1992-1999

3 years	6 years				
	Secure	Insecure	Unempl.	Inactive	N. obs.
Secure	89.9	6.6	3.0	0.5	198
Insecure	16.7	79.5	1.3	2.6	156
Unempl.	23.7	28.9	46.5	0.9	114
Inactive	10.0	20.0	0.0	70.0	10
(No. of obs.)	(232)	(172)	(61)	(13)	(478)

Source: Authors' calculations on Ilfi data.

Table 4.
Multinomial logit for the occupational condition three years after the end of education

Final year of education	1971-1985		1992-1999	
	dy/dx	P>|z|	dy/dx	P>|z|
Insecure				
Predicted Prob.	0.169		0.365	
Female	0.071	0.002	-0.022	0.634
Univers. Degree	0.068	0.025	0.007	0.897
Old	-0.063	0.032	-0.025	0.684
Started to work while studying	0.033	0.274	-0.026	0.681
Centre	-0.052	0.048	-0.014	0.812
South	-0.022	0.393	-0.143	0.007
D1979 [A]	0.025	0.340		
D1997 [A]			0.162	0.003
m/high father's occupation	-0.005	0.893	-0.092	0.196
Fath. occ.*d1979 [A]	-0.057	0.198		
Fath. occ.*d1997 [A]			0.011	0.928
m/high mother's educ	-0.016	0.607	0.003	0.953
Unemployed				
Predicted Prob.	0.137		0.209	
Female	0.065	0.001	0.074	0.067
Univers. Degree	-0.104	0.000	-0.064	0.158
Old	-0.006	0.840	-0.024	0.645
Started to work while studying	-0.183	0.000	-0.172	0.000
Centre	0.111	0.001	0.143	0.025
South	0.263	0.000	0.357	0.000
d1979 [A]	0.010	0.633		
d1997 [A]			-0.035	0.443
m/high father's occupation	0.022	0.518	0.070	0.235
Fath. occ.*d1979 [A]	-0.027	0.516		
Fath. occ.*d1997 [A]			0.053	0.661
m/high mother's educ	0.027	0.421	-0.017	0.708
Number of obs		1173		462
Wald chi2(18)		173.86		70.14
Prob > chi2		0.000		0.000
Pseudo R2		0.107		0.093

Source: Authors' calculations on Ilfi data.
Notes: Base category: secure employment. Marginal effects reported. [A]: d1979: the final year of education is from 1979 onwards; d1997: the final year of education is from 1997 onwards.

Table 5.

Probit models with sample selection for the transition from insecure to secure
employment or from unemployment to any kind of employment

Final year of education	1971-1985		1992-1999	
	Coef.	P>|z|	Coef.	P>|z|
Transition Equation				
Female	-0.524	0.006	0.007	0.966
University degree	0.100	0.576	-0.194	0.300
D1979_t [A]	-0.335	0.053		
D1997_t [A]			-0.397	0.074
Centre [B]	-0.223	0.212	0.314	0.123
South [B]	-0.489	0.059	0.214	0.274
Duration in current job	-0.312	0.000	-0.303	0.000
m/high father's occupation	-0.187	0.538	-0.278	0.400
Fath.occup* d1979_t [A]	0.351	0.331		
Fath.occup* d1997_t [A]			0.760	0.054
_cons	0.899	0.232	-0.467	0.117
Selection Equation				
Female	0.400	0.000	0.112	0.364
Univers. Degree	-0.146	0.147	-0.165	0.255
Final year of education	0.014	0.190	0.103	0.001
Old	-0.175	0.211	-0.157	0.326
Started to work while studying	-0.464	0.000	-0.473	0.005
Centre [C]	0.133	0.187	0.298	0.057
South [C]	0.630	0.000	0.529	0.001
m/high father's occupation	0.044	0.736	0.004	0.978
Fath.occup* d1979_t [A]	-0.263	0.145		
m/high mother's educ			0.001	0.997
_cons	0.028	0.831	-204.560	0.001
Number of obs		1173		462
Wald chi2(6); Prob > chi2		46.14		24.52
Wald test of indep. eqns. (rho = 0):				
Prob > chi2		0.824		0.081

Source: Authors' calculations on Ilfi data.
Notes: [A]: d1979_t: the transition occurs from 1979 onwards (final year of education up to 1976);
d1997_t: the transition occurs from 1997 onwards (final year of education up to 1994).
[B]: Regional dummies refer to the region of residence in the final year of the transition (six years after the end of education).
[C]: Regional dummies refer to the region of residence in the initial year of the transition (three years after the end of education).

