



Newsletter

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PRESENTATION

The Centre was constituted on March 6, 2000. Its administrative head office is based in Torino at the Department of Economics. The Centre acts as a network for the activities of five different Universities: Firenze, Modena, Verona, Pisa, Roma II. The Director is Daniela Del Boca.

The Centre was constituted under the auspices of the European Society of Population Economics (ESPE). During its first year of activities, the Centre has promoted the collaboration of researchers in the field of population and household economics with a particular interest to the relationships between households, within households and between the family and the state by organizing conferences, seminars and research on these themes.

CHILD is also engaged in a long term project of acquiring bibliographic resources and data (both at micro and macro level) on the economics of the family, at the European and international level (i.e. ECHP, Bank of Italy'SHIW, ISTAT Indagine Multiscopo). Pro-

grammes for data management and analyses will be also available on our website.

CHILD, with the collaboration of other public and private institutions, has already organized lectures and workshops. Moreover there are plans to organize specialized courses (i.e. Summer School) and programmes of student and researchers exchanges.

A network of relationship between CHILD and other centres interested in the same topics is already active. Links already exist with ISER (Institute for Social Economic Research) at the

University of Essex, IZA (Institute for the Study of Labour) in Bonn, C.V. Starr Center for Applied Economics and CES (Center for European Studies) at the New York University.

A series of working papers relevant to the economics of the family and related topics at empirical and theoretical level is already available on our website.

The present Newsletter has the objective of updating the information upon CHILD and establishing more links with other research groups and individuals.

Editorial board

Daniela Del Boca
(daniela.delboca@unito.it)

Vito Moscato
(vito.moscato@unito.it)

Silvia Pasqua
(silvia.pasqua@unito.it)

Alessandra Venturini
(venturini@decon.unipd.it)



*Department of Economics, University of Turin
Via Po 53, 10124 Turin, Italy*

ARE IMMIGRANTS ASSIMILATING IN THE ITALIAN LABOUR MARKET? IS THE TOWN DIMENSION RELEVANT?

Alessandra Venturini

Immigration in Italy is no more a recent phenomenon. Inflows started in mid seventies and now in 1999 they reached one million and half (ISTAT, data on foreign residents). It is now time to study the economic integration of immigrants in the Italian labour market, and this is the subject of a recent CHILD working paper (Venturini A., Villosio C. Are Immigrants Assimilating in the Italian Labour Market? Is the town dimension relevant? An Analysis using administrative data, CHILD 11/2000) which examines foreign wage and employment assimilation taking into account the town size effect.

The economic theory provides opposite reasons to forecast the effect of big town size in the labour market: in big town it might be easier to find a job-match but it is also easy that the match is not the right one and that the worker will change job more frequently. Foreigners, in addition, are attracted by the larger community located (legally or illegally) in big cities but frequently the larger is the community the more difficult is to find a legal job because the supply is larger. Big towns's job placing offices may have a larger variety of job offers, many of them disregarded by native workers but accepted by foreigners thus favouring their economic integration. In addition social and public organisations provide language and training courses for foreigners favouring their employment insertion. Thus we have no apriori expectations on the relation between job tenure and wage differential and the town dimension.

To tackle this issue we used the INPS (National Social Security) Archive, the only data set which provides individual information on

foreigner employment. Unfortunately the data set covers only employees in private firm, and therefore self employed, foreigners employed in Agriculture and as family workers are excluded from our analysis. However, it still refers to about 71% of total legal foreign employment in Italy from 1987 to 1995. The results on employment assimilation, show that the duration of job spells, controlling for different characteristics, is shorter for foreigners than for natives. But, working in big towns increases job duration for foreigners while reduces job duration for natives and thus it reduces the differential between the two groups. The Oaxaca wage decomposition (see table below) show a small wage gap, in large majority explained by the different characteristics between natives and foreigners. The town size increase the native-foreigner wage gap even if the role of big town is modest.

The wage gap is small in absolute value, but it is even less important if compared to the gender wage gap found, using the same data set (0.225 and only 25% of it explained by the different characteristics), by Bonjour and Pacelli

(“Wage Formation and Gender Wage in Italy and Switzerland”, UCL discussion paper 12/98) Evidence of wage assimilation results by following the employees for three years. For workers employed in 1995 who were already employed in 1993, the absolute wage gap is in fact reduced and the explained part increased while the town effect seems to be reduced as well.

In conclusion, wage differential between foreigners and natives exists, but it is small and it decreases with tenure in employment. Tenure differential exists as well but it decreases with time spent in the country. The role played by big towns seems positive for immigrants in that they favour the job match even at the cost of a lower initial wage (larger initial wage differential between natives and foreigners) which however increases trough time in employment.

Oaxaca wage differential decomposition – Main results for 1995

Mean log daily wage for natives	4.659
Mean log daily wage for foreigners	4.516
Wage gap	0.143
Explained part (%)	57.55
Unexplained part (%)	42.45
Contribution (%) of different characteristics on the wage gap:	
Occupation	51.17
Age	3.55
Completed tenure	13.36
Firm size	30.39
Gender	-26.33
Geographical location	-7.86
Town (>800.000 population)	0.80

GLOBALISATION CAN HELP REDUCE CHILD LABOUR

Alessandro Cigno

Globalisation and child labour are words that evoke strong emotions. Put together, they make an explosive mixture. A recent CHILD working paper (A. Cigno, F.C. Rosati and L. Guarcello, "Does Globalisation Increase Child Labour?", CHILD15/2001) tries to cut through the emotional mist surrounding this subject.

Globalisation is the process by which an increasing share of world production is traded internationally, and the productive systems of different countries become increasingly integrated. The paper attempts to answer the following question: given that international trade has major allocative and distributive implications, are children likely to be among the losers? More specifically, given that child labour appears to be on the increase at world level, could globalisation be the cause?

Figure 1 shows that developing countries *more* exposed to international trade tend to have *less* child labour. It

parents are able to finance educational investments. An increase in the wage rate for uneducated (and, thus, child) labour raises the cost of sending a child to school. By contrast, an increase in the wage rate for educated labour raises the return to education.

If parents could borrow against their children's expected future earnings that would be the end of the story. As they typically cannot, however, educational investments may have to be financed out of current income. In other words, parents and households may face a liquidity constraint, that will make the effects of wage rate changes somewhat ambiguous. An increase in the uneducated wage rate does in fact reduce the incentive to send a child to school, but it will also relax the liquidity constraint (make the family richer) if the parents are themselves uneducated. By contrast, an increase in the wage rate for literate workers raises the incentive to educate a child, but will only relax the liquidity constraint if the parents are educated.

Which policies are relevant in explaining why certain countries have less child labour than others? Income redistribution certainly, because it relaxes the liquidity constraint on poorer families. Educational subsidies and free school provision also, