

Unemployment Risk Between Temporary Work And Labour Market Segmentation

Il Rischio Di Disoccupazione Tra Lavoro Atipico E Segmentazione Del Mercato Del Lavoro

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Riassunto. Il fenomeno della disoccupazione ha assunto negli anni recenti in Italia una configurazione particolare. A fronte della componente maggioritaria della forza lavoro, che presenta un elevato livello di stabilità lavorativa, è aumentata la quota di coloro che sperimentano, in special modo nella fase del ingresso nel mercato, frequenti episodi di transizione tra lavoro e condizioni di non lavoro. Il percorso di stabilizzazione dell'occupazione si è, negli ultimi anni, sensibilmente allungato, con il rischio di generare fenomeni di segmentazione della forza lavoro, in particolare per le fasce più deboli e meno competitive della popolazione. In tale contesto viene analizzato il rischio di disoccupazione, identificando le caratteristiche della forza lavoro, sia demografiche che attinenti al profilo occupazionale, che incidono sulla probabilità di perdere il lavoro.

Keywords: Unemployment Risk, Flexicurity, Social protection systems.

1. Introduction

Unemployment is in Italy a relatively recent phenomenon. Until the second half of the seventies, the unemployment rate, meant as the percentage of the labor force looking for a job¹, did not exceed the 7 %. Unemployment begun to assume alarming and socially remarkable dimensions in the second half of the eighties, in order to explode by the middle of the nineties, as a result of the short but severe recession occurred in years 1992-93. In 1995 the unemployment rate reached the 16%; it means that 16 people out of 100, couldn't find situations wanted matching to their job offers.

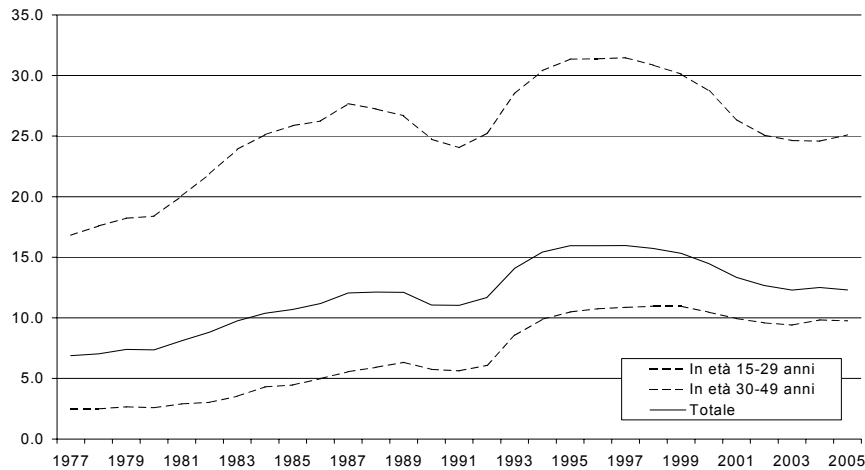
Statistics data shows a marked decrease in the latest nineties, in parallel with the national economic recovery, remaining however over the 10%. Between 2001 and 2005 the unemployment rate tended to rise again in consequence of economic stagnation.

In Italy, unemployment is characterised by two specific factors: the drastic territorial fragmentation between north and south, and the high level of youth unemployment. The unemployment rate in the southern areas of Italy, according to a survey taken by 2005, is almost twice the national average, and more than three times as much as the northern areas of our country.

The measure of the unemployment rate, reported to the young people, is equal to 24% and, in the alternative version, that consider the non_labor force looking for a job, greater than 35%.

¹ To keep temporal homogeneity it has been used, in this case, the alternative definition of the unemployment rate, which considers as unemployed who is declaring itself in search of a job, but does not have all the characteristics necessary in order to satisfy the international definition of unemployment (ILO); the alternative rate is systematically greater than the rate standard

Figure 1: Unemployment rate according to age. 1977 - 2005



Fonte: Source: based upon Istat - Fondazione G. Brodolini.

1) The alternative rate unemployment considers as unemployed, beyond to those who respects ILO definition, also those who declaring itself as jobseekers, but not carried out any action of active search in the 4 previous weeks the survey

Table 1: Unemployment rate 2005

	Standard		Alternative	
	Youth (15-24)	Total	Youth (15-24)	Total
North regions	13.2	4.2	18.0	6.3
Center regions	21.1	6.4	30.3	10.4
South regions	38.6	14.3	54.4	24.9
Total Italy	24.0	7.7	35.4	13.2

Source: based upon Istat CLFS data, 2005.

The phenomenon of youth unemployment has heavy effects on the economic and social situation of the country. A quick entrance in the labour market and a fast job stabilization allow young people to consolidate their social role, to create a new family and to behave in order to increase the demand in the goods and services market.

Maintaining a high level of labour market flow, through as a generational turnover, makes profitable the investments on the educational system, contributing to increase the productivity and helping the development of technological innovations; the entrance of young people in the labour market allows a easier matching between supply and demand, especially if the vocational training system is appropriately oriented by the demand.

