

Distr.
GENERAL

CES/SEM.48/20
22 May 2002

ENGLISH ONLY

**STATISTICAL COMMISSION and
ECONOMIC COMMISSION FOR EUROPE**

**STATISTICAL OFFICE OF THE
EUROPEAN COMMUNITIES (EUROSTAT)**

CONFERENCE OF EUROPEAN STATISTICIANS

**INTERNATIONAL LABOUR
ORGANIZATION**

Joint UNECE-Eurostat-ILO Seminar
on Measurement of the Quality of Employment
(Geneva, 27-29 May 2002)

The New Employment Flexibility: The Case of Italy

Supporting paper submitted by the Istituto Nazionale di Statistica (ISTAT) of Italy¹

Introduction

1. The use of business information to measure and describe employment allows to obtain the total number of jobs and also the type of contract setting the job's characteristics, such as the real quantity of labour and its real costs.
2. Up until few years ago, the very high degree of homogeneity in the features of employment arrangements allowed scholars to use the existing definitions of enterprise, employed and self-employed workers without incurring in relevant mistakes in their description and measurement. Nowadays, the complexity and diversification of the organisational structure of production processes and the continuous increase in the number of legal employment arrangements impose to the producers of official statistics, on the one hand, to reconsider the definitions so far adopted, and, on the other, to identify classification schemes allowing for a more flexible and analytical approach, better suited to the various needs that the statistical information has to satisfy.
3. The need to supply information regarding the different diffusion of the various types of (standard and non-standard) employment arrangements could be satisfied by using administrative data. These data sources, despite being collected with an administrative aim, can be used for statistical purposes after complex procedures of extraction, check and processing. Thus, these sources allow to increase the information supply and, at the same time, to reduce - or not to increase - the statistical burden on firms.

¹ Paper written by Francesca Ceccato and Eleonora Cimino, ISTAT (Istituto Nazionale di Statistica), Servizio Occupazione e Redditi, via Tuscolana 1788, 00173 Rome, Italy.

This paper summarises the result of a working group, coordinated by Leonello Tronti (ISTAT), aimed at developing a new classification of non standard employment arrangements. Further to the authors of this paper, Manlio Calzaroni (ISTAT), Fabio Massimo Rapiti (ISTAT) and Roberta Rizzi (ISTAT) took part in the group. We are particularly grateful to Pierluigi Minicucci (ISTAT) for providing useful contributions to this paper.

I. A New Classification of Non-Standard Employment Arrangements

4. In the recent years the Italian labour market has undergone profound changes that have affected more the composition than the level of employment. The increase in the demand for flexibility, on the part of enterprises and also of sectors of labour supply, has contributed to increase the diffusion of non-standard employment arrangements. However, there is no consensus definition of a non-standard employment arrangement in the official statistics. Therefore in this paragraph we propose a classification of such work relations as complete as possible, so that it can satisfy various knowledge aims.

5. The suggested classification of the non-standard employment arrangements (Figure 1) is included in a scheme that groups the different employment types according to three criteria: the duration of the work relation (permanent, fixed-term), the working time (full-time, part-time), and the maturing of rights to social security (full, partial or none)².

6. In the proposed classification we have included all employment arrangements that are characterised by at least some non-standard features. In Figure 1, a fourth classification criterium can be identified, that is the nature of the atypicalness. Specifically, the employment arrangement is labelled “strictly atypical” if it is the contract type or the form in which it is applied which is non-standard. However if it is the duration which is non-standard, or another feature of the way in which the person works, which is relatively new for the Italian labour market, then the employment arrangement is said “partially atypical”³.

7. The degree of coverage of non-standard employment arrangements depends on the chosen classification criteria. If duration, working time, rights to social security and nature of the atypicalness are considered together, the classification identifies in the Italian labour market thirty-one types of non-standard employment arrangements, of which eighteen can be defined as “strictly atypical” while the rest as “partially atypical”.

