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The exit from the crisis of labour market in Italy: an analysis with flow data

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The Objectives

- Trying to understand, through the analysis of flow statistics, if the recession of the labour market has reached the end. Can we speak of a turnaround or just a short period of positive economic cycle?
- Identifying who has enjoyed greater benefits from the changed economic situation (and at the same time who have provided a significant contribution)
- Identifying who still suffers the effects of a stagnant situation.

Introduction

- **2008-2013** a sharp fall in employment is recorded: is one of the most tangible signs of the long period of difficulty that Italian society has crossed
- **2014-2016** the Labour Force Survey shows an increase in the employment rate both in tendential and in conjunctural terms. It is a «persistent growth albeit at low intensity» (Istat, 2016)

Since December **2015**, Istat, the Italian National Institute of Statistics, has included in the quarterly press release on the labour market also flow statistics as an additional tool to the analysis of occupational situation.

Data and Methods

Longitudinal Component of Labour Force Survey:

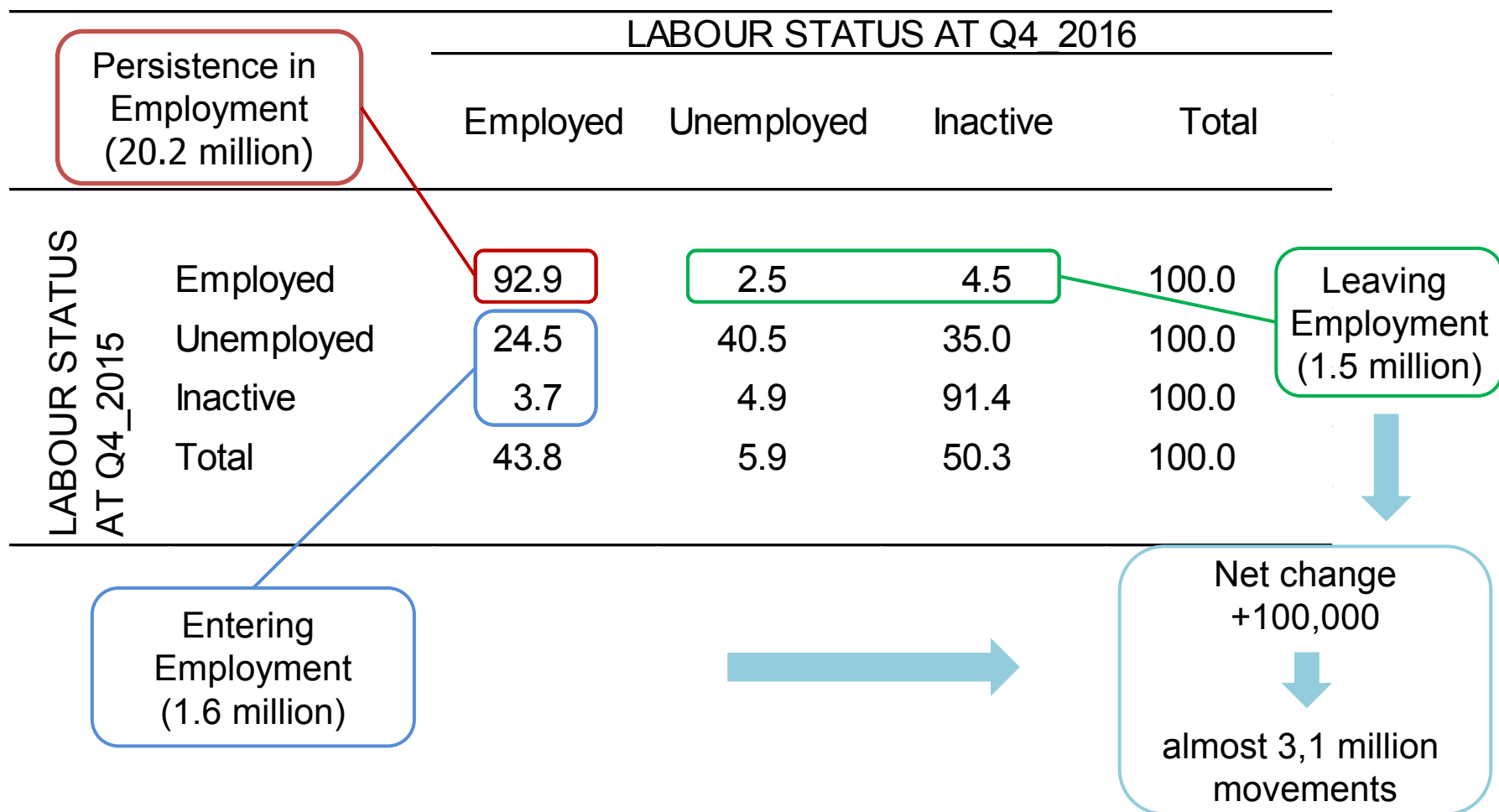
The survey design includes a sample rotation scheme so that half of the households of each quarterly sample results overlapped at distance of 3 and 12 months.