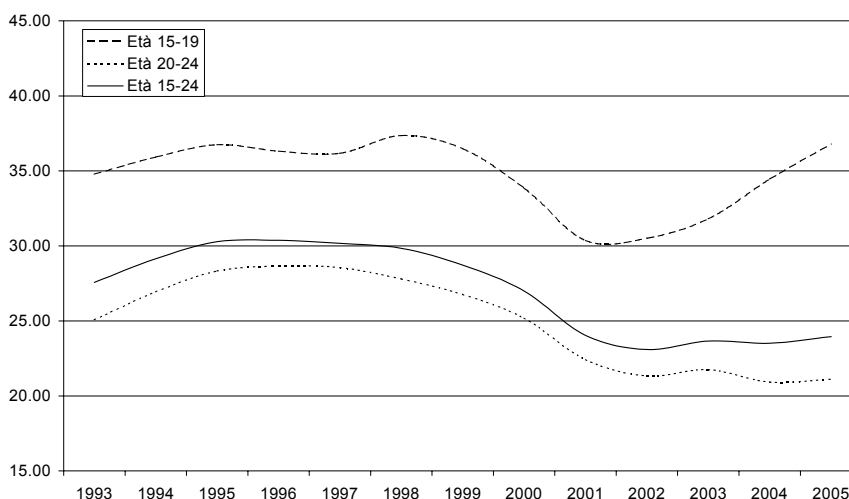
A steady generational turnover also tends to modify the composition of the labor force, making the mean educational level higher. This last element has a particular value in our Country, where the educational level of our labor force is quite lower then in other European countries, because of the elderly component is still the one with the lowest educational rate. On the contrary, the extended time needed to get the first job, postpone the moment when young people can marry and have children, with the first effect of a low birth rate. A prolonged permanence of the young people in a unemployment situation, can even endanger the welfare system, especially in a country with such a high rate of elderly people.

Difficulties in finding a job can produce a further effect, linked to the educational system: young, with no realistic prospects of a job, tend to prolong their education,

causing a phenomenon of over-education.

A quick change of composition of young population, in terms of educational level, can distort the competition of the labor supply, creating a crowding out effect, especially in a period, or areas, of high unemployment rate; young people, even with a higher education, are open to accept jobs requiring a lower skill, increasing the difficulties of those segment of the population with a low educational qualification².

Figure 2: *Youth unemployment rate. 1993 - 2005*



Source: based upon Istat QLFS data, 1993-2003; Istat CLFS data, 2004-2005.

Youth unemployment rate completed the downward trend of the latest nineties, showing - between 2002 and 2004 - a substantial stabilization around the value of 23%. However, such tendency is the result of a complex composition of the 15-24 years age brackets, which is why the youngest and least educated class has a structural high unemployment rate, increased of almost 5 points in three years.

The risk to remain unemployed for a long time after completing their education, is lower for young people with a high educational qualification, which is directly proportional to the chance to get a job and inversely to the length of the job search.

The behaviour of young people and their families, is generally oriented to increasing the investment in education, especially in a social context where professions' classification coincides with social stratifications, and in a market context characterized by an upward mobility much more curbed than in other European countries. A further issue, with the same severe social repercussion of youth unemployment, is the risk to lose a job.

Entering the labour market and getting the permanence of the position usually implies a remarkable mobility characterised by flexible contracts. Today, much more frequently than in the past, the first phase of a working life is characterized by moving back and forth between employment and unemployment, with frequent periods of unemployment. The trap of precarious job is the greatest danger, especially in times of low and non-structural economic growth. Disadvantaged and less competitive categories can spend years with no chance to get a steady job. Such a scenario is quite typical of the entrance

² The crowding out of low educational level has however a limit given from the rigid division between unskilled labor and intellectual job.

in the labour market, when young people are open to accept this kind of unsteadiness. Adult unemployment represent a dramatic phenomenon: losing a job, for an adult, means very serious and critical consequences in such a rigid market like the Italian one. This paper proposes, in the first instance, a descriptive analysis of transitions of the persons searching a job and, subsequently, an estimate of the probability to find an occupation. The second part of the paper is dedicated to estimate the risk to lose an occupation, focusing on the adult population, relating the professional categories.

2. The probability to find a job

The chance's estimate to get a job for someone who's searching it, presents some complex features, because of the lack and the bad quality of the available data. A reliable source to estimate the chance to get a job must necessarily be longitudinal, able to measure the initial and final condition of a specific person, in a specific interval. Available sources, in Italy, are quite limited: among administrative sources that allow longitudinal analyses, we can mention some data banks – provided by the welfare system – but referred to employed only, and further data got out of the Public Employment Services, whose availability for reliable analysis is limited to some regions.