Table 6.
Marginal effects after probit model (table 5)

Final year of education	1971-1985		1992-1999	
	dy/dx	P>|z|	dy/dx	P>|z|
Transition equation				
Predicted Prob.	0.406		0.142	
m/high father's occupation	-0.072	0.535	-0.057	0.360
Fath.occup*d1979_t [A]	0.138	0.340		
Fath.occup*d1997_t [A]			0.220	0.111

Source: Authors' calculations on Ilfi data.
Notes: [A]: d1979_t: the transition occurs from 1979 onwards (final year of education up to 1976);
d1997_t: the transition occurs from 1997 onwards (final year of education up to 1994).

Table 7.
Correlated random effects dynamic probit models for the probability of unemployment

Final year of education	1971-1985		1992-1999	
	Coef.	P>|z|	Coef.	P>|z|
Main Equation				
Unemployment status at t-1	2.512	0.000	2.421	0.000
Female	0.372	0.000	0.308	0.002
University degree	-0.401	0.001	-0.117	0.288
Final year of education	0.015	0.420	0.006	0.726
Regional unempl. Rate [B]	0.004	0.823	-0.002	0.921
Centre [B]	0.313	0.006	0.340	0.011
South [B]	0.583	0.001	0.889	0.000
m/high father's occupation	0.196	0.224	-0.050	0.670
Fath.occup* d1979_t [A]	-0.280	0.161		
_cons	-32.179	0.380	-14.314	0.666
Initial period equation				
Female	-0.347	0.002	0.068	0.484
Final year of education	0.016	0.637	-0.056	0.020
d1979_t [A]	-0.397	0.056		
d1997_t [A]			0.225	0.200
Univers. Degree	-0.678	0.000	-0.411	0.000
Old	-0.189	0.274	-0.342	0.012
Started to work while studying	-1.916	0.000	-1.159	0.000
Regional unemp. rate [C]	0.028	0.403	0.049	0.006
Centre [C]	-0.054	0.734	0.305	0.017
South [C]	0.481	0.064	0.438	0.050
m/high father's occupation	-0.094	0.678	0.134	0.413
Fath.occup* d1979_t [A]	0.038	0.889		
Fath.occup* d1997_t [A]			-0.083	0.717
m/high mother's educ	-0.521	0.399	-0.235	0.293
_cons	-31.937	0.639	111.003	0.021
Number of obs		7249		4709
Wald chi2(8); Prob > chi2	789.70 (0.000)		652.71 (0.000)	
LR test of rho = 0:		375.01		281.82
Prob > chi2		0.000		0.000

Source: Authors' calculations on Ilfi data.
Notes: [A]: d1979_t: period t is from 1979 onwards; d1997_t: period t is from 1997 onwards.
[B]: Regional unemployment rates and regional dummies refer to the region of residence in period t.
[C]: Regional unemployment rates and regional dummies refer to the region of residence in the initial year
(three years after the end of education).

Table 8.

Correlated random effects dynamic probit models for the probability of being insecure
(conditional on working)

Final year of education	1971-1985		1992-1999	
	Coef.	P>|z|	Coef.	P>|z|
Main Equation				
Insecurity status at t-1	2.945	0.000	2.377	0.000
Female	0.601	0.019	0.140	0.468
University degree	0.034	0.858	-0.491	0.036
Final year of education	0.001	0.972	0.251	0.000
Centre [B]	0.034	0.876	0.445	0.140
South [B]	0.346	0.185	0.064	0.818
Duration in current job	0.100	0.001	0.093	0.032
m/high father's occupation	-0.303	0.267	0.194	0.476
Fath.occup* d1979_t [A]	-0.502	0.275		
Fath.occup* d1997_t [A]			-1.507	0.000
_cons	-5.492	0.904	-502.837	0.000
Initial period equation				
Female	0.620	0.004	0.277	0.163
Final year of education	-0.039	0.360	0.147	0.008
d1979_t [A]	0.648	0.062		
d1997_t [A]			-0.070	0.842
Univers. Degree	0.222	0.259	-0.187	0.417
Old	0.017	0.939	-0.724	0.002
Started to work while studying	-0.044	0.819	0.076	0.731
Centre [C]	0.063	0.771	0.359	0.181
South [C]	0.357	0.140	0.653	0.036
m/high father's occupation	0.360	0.187	-0.291	0.393
Fath.occup* d1979_t [A]	-1.029	0.011		
Fath.occup* d1997_t [A]			-0.324	0.492
m/high mother's educ	-1.093	0.163	0.585	0.176
_cons	74.958	0.370	-293.740	0.008
Number of obs		5710		3540
Wald chi2(9); Prob > chi2	389.77 (0.000)		265.12 (0.000)	
LR test of rho = 0:		1184.70		1030.72
Prob > chi2		0.000		0.000

Source: Authors' calculations on Ilfi data.
Notes: [A]: d1979_t: period t is from 1979 onwards; d1997_t: period t is from 1997 onwards.
[B]: Regional unemployment rates and regional dummies refer to the region of residence in period t.
[C]: Regional unemployment rates and regional dummies refer to the region of residence in the initial year
(three years after the end of education).

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