The data: flow statistics of the LFS at a distance of 12 months.

The time period: from III quarter 2012 - III quarter 2013
 to IV quarter 2015 - IV quarter 2016.

The longitudinal data are used to quantify the quarter-on-quarter transitions between labour market statuses (employment, unemployment inactivity)

The transitions in labour market status in Italy 2015q4 2016q4 (%)



Synthetic indicators of flows

The transition rate is calculated as the share of a transition between two labour market statuses in percentage of the labour market status in the initial quarter. I.e. transition from unemployment to employment

$$TRu = \frac{UE}{(UE + UU + UI)} * 100$$

The permanence rate is calculated as the share of permanence in the same labour market status in percentage of the labour market status in the initial quarter. I.e. permanence in employment

$$PRe = \frac{EE}{(EE + EU + EI)} * 100$$

E = Employment; U = Unemployment; I = Inactivity.

Synthetic indicators of flows

The composition ratio is calculated as the share of a transition between two labour market statuses in percentage of the labour market status at final quarter: (i.e. the proportion of unemployed at starting period on the total of employed at end of period).

$$CRe = \frac{UE}{(EE + UE + IE)} * 100$$

E = Employment; U = Unemployment; I = Inactivity.

Synthetic indicators of flows

The reallocation rate for hiring (RRh): is calculated as the share of people entering employment in percentage of the sum of those who remain employed, move in and out of employment in the same period.