8. For what concern the atypicalness of employment arrangements that have full rights to social security, Figure 1 shows that:

- 1) full-time permanent employees, working at home or from home, are classified as “partially atypical” because of the non-standard way in which they work, and not because of the nature of their contracts;
- 2) part-time permanent employees are classified as “partially atypical” because of their recent diffusion in Italy, while agency workers (*lavoratori interinali*) and “external” solidarity contract (*Contratti di solidarietà esterna*, a type of contract used to create new jobs) jobs are classified as “strictly atypical” because of the non-standard nature of their contracts;
- 3) temporary employees, with full-time fixed-term contracts, youth training (*Contratti Formazione Lavoro* or CFL) and agency worker contracts (*Contratti interinali*) are classified as “strictly atypical” because of the peculiar nature of their contracts of the employment relations.

² If the percentage of social security contributions is considered together with duration and working time, it is possible to study the potential effects of non standard employment arrangements (including those partially financed through tax incentives) also on the social security system.

³ The most important case of partially atypical employment arrangements is part-time work that, unlike in other European Countries, was introduced in Italy only recently (by the law n.463, passed in 1984) and began to have a significant diffusion only in the last ten years.

Figure 1. The classification of non-standard employment arrangements

DURATION	WORKING TIME	Rights to social security			
		Full		Partial (a)	
		Employee	Employed	Self employed (b)	
Permanent	Full-time	Full-time agency worker (c) Full-time homemaker Full-time worker from home			
	Part-time	Part time agency workers (c) External solidarity Part time permanent worker Part time homemaker Part time worker from home			
Fixed-term	Full-time	Full-time youth training Full-time temporary worker Full-time agency worker Fixed-term full-time homemaker Full-time seasonal worker Fixed-term full-time worker from home	Full-time youth training (d) Full-time trainee	Full-time worker collaborating with a firm for a long period Full-time worker collaborating with a firm for a short period	
	Part-time	Part time youth training Part time temporary worker Part time agency worker Part time homemaker Part time seasonal worker Part time worker from home	Part time youth training (d) Temporary worker in socially useful projects Temporary worker in public utility projects PIP Part time trainee	Part time worker collaborating with a firm for a long period Part time worker collaborating with a firm for a short period	

"Partially atypical" employment arrangements are in grey. They represent those ones that are characterised by at least some non-standard features (e.g. by the non-standard form in which it is applied, the non-standard duration, the recently new introduction for the Italian labour market).

(a) The rights to social security are none for the temporary worker in socially useful projects (LSU) and in public utility projects (LPU)

(b) For what concerns the distinction between permanent and fixed-term employment arrangements and between full-time and part-time, it is a practice choice and not a legal right.

(c) Workers having a permanent employment arrangement with the agency, that makes sure to give them a wage during non-occupational period.

(d) For what concerns youth training in a firm, the distinction between full-time and part-time is a practice choice and not a legal right.

9. If employment arrangements that have partial or none rights to social security are considered, Figure 1 shows that:

- 1) temporary employees hired via trainee contracts (*Contratti di Apprendistato*), although "strictly atypical" because of the nature of their contracts, are classified as "partially atypical" since they are an established feature of the labour market. On the other hand, temporary employees working in socially useful projects (*Lavori Socialmente Utili* or LSU) and with contracts aimed at increasing employment in the Southern regions or in the disadvantaged areas of the country (*Piani Inserimento*

Professionale or PIP) are defined as “strictly atypical” because of the type of their contracts. Finally, using the proposed classification, youth training in a firm (Stage) has been included among the atypical employment arrangements, because it is considered a type of job for statistical purposes, although it is not remunerated⁴;

- 2) among the self-employed workers regulated by temporary contracts, those who collaborate with a firm for a long (*Collaborazione Coordinata e Continuativa* or Co.Co.Co.) or short period (*Collaborazione Occasionale*) are defined atypical because of the nature of their contracts hence they are “strictly atypical”.

10. In the next paragraph, we propose a first attempts to quantify atypical employment arrangements using the above described scheme.

II. Diffusion of Non-standard Employment Arrangements in the Years 1996-2000

11. Various data sources have been used get to a preliminary measurement of non-standard employment jobs between 1996 and 2000. The main source is the new OROS survey (Employment, wages and social security contributions)⁵, based on administrative social security data coming from INPS (Istituto Nazionale di Previdenza Sociale - National Social Security Institute). In fact all Italian firms in the private sector, with at least one employee (roughly 10 million employees and 1.2 million employers per year), have to pay social security contributions to INPS and send a monthly declaration (DM10 form) from which the data can be extracted and processed. The OROS survey covers Industry and Services enterprises⁶, excluding public and non-profit institutions and household services firms. The survey allows for the estimation of the total number of employees with a detailed breakdown by many different categories.