Among statistic sources, the “Continuous Labor Force Survey” (CLFS) - conducted by Istat - is the only survey regularly conducted and referred to the whole labour supply. Although it does not have a longitudinal structure, the study is based on a sample plan with partial rotation of specific subsamples: some sample sections are re-interviewed at consistent time intervals, which enables the reconstruction of a longitudinal sample referring to the entire population. For many years now, ISFOL has produced a database feed with individual RCFL data and able to generate flow estimates. ISTAT has distributed standard longitudinal data files which were based on the "Quarterly Labour Force Survey" conducted until 2003, and were generated using a method similar to ISFOLs". Starting the new Continuous Survey, that replaced the previous Quarterly Survey, called for the creation of a new methodology, aimed to get the longitudinal element of the survey. Isfol produced a new procedure, usable on CLFS individual data. The new methodology allowed – among other things - to improve the calibrated longitudinal weight, which allows for the many information about occupational situation of employed and looking for a job people. The data we used in the course of this paper, refer to those data bank only. We need to be more precise about the data we used. We used longitudinal panels rebuilt every 12 months: in this way we can observe any individual in only two moments of the survey, without any chance to get other informations about what happened in the course of the year. This analysis is not able to allow for the transitions occurred in the interval between the first and the second observation, and the result is an underestimated labour turnover rate. Also, some information, like the initial phase of the search for a job, doesn't prove to be coherent in a longitudinal way, and it makes the use of those variables just impossible. Afterwards, we report the flow matrix depending on the working condition of 15 to 64 year italian people. The first relevant data show that, in 12 months, less than the 25% of job seekers get an occupation, and more than 28% stay in an inactivity condition. Further result shows that 48% of those who got the first job come from the inactivity condition. It should be noted though that these may be non-active people at the time of first survey who then turned into the unemployed condition in between the first and the

second survey, and later became employed. Thus, this would not be a transition from inactivity to employment, but rather from unemployment to employment. The shorter the research time, the higher the percentage of such spurious transitions.

Table 2: Flow matrix among working conditions 2004-2005

		Staus 2005							
		Employed		Unemployed ¹		Out of L.F.		Total	
		v.a.	%	v.a.	%	v.a.	%	v.a.	%
Status 2004	Employed	20'458	92.7	674	3.1	932	4.2	22'063	100.0
	Unemployed ¹	852	24.7	1'624	47.1	975	28.2	3'451	100.0
	Out of L.F.	785	6.1	930	7.2	11'140	86.7	12'855	100.0
	Total	22'095	57.6	3'228	8.4	13'046	34.0	38'369	100.0

1) Alternative definition

Source: based upon Istat CLFS data, 2004-2005.

Onwards, the flow estimates have to be meant as specific share of people who, being in the first year in a given condition, one year later is in a different one (because of the transitions) or in the same one (because of the permanencies). This way, the estimates loose what the probability of finding a job means, and so is possible only approximate the exact meaning.

The tendency to find a job within 12 months, spread on jobseekers profile, confirms some Italian labour market structural regularity. The female share (19,4%) underlines the much lower achievement percentage as compared with the male one (32,5%); a further female labour supply peculiarity is the frequent return to inactivity condition, next to 25%, compared with the male 18,6%. This element seems to confirm a female peculiarity in the labour market, that is common to the Mediterranean area countries: the persistence of a cultural model, tending to establish a rigid role specialization, in consequence of which, women are mostly and especially devoted to the family and men to the livelihood activities. In such a scenario like this, women pursue a job not so persistently as men do. Furthermore, an analysis about the female presence in labour market, based on life cycle approach, shows that female occupation collapses concomitantly with maternity, in consequence of which female work becomes something complementary with children care and housework.

Although part of transitions to a inactivity condition is due to studies protraction, a high percentage of women tend to give up the job seek, choosing to be a stay-at-home sort of woman (tab.3): 11% of unemployed women aged between 15 and 34, enters in a inactivity condition within 12 months - there's no way of knowing if it's a final decision. It should be noted that male and female percentages of return to studies is quite similar.

The analysis of the job seeking results, on the basis of age, on one hand shows the difficulties of young people entering the labour market and get a steady job – in the first two age groups percentage of job seekers is, respectively, 46,4% and 51%; on the other, adults who loose their job have a little chance to find a new one. That suggests the presence of population groups that have serious difficulties involving social negative outcomes.

With the exception of three-year vocational training courses, the higher the educational qualification, better the chances to get a job: a graduate vs. a high school degree has a ten point higher percentage chance to succeed. The share of people who got a high school degree only and go back to a non-active condition, is higher than graduates, and it confirms that when young people can hardly find a job, they tend to continue their studies. In table 3, the share of non-active has been parcelled out, relatively to 15 – 34

year old population, underlining the returns to studies: these data show that the lowest probability to find a job often means a bigger educational investment.