$$RRh = \frac{UE + IE}{EE + (UE + IE) + (EU + EI)}$$

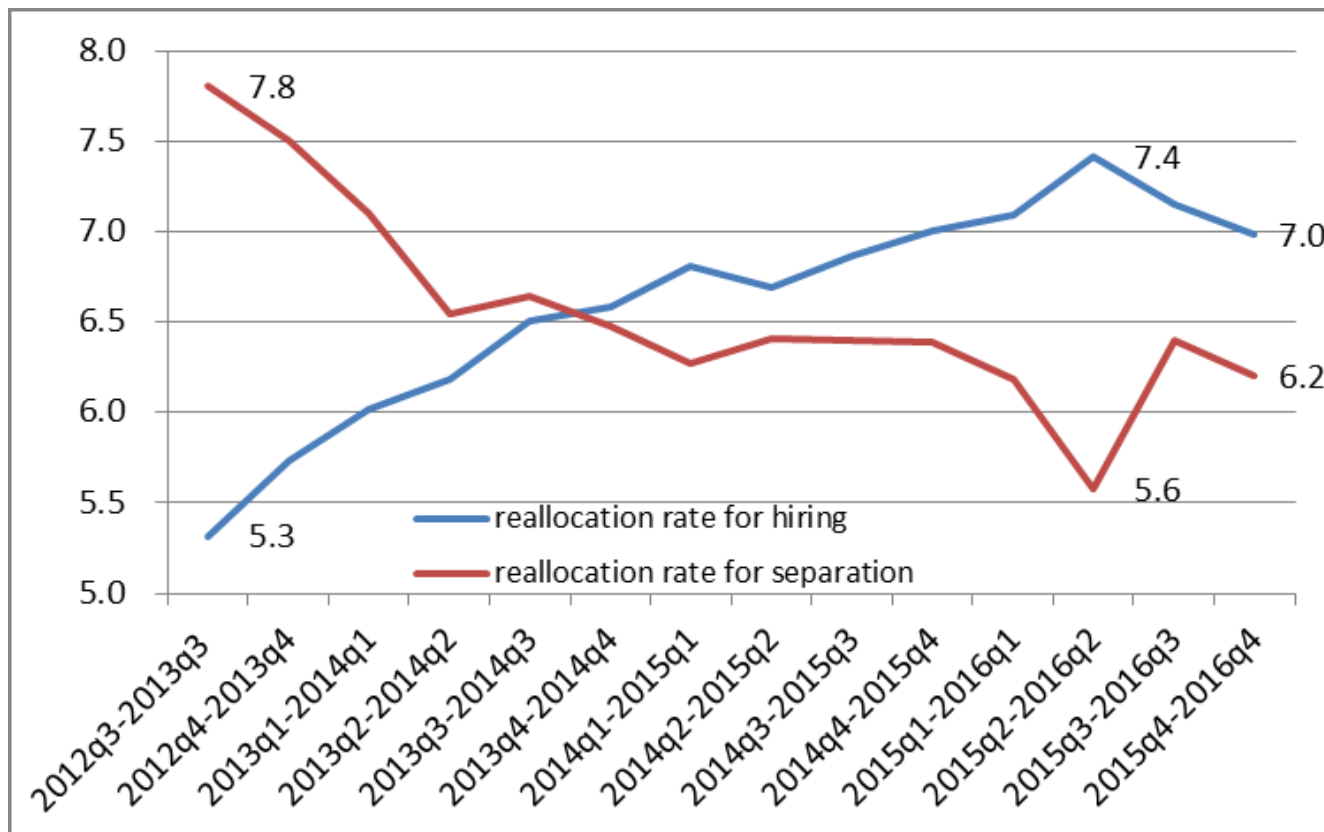
The reallocation rate for separation (RRO): is calculated as the share of people leaving employment in percentage of the sum of those remain employed, move in and out of employment in the same period.

$$RRs = \frac{EU + EI}{EE + (UE + IE) + (EU + EI)}$$

E = Employment; U = Unemployment; I = Inactivity.

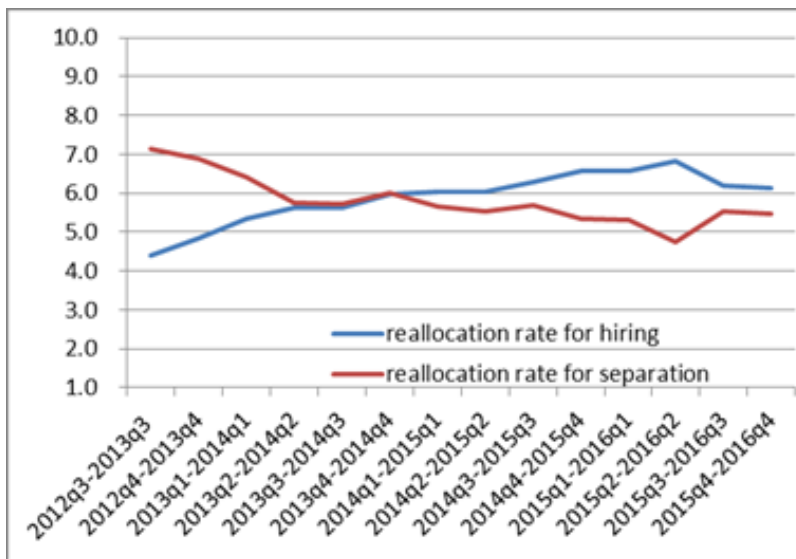
Reallocation rate: is the crisis over?