12. To reconcile OROS data with other traditional surveys, the OROS jobs share with respect to the total number of atypical employment arrangements have been applied to the equivalent population calculated in the framework of National Accounts.

13. Between 1996 and 2000, wage employment in sections C to K increased by 8.1% (Table 1). The main increase is due to non-standard employment, which rose by 40.5%, while standard employment showed an increase by only 1%. In levels, the number of atypical jobs rose from 1.5 millions to about 2.2 millions at the end of the period. So, during the period, the share of (strictly and partially) atypical jobs increased from 18% in 1996 to 23.4% in 2000, with a gain of 5.4 percentage points.

14. However, this estimate represents only a part of the total number of atypical workers; Co.Co.Co constitute the other relevant part. In C to K sectors in 1999 INPS estimated over 1 million of workers which paid social contributions to the Co.Co.Co assurance fund. Between 1996 and 2000 the increase has been over +34%. In 1999 the share of Co.Co.Co. with respect to total self employment was 22.1 percentage points, showing an increase by 7.3% since 1996. A prudential estimate of atypical job total incidence in industry and private services provide over 3 million of persons employed, corresponding to a total share of 22.3.

4 Youth training in a firm (Stage) is not considered a job by the Italian law (n. 451 passed in 1994, n. 488 passed in 1999 and n. 196 passed in 1997).

5 The OROS survey data will be officially released by Istat during 2002, thus the data has to be considered as provisional.

6 The enterprises belong to the following economic sections: Mining and quarrying, Manufacturing, Electricity, gas and water supply; Construction, Wholesale and retail trade; repair of motor vehicles, Hotels and restaurants, Transport, Storage and Communication, Financial intermediation, Real estate, renting and business activities.

Table 1 – Jobs in industry and private services (a) by atypical categories – Years 1996, 2000 (*absolute values, shares and percentage change*)

EMPLOYMENT ARRANGEMENTS	1996		2000		Percentage change 1996-2000
	Absolute value	Share	Absolute value	Share	
Standard	7.085.226	82,0	7.153.482	76,6	1,0
Non-standard	1.558.661	18,0	2.190.674	23,4	40,5
<i>Strictly atypical</i>	<i>704.142</i>	<i>8,1</i>	<i>902.408</i>	<i>9,7</i>	<i>28,2</i>
<i>Partially atypical</i>	<i>854.519</i>	<i>9,9</i>	<i>1.288.266</i>	<i>13,8</i>	<i>50,8</i>
Total	8.643.887	100,0	9.344.156	100,0	8,1

Source: Istat, National Account; Istat, Oros Survey; Istat, Labour Force Survey; Labour and Social Policy Ministry, Rapporto di monitoraggio sulle politiche occupazionali e del lavoro, n1/2001

(a) It Includes sections C to K of NACE rev1 classification .

15. A considerable amount of this increase is related to the contract typologies introduced or boosted by the Treu Law package⁷ (by the law 196, passed in 1997), full operative since the second half of 1998. Among the strictly atypical employment relations, the rise is mainly due to the utilisation of temporary workers (490 thousand employees in 2000, with an increase of 42.8% compared to 1996) and to the introduction of the agency work and PIP contracts (respectively, more than 80 and 11 thousand workers). Among the partially atypical employment relations, the observed increase is associated to the use of apprentices and part-time workers (respectively, more than 72% and 42.8% growth in the period of reference, table 2)

⁷ The Treu Law Package regulates the temporary employment arrangements, adding the new institution of agency work. It, also, gives new incentives to some known institutions such as CFL , trainee contracts and part-time.