Table 3: Transition from unemployment ¹ according to gender and educational attainment. 15-34 year aged unemployed

Gender	Educational attainment	Employed		Unemployed		Housewife		Student		Out of L.F.		Total	
		v.a. (000)	%	v.a. (000)	%	v.a. (000)	%	v.a. (000)	%	v.a. (000)	%	v.a. (000)	%
Men	Fino a lic.media	128	27.7	256	55.3	-	-	50	10.9	29	6.2	463	100.0
	Diploma 3 anni	18	40.8	23	51.0	-	-	2	4.4	2	3.8	45	100.0
	Secondaria sup.	108	33.2	151	46.2	-	-	33	10.0	34	10.5	326	100.0
	Laurea/post laurea	35	52.9	19	28.4	-	-	6	8.5	7	10.2	66	100.0
	Total	289	32.2	449	49.8	-	-	91	10.1	71	7.9	900	100.0
Women	Fino a lic.media	93	17.8	248	47.1	78.9	15.0	42	7.9	64	12.2	526	85.0
	Diploma 3 anni	17	33.8	26	50.3	3.0	6.0	0	0.4	5	9.6	51	94.0
	Secondaria sup.	112	22.9	230	47.2	44.7	9.2	55	11.3	46	9.4	487	90.8
	Laurea/post laurea	44	30.8	80	56.3	6.3	4.4	4	2.6	8	5.8	141	95.6
	Total	266	22.1	583	48.4	132.9	11.0	100	8.3	123	10.2	1'205	89.0
Total	Fino a lic.media	221	22.4	504	51.0	78.9	8.0	92	9.3	93	9.4	989	92.0
	Diploma 3 anni	35	37.1	48	50.6	3.0	3.2	2	2.3	7	6.9	96	96.8
	Secondaria sup.	220	27.0	381	46.8	44.7	5.5	88	10.8	80	9.9	813	94.5
	Laurea/post laurea	78	37.8	98	47.4	6.3	3.0	9	4.5	15	7.2	207	97.0
	Total	555	26.4	1'032	49.0	132.9	6.3	191	9.1	194	9.2	2'105	93.7

1) Alternative definition

Source: based upon Istat CLFS data, 2004-2005.

Table 4: Outcomes of the job search

		Status 2005							
		Employment		Unemployment ¹		Out of L.F.		Total	
		v.a.	%	v.a.	%	v.a.	%	v.a.	%
Gender	Male	457	32.5	690	49.0	261	18.6	1'409	100.0
	Female	395	19.4	934	45.7	713	34.9	2'042	100.0
	Total	852	24.7	1'624	47.1	975	28.2	3'451	100.0
Age	15-24	238	26.1	423	46.4	252	27.6	913	100.0
	25-34	317	26.6	608	51.0	267	22.4	1'192	100.0
	35-44	179	23.2	363	47.2	228	29.6	770	100.0
	45-54	90	22.0	173	42.4	146	35.6	409	100.0
	55-64	29	17.1	56	33.3	83	49.6	167	100.0
	Total	852	24.7	1'624	47.1	975	28.2	3'451	100.0
Area	Nord ovest	175	38.4	167	36.5	115	25.2	457	100.0
	Nord est	110	37.1	94	31.7	92	31.1	297	100.0
	Centro	152	29.0	228	43.6	143	27.3	523	100.0
	Sud e isole	415	19.1	1'135	52.2	624	28.7	2'174	100.0
	Total	852	24.7	1'624	47.1	975	28.2	3'451	100.0
Educational level	Fino a lic.media	426	22.2	887	46.2	606	31.6	1'919	100.0
	Diploma 3 anni	57	29.5	94	48.5	43	22.0	194	100.0
	Secondaria sup.	279	25.6	526	48.4	282	25.9	1'086	100.0
	Laurea/post laurea	90	35.9	117	46.6	44	17.6	252	100.0
	Total	852	24.7	1'624	47.1	975	28.2	3'451	100.0

Source: based upon Istat CLFS data, 2004-2005.

The territorial disaggregation confirms a critical situation in the southern Italy, where people have the least chance to find a job, and where live 70% of unemployed people. It should also be noted that the southern areas of Italy are characterised by an unemployment standstill rate in 1 year higher than 50%, while the share of returns to non-activity is not so different from the national average.

Is quite complex to define a kind of contract that has elements from both dependent and Independent work. Employed with this kind of work are economically dependent workers, but their contract is an independent one.

3. Unemployment risk for employed

Loosing a job is usually a dramatic event to anyone. For some categories of workers getting back in a job seeking situation is something hard, especially for those who have a low studies qualification or are in their mature age.

The youngest work-force for a long time now has been characterized by frequent transitions back and forth employment and non-employment conditions. Entering an occupation usually goes along with a remarkable flexibility, that means a trial and training period.

Recently, flexible contracts have been ever more frequent; the reorganization - still in progress - of contract forms, both for employed and self-employed or para-subordinate³ workers, and economic stagnation between 2002-2005, pushed the firms to reduce the recruitment, to decrease in the short time the adjustment costs, to lower the labour cost through flexible contracts. Furthermore, the kind of contracts allowing training besides working as the subject-matter of the agreement, got through a long period of transition. The impossibility to use the training on the job contract⁴ (cfl) and the changes made by law n. 30/2003 to apprenticeship contract⁵, generated confusion in the contracts of work scenario. The work and training contracts, applicable to the young workers only, allow a remarkable tax relief, so as to be particularly appealing to the firms: it makes young people occupation entrance much more fluid, getting low the labour cost and motivating companies to train the new staff.