F1 – Reallocation rate for hiring and separation (age group 15-64).
12 months flow statistics.



F2 – Reallocation rate for hiring and separation by sex

Males

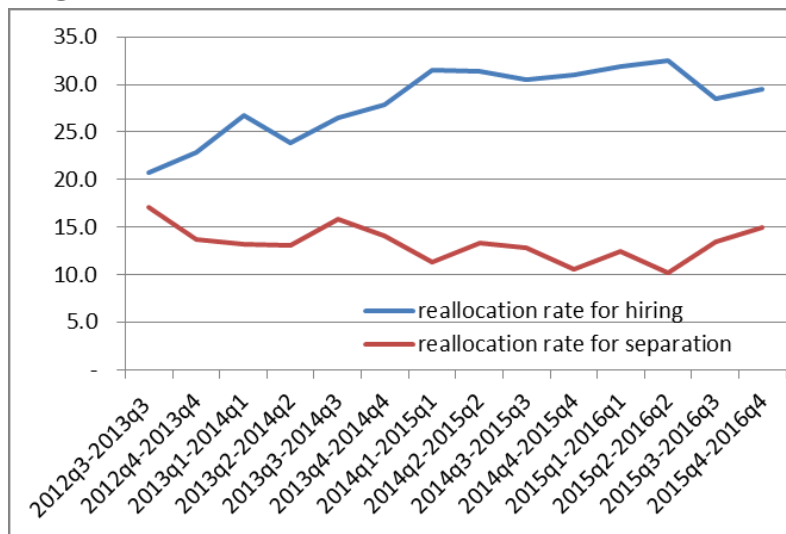


Females

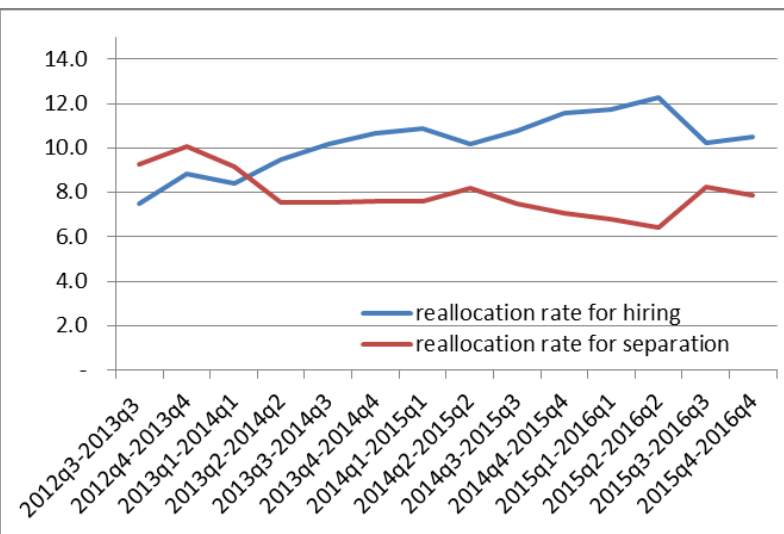


F3 – Reallocation rate for hiring and separation by age

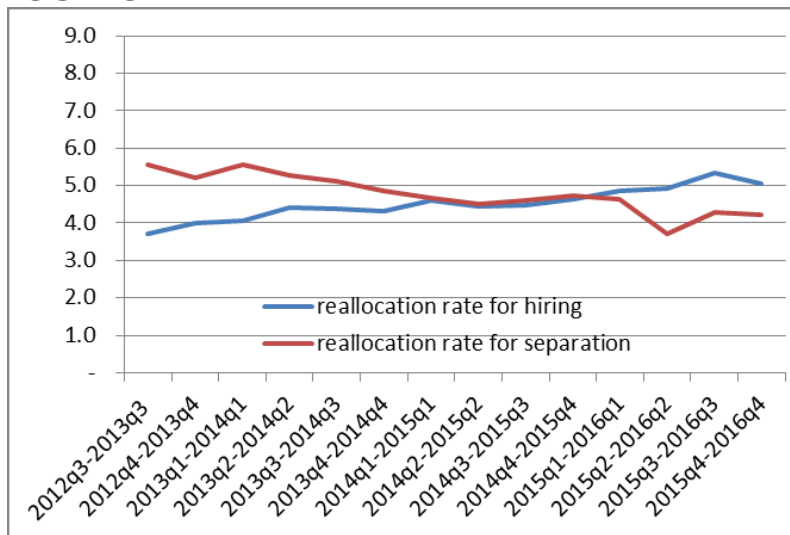
15-24



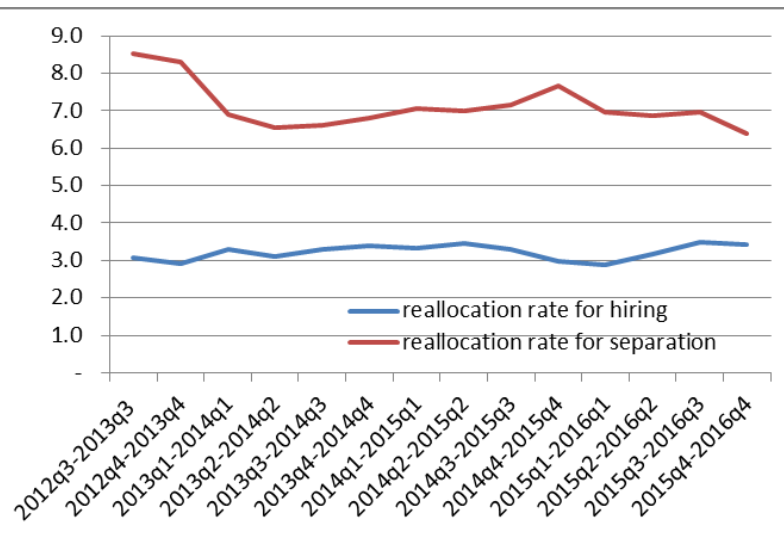
25-34



35-49

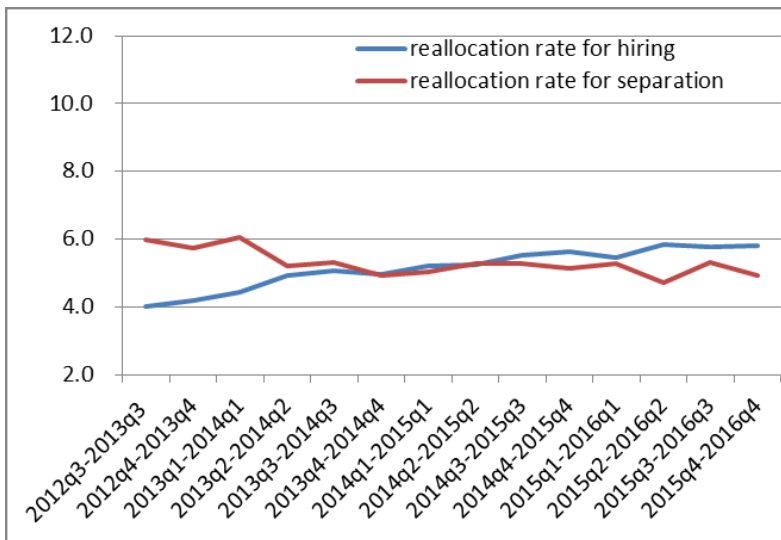


50-64

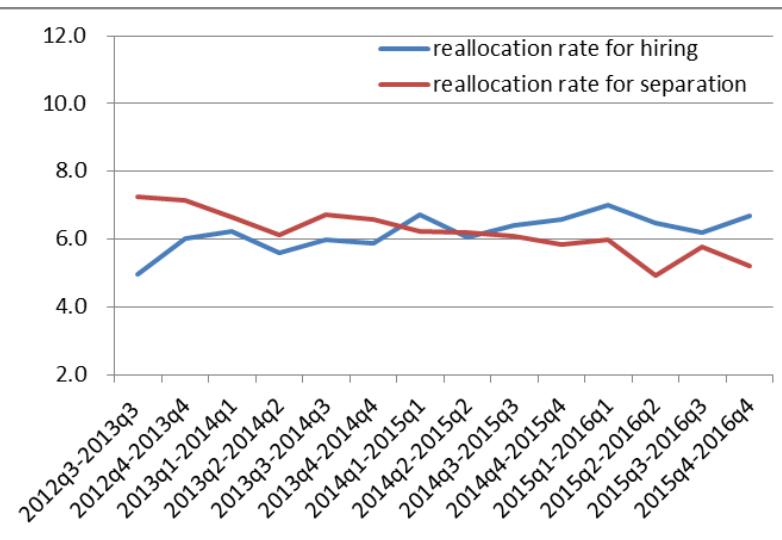