Table 2 - Atypical contracts in industry and services by duration (permanent, fixed-term) and working time arrangement (full-time, part-time) - 1996 and 2000 (changes in share between the years)

TYPE	Working time		Total
	Full-time	Part-time	
TOTAL OF EMPLOYMENT ARRANGEMENTS			
STRICTLY ATYPICAL			
Agency workers	(b)	(b)	(b)
External solidarity	-	-17,7	-17,7
Temporary workers	39,5	51,6	42,8
Youth training	-14,4	20,7	-11,6
PIP	-	(b)	(b)
PARTIALLY ATYPICAL			
Part-time	-	42,8	42,8
Homeworkers	23,3	-32,8	-25,6
Trainee contracts	68,0	99,5	72,0
Total (c)			40,5
of which PERMANENT			
STRICTLY ATYPICAL			
Agency workers	(b)	(b)	(b)
External solidarity	-	-17,7	-17,7
PARTIALLY ATYPICAL			
Part-time	-	42,8	42,8
Homeworkers	(b)	-43,5	-43,5
Total (c)			41,6
of which FIXED-TERM			
STRICTLY ATYPICAL			
Agency workers	(b)	(b)	(b)
Temporary workers	39,5	51,6	42,8
Youth training	-14,4	20,7	-11,6
PIP	-	(b)	(b)
PARTIALLY ATYPICAL			
Homeworkers	23,4	9,2	15,2
Trainee contracts	68,0	99,5	72,0
Total (c)			39,9

Source: Istat, National Account; Istat, Oros Survey; Istat, Labour Force Survey; Labour and Social Policy Ministry, Rapporto di monitoraggio sulle politiche occupazionali e del lavoro, n1/2001

(a) It Includes sections C to K of NACE rev1 classification .

(b) Change not evaluated because in 1996 the type of contracts was not regulated yet.

(c) The change includes agency workers not grouped for working time and missing in 1996 .

16. As a whole, non-standard employment has increased strongly (+40.5 %, see table 3) between 1996 and 2000, mainly for the sharp rise of "partially atypical" jobs (+50.8 %).

Table 3 – Jobs in industry and services by “nature” of atypical employment agreement (strictly atypical, partially atypical), duration (permanent, fixed-term) and working time arrangement (full-time, part-time) – 2000 (changes since 1996 in percentage)

NATURE OF THE ATYPICALNESS	Working time		Duration		Total
	Full-time	Part-time	Permanent	Fixed-term	
Non-standard	25,5	46,1	41,6	39,9	40,5 (b)
<i>Strictly atypical</i>	8,7	53,7	180,5	28,2	28,2 (b)
<i>Partially atypical</i>	67,7	44,5	41,6	71,2	50,8

Source: Istat, National Account; Istat, Oros Survey; Istat, Labour Force Survey; Labour and Social Policy Ministry, Rapporto di monitoraggio sulle politiche occupazionali e del lavoro, n1/2001

(a) It includes sections C to K of NACE rev1 classification .

(b) The change includes agency workers not grouped for working time and missing in 1996 .

17. From the point of view of job relationship duration, the results show a slightly larger increase in permanent atypical employees (+41.6 %) than in the fixed-term ones (+39.9 %). But looking more deeply at the changes, it emerges that the rise in the "strictly atypical" employment arrangements (about +28 %) is less than in the "partially atypical" ones (over 71 %). In fact the non-standard features of the jobs comes by the form in which it is applied and the recent diffusion of a particular type of employment agreements ("partially atypical") and not by the type of contracts ("strictly atypical").

18. Differently from the other fix-term contracts, the trend of CFL has declined because after the Treu Law package they became less convenient than trainee contracts.

19. As far as the "strictly atypical" permanent job relationships are concerned, the relevant change is simply the result of a calculation on really few observations.

20. Analysing the difference in the working time arrangements, the part-time jobs had a significantly higher increase (+41.6 % between 1996 and 2000) than the full-time one (+25.5 %). But those results are heavily influenced and biased because it was impossible to take into account in the calculation the agency workers, which cannot be distinguished between full-timer and part-timer.

21. To sum up, between 1996 and 2000 the most consistent increase is due to the "partially atypical" job relationships under full-time working time agreements (+67.7%) and to the "strictly atypical" employment agreements with part-time contracts (+53.7 %). In the first case, the main part of the rise was caused by trainee contracts with full-time working arrangement, and in the second case by fixed-term employment arrangement with part-time working arrangement (table 3).

22. If we evaluate the change between 1996 and 2000, we can conclude that:

- trainee contracts with full-time contracts, which represent the main part of the "partially atypical" job relationships with full-time contracts, increased enormously (+68 %);
- meanwhile, fixed-term jobs, that are the main share of the "strictly atypical" workers in part-time, rose greatly (+51.6 %) (table 2).

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