European Commission excepted to the incentives as provided by training on the job contract (cfl): consequently, the Italian Ministry of Labour authorized the last cfl's contracts in October 2004, since then, that kind of contract is not available anymore. Focus moved to apprenticeship contracts, the only hybrid kind of contract that allows a remarkable tax relief for companies.

However, the new apprenticeship contracts, as reformed by law 30/2003, is not yet available on the whole national territory because local administrations produced the secondary provisions and the agreements allowed by D.Lgs 276/2003, heavily behind schedule. The result is a long lawlessness period that damaged young people mainly, that have been offered with ever more flexible contracts, which means ever more lack of stability and work supply segmentation. In such a scenario like this, the risk for young people to loose their job raised substantially, especially for those who are not so competitive. This situation helped to increase the flexible contracts' number and, on the other hand, to make the way to work stabilization even longer for the new occupied. Moreover, economic stagnation increases the chance to stay in an unemployment situation.

Unemployment risk has been studied through a logistical model able to estimate the chance some specific workers' groups have to loose their job. We used the longitudinal data basis, reconstructed on CLFS Istat data, between 2004 and 2005. In the model's

³ Is quite complex to define a kind of contract that has elements from both dependent and independent work. Employed with such a contract are economically dependent workers, but their contract is an independent one.

⁴ The 'Contratto Formazione e Lavoro' (cfl - training on the job contract) is a fixed term contract aimed at reducing unemployment and supporting the training of young Italian workers.

⁵ The apprenticeship contract is a fixed term contract which combines the mutual exchange of work and pay that is inherent in a contract of employment, with the content of a learning contract obliging the employer to provide the theoretical and practical instruction needed for the purposes of a particular skilled occupation.

explicative variables, we included - besides the demographic profile – the worker’ features, such as the contract type (subordinate employment or self-employment; fixed-term or permanent contract), the working hours (full-time or part-time), professional qualification, economic activity sector. The model statement can estimate the possibility to move from employed to unemployed condition in 12 months (using the alternative definition). We didn’t consider transitions between employment and inactivity.

$$Prob \{Y = 1\} = \frac{e^z}{1 + e^z}; \quad z = BX + u \quad (1)$$

Table 5: Outcomes of the logit regression

		Model					
		B	exp(B)	S.E.	Wald	df	Sig.
Gender	Male	0.000	1.000				
	Female	0.269	1.309	0.093	8.311	1.000	0.004
Age	15-24	0.000	1.000		79.078	4.000	0.000
	25-34	-0.453	0.636	0.118	14.754	1.000	0.000
	35-44	-1.003	0.367	0.129	60.399	1.000	0.000
	45-54	-0.823	0.439	0.140	34.504	1.000	0.000
	55-64	-1.330	0.265	0.225	35.063	1.000	0.000
Area	Nord ovest	0.000	1.000		145.450	3.000	0.000
	Nord est	-0.313	0.731	0.146	4.605	1.000	0.032
	Centro	0.325	1.385	0.129	6.344	1.000	0.012
	Sud e isole	1.001	2.722	0.110	83.582	1.000	0.000
Educational level	Fino a lic.media	0.000	1.000		21.378	3.000	0.000
	Diploma 3 anni	-0.196	0.822	0.165	1.420	1.000	0.233
	Secondaria sup.	-0.376	0.687	0.103	13.205	1.000	0.000
	Laurea	-0.760	0.468	0.193	15.542	1.000	0.000
Professional status	Dipendente permanente	0.000	1.000		249.743	4.000	0.000
	Dipendente a termine	1.481	4.399	0.101	214.248	1.000	0.000
	Collaboratore continuativo	2.532	12.579	0.434	34.090	1.000	0.000
	Collaboratore occasionale	2.653	14.194	0.525	25.543	1.000	0.000
	Altro autonomo	1.342	3.826	0.399	11.330	1.000	0.001
Professional level	Dirigente/quadro	0.000	1.000		16.974	2.000	0.000
	Impiegato	0.934	2.546	0.393	5.654	1.000	0.017
	Operaio e assimil.	1.306	3.692	0.397	10.830	1.000	0.001
Economic activity sector	Agriculture	0.000	1.000		27.773	4.000	0.000
	Manufacturing	0.808	2.244	0.221	13.358	1.000	0.000
	Construction	0.605	1.832	0.240	6.339	1.000	0.012
	Trade	0.332	1.394	0.232	2.060	1.000	0.151
	Other service activities	0.317	1.374	0.216	2.150	1.000	0.143
Tempo lavoro	Full time	0.000	1.000				
	Part time	0.869	2.384	0.104	70.327	1.000	0.000
Constant		-5.126	0.006	0.473	117.397	1.000	0.000

Cox e Snell R²=0.038, Nagelkerke R²=0.153

Estimates mostly confirm the descriptive analysis’ results: comparing the age groups young people have the highest unemployment risk, and graduates have the best working steadiness. Fixed term contract is the most disadvantaging type of contract for employees, as well as para-subordinate contract, (including both Coordinate and continuous cooperation and project activities) is for self-employed.