F4 – Reallocation rate for hiring and separation by geographical area

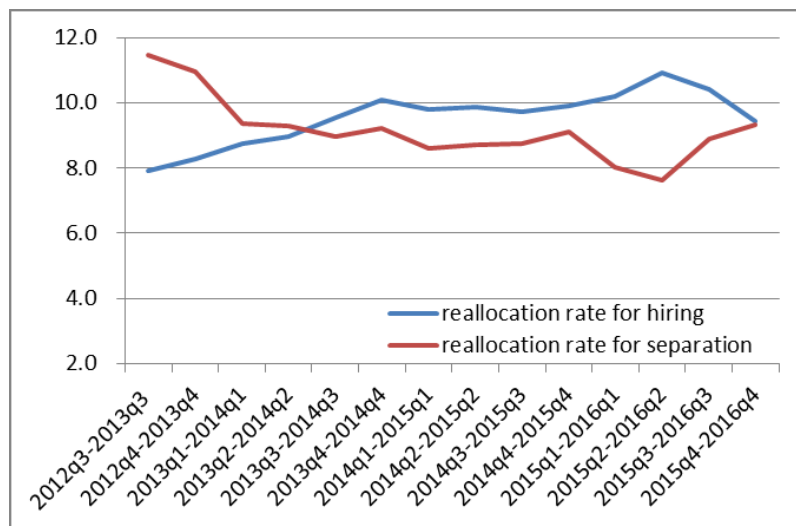
North



Centre

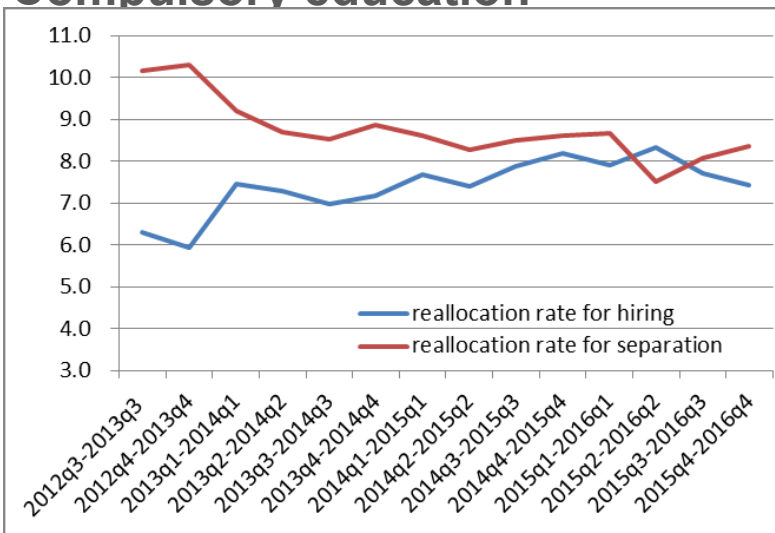


South

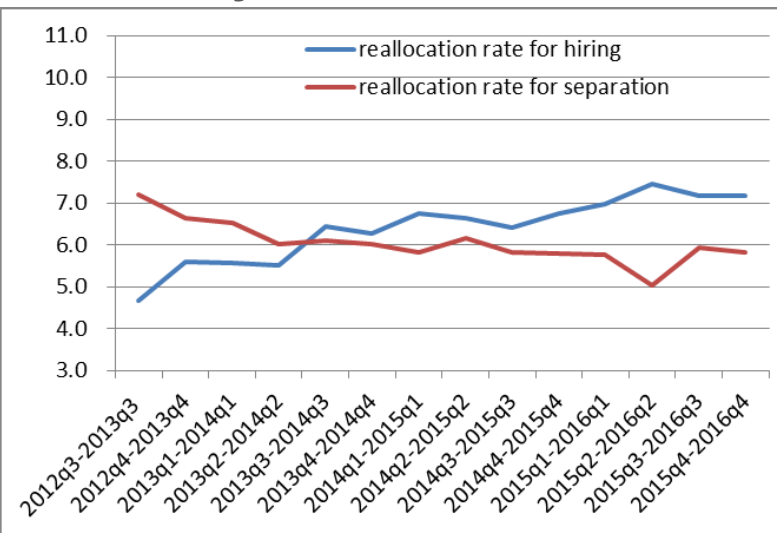


F5 – Reallocation rate for hiring and separation by education level

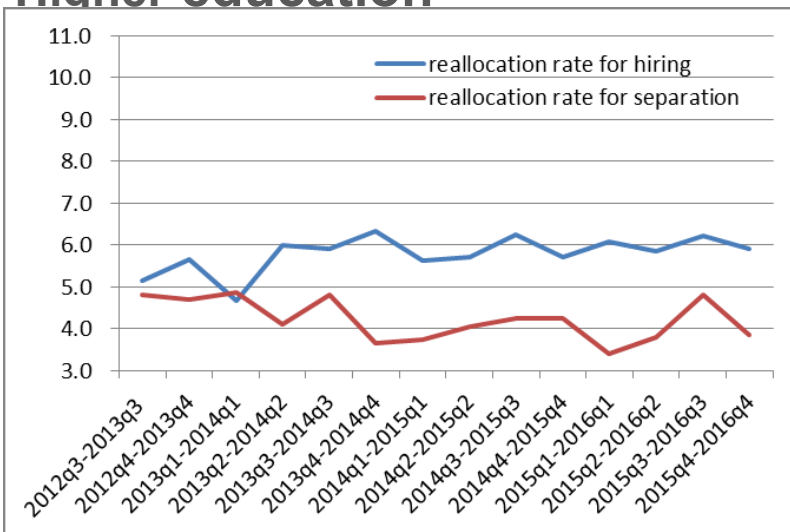
Compulsory education



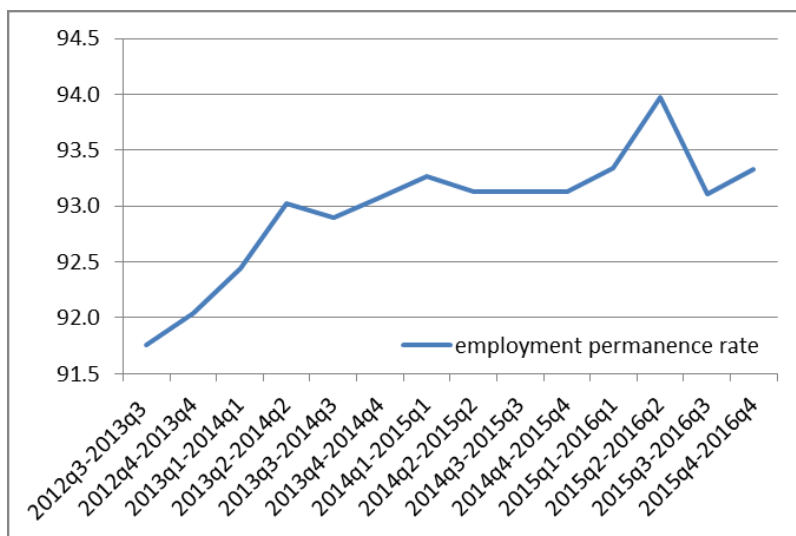
Secondary school



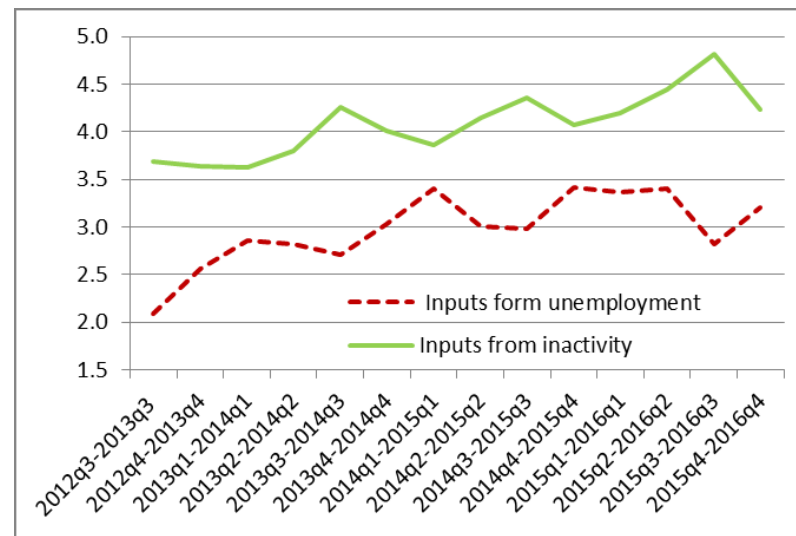
Higher education



F6 - Employment permanence rate
(% on employed persons at t0).