The parameters of the estimated model show the effect of the variation of the correspondent characteristic on the *logit*, that is a function of the probability. Linearising the right hand side of the equation (1) through logarithm, it yields:

$$\log\left(\frac{Prob \{Y = 1\}}{1 - Prob \{Y = 1\}}\right) = BX + u \quad (2)$$

In such a way the interpretation of the coefficients is not of immediate understanding. In order to better represent the results, the probability of being unemployed has been calculated for some specific profiles, together with its variation for every value of the selected characteristics.

Given a profile $\mathcal{G}$, obtained selecting a single value from every variable, and denoting with H_k the number of items of each variable, the probability of the generic profile $\mathcal{G}$ is given from:

$$p(\mathcal{G}) = \frac{e^{z(\mathcal{G})}}{1 + e^{z(\mathcal{G})}}; \quad z(\mathcal{G}) = \beta_0 + \sum_{k=1}^L \sum_{j=1}^{H_k} \beta_{k,j} \cdot x_{\mathcal{G}}(k, j) \quad (3)$$

where $x_{\mathcal{G}}(k, j)$ is a dummy variable that assumes value equal to 1 if the item j of the variable k is selected in the profile $\mathcal{G}$ and 0 otherwise. Let's denote with $\mathcal{G}_{s,t}$ the profile $\mathcal{G}$ when the variable s assumes value t ; then the probability of the profile $\mathcal{G}_{s,t}$ is:

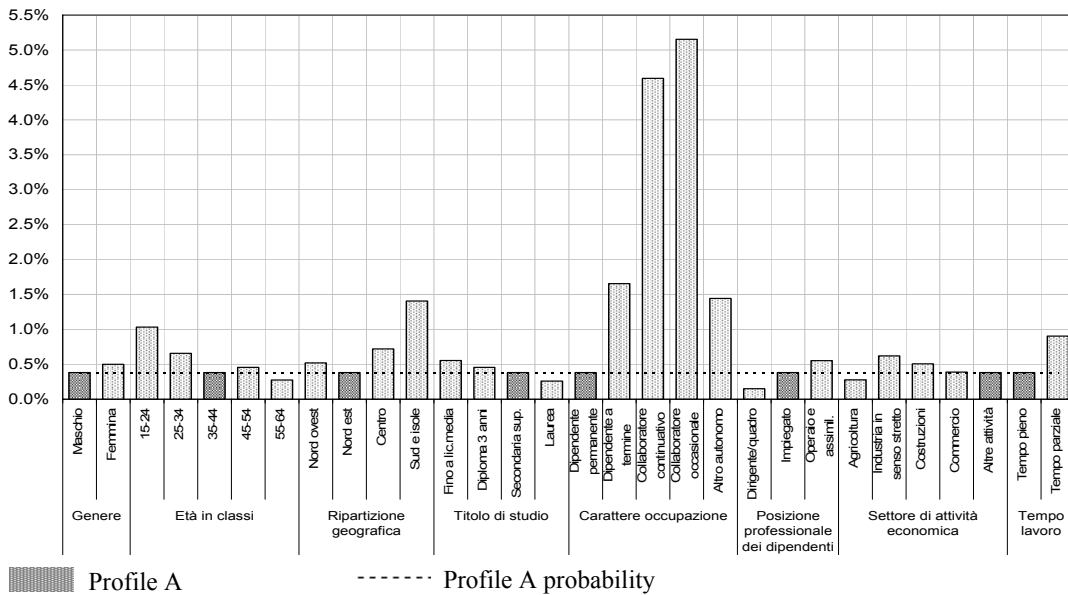
$$p(\mathcal{G}_{s,t}) = \frac{e^{z(\mathcal{G}_{s,t})}}{1 + e^{z(\mathcal{G}_{s,t})}}; \quad z(\mathcal{G}_{s,t}) = \beta_0 + \sum_{k=1}^L \sum_{j=1}^{H_k} \beta_{k,j} \cdot x_{\mathcal{G}}(k, j) - \beta_{s,j} + \beta_{s,t}$$

Through a simple difference it is then possible to calculate, for a given profile, the contribution of every single category to the estimated probability:

$$\Delta p(s, t | \mathcal{G}) = p(\mathcal{G}) - p(\mathcal{G}_{s,t})$$

The analysis of the probabilities variation of every items does not assume a specific analytic valence, but it is an useful artifice to the exposure.

Figure 3: Logit estimated probability variation. Profile A



Source: based upon Istat QLFS data, 2004-2005.

Figure 4: Logit estimated probability variation. Profile B

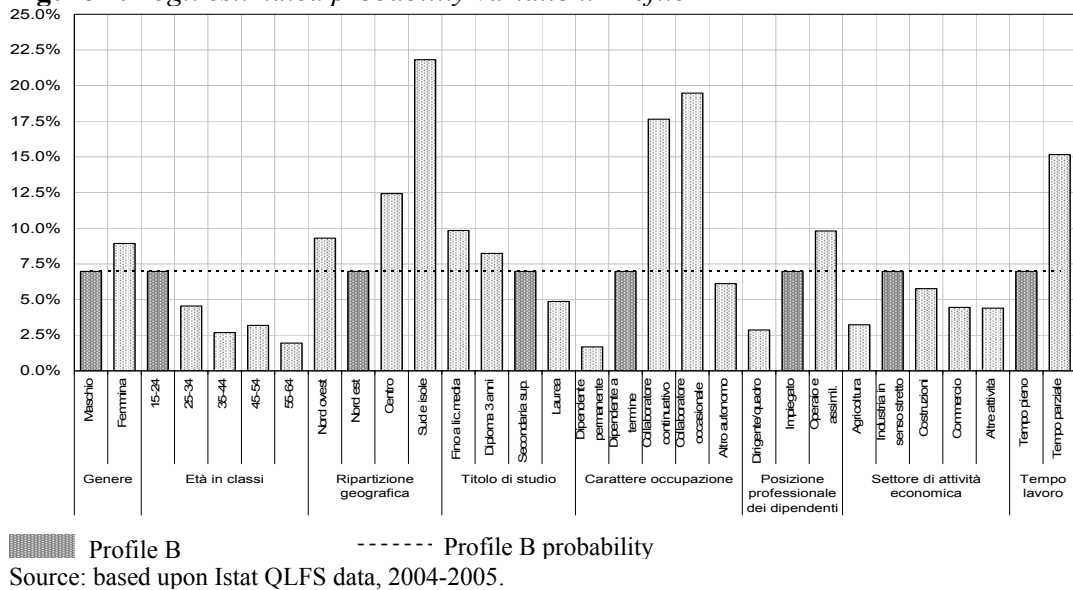
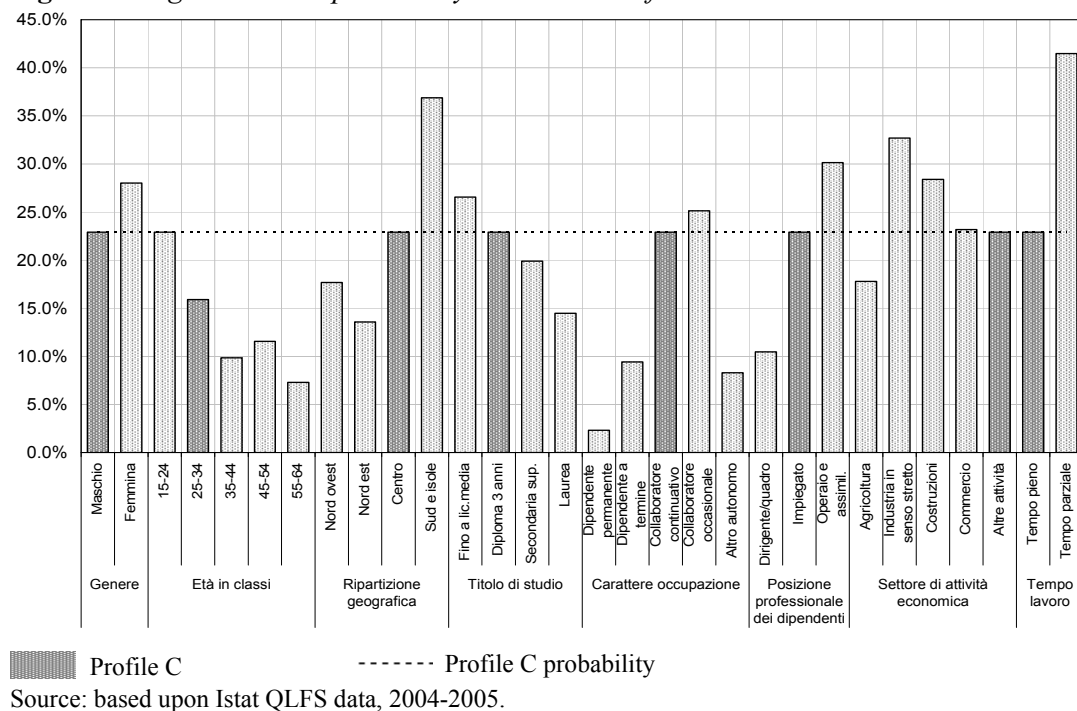


Figure 5: Logit estimated probability variation. Profile C



First profile we analysed is a male employee, aged between 35 and 44, with a full-time and permanent contract who works in the service sector (excluding commerce area) and with a high school degree. This profile is for identifying a steady worker's standard job. In this case, the possibility to move to an unemployed condition is very low (0.4%). Factors that make the unemployment risk higher, although in a non-remarkable measure, are tightly connected to the territory: an employee, perfectly matching with the

profile's features, who lives in the southern Italy, has an unemployment risk equal to 1.5%, which means four times as big comparing his homologous living in the northern Italy, and twice comparing an employee who lives in central Italy. If we consider flexible contracts, such as fixed term contracts (1.7%) or para-subordinated work (4.6%), the unemployment risk rises sensibly. Anyway, those kind of contracts are not so common to the profile we analysed.