F7 - Composition rate by employment
status at t0 (% on employed at t1).



Conclusions

- The flows statistics show employment recovery signals from the end of 2014 – when the hiring exceeds the separation – and the positive trend is confirmed throughout 2015 and in the data of 2016
- The recovery reaches its peak in the second quarter 2016, subsequently it decrease slightly but the trend is however positive.
- Employment growth has involved mostly men, young people, and the residents in the South, the most affected during the crisis, and those for whom the positive trend was more marked in advance. Moreover, the recovery has involved more people with higher educational qualification.
- Anyway, the reversal trend of the indicators of the last two time intervals concerns especially the young people, the residents in the South and the less educated. These usually represent the most vulnerable groups in the labor market, and for them the real end of the crisis could be at risk.

Thank you for your attention

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Componente longitudinale della RFL

Schema di rotazione 2-2-2 delle famiglie del campione

YEAR		2014				2015				2016			
QUARTER		1	2	3	4	1	2	3	4	1	2	3	4
PANEL	A	A1	A2			A3	A4						
PANEL	B		B1	B2			B3	B4					
PANEL	C			C1	C2			C3	C4				
PANEL	D				D1	D2			D3	D4			
PANEL	E					E1	E2			E3	E4		
PANEL	F						F1	F2			F3	F4	
PANEL	G							G1	G2			G3	G4
PANEL	H								H1	H2			H3

50% del campione viene reintervistato a distanza di 3 mesi
 50% del campione viene reintervistato a distanza di 12 mesi