Next profile (B) concerns a young employee with a fixed term contract, with very common traits for this kind of worker: a male employee, who lives in the north-east area of Italy, and works in the industrial sector. Unemployment risk, in this case, rises up to 7%. The variations of the probability are much more complex than in the previous profile, which referred to a steady kind of work. Territory influence is notable, and confirms that difficulties for young people who are entering the labour market, are definitely bigger in the South of Italy, where the unemployment risk, for the kind of profile we examined, rises up to 22%. Same risk is really high in Central Italy too. Also in this case para-subordinated work tends to contribute to the critical situation of youth work. Eventually, we mention the high unemployment risk that concerns young people as described in the profile, with - in addition - a part-time contract, to confirm that a part-time job, when combined with fixed term contract, implies a remarkable precariousness' increase.

Next profile (C) is still about young workers, with a flexible contract and a para-subordinated kind of job. The risk to loose their job within 12 months is quantifiable in 23%, which underlines the instability of contracts such as coordinate and continuous cooperation and project activities.

Once again, the analysis confirm that in southern Italy areas, unstable youth work situation is even worse. Still, a high educational level can cushion the unemployment risk that the kind of contracts we examined entails.

Furthermore, our analysis shows that some profiles have an unemployment risk much higher than the national average: young people with non-standard jobs, fixed term job or para-subordinated work. Other contributing factors that weigh on unemployment risk are related to women – feminine occupation is at a higher risk than the male one – and to geographical distribution – in southern Italy the labour market differences are quite impressing and really disadvantaging. Finally, our analysis confirms a high return on school-investment: the higher the educational level, the lower the risk to stay in an unemployment condition.

4. Conclusion

In Italy, the unemployment risk is not particularly high. Between 2004 and 2005 3.2% of italian occupied had a chance to move to a unemployment condition. This value if added to a low variability, could have a merely frictional valence. The Italian labor market on the contrary has one elevated concentration between work profiles, which is associated a probability of unemployment considerably different. More than 65% of employed have a steady job, permanent and subordinate: this is the group with the lowest unemployment risk, 2.2%. Fixed term contracts, which involve approximately one million and a half of occupied, imply a much higher risk, 12.4%. Para-subordinated jobs have a similar rate.

Excluding standard jobs and professional and entrepreneurial self-employment – not examined in this paper - there are 2 million workers left at a very high unemployment

risk. Some segments of the population are more exposed to precariousness, especially women - whose higher risk comparing men is something constant in every groups we analysed - and young people entering the labour market. Flexible contracts helped to make the unemployment risk even higher. But the use of flexible contracts doesn't necessarily mean precariousness. A period of flexibility allow young people to restrain the inertia phase when they're entering the working world, letting them to get specific proficiency optimizing the school investment return. Contextually, flexible job allow the firms to reduce the direct hiring risks, keeping the work force adjustment costs low and allowing the companies to use non-standard contracts as a probationary period.

Anyway, in particular situations, non-standard contracts can generate precariousness. Usually it happens when flexibility becomes something structural. When economic growth stagnates, enterprises prefer flexible contracts with the aim to reduce the labour costs. The less competitive work force segments tend to easily accept non-standard jobs especially in the areas with high unemployment rate. The smallest and least organized firms use to prefer flexible contracts, regardless of economic growth. That process causes an unemployment risk increase, higher for the less competitive population groups. Any discussion about flexibility and precariousness has always underlined the need to balance the unemployment risk. The law 30/2003 itself, that introduced new forms of labour flexibility, still provided, in a preliminary step, the so-called "second leg" of the reform⁶. It refers to the introduction a social protection systems and support to the income in the period of unemployment for those who are involved in flexible jobs. This is a rule in many European countries, where the labour market is less rigid than the Italian one. This social protection systems is a sort of a mutual sharing of the risk coming from a medium aimed to get benefits: flexibility makes companies more competitive and usually causes an occupation increase. If the social cost of those benefits falls upon a particular population segment, we witness a labour market structural segmentation process, creating a scenario where the weakest part of work force pays – in terms of precariousness - the benefits for the entire social system.

Furthermore, the tendency to use non-standard contracts with the aim to lower the labour cost, is a distortion if compared to the all provisions' purpose that introduced or reformed non-standard contracts. The labour cost reduction, got through incentives and tax relief for the enterprises, and restrained to some contract forms, is an economic policy instrument used to help particular population segments with particular difficulties (long-term unemployed, young entering the labour market, people who live in disadvantaged areas, etc.). Some type of contracts have a sensibly lower tax burden than standard contract. The most emblematic case is para-subordinated work, that combines both a low labour cost and a very high flexibility. The tendency to use para-subordinated work for jobs which entail subordinated employment, and that with the aim to decrease the labour cost, is a distortion. On the contrary, the temporary work balances the flexibility with a higher labour cost. In conclusion, flexibility is a benefit for the companies, which can reduce the work input adjustment costs and also can help to manage temporary production peaks without hiring the needed work force. the temporary work entails additional costs, while para-subordinated contracts combine benefits and a lower labour cost. Actually, laws in force provide for fixed limits to para-subordinated work's exploitation. However, recent evidences revealed an employers' tendency to use non-standard work distortedly.

⁶ Libro bianco sul mercato del lavoro, Ministero del lavoro e della previdenza sociale, 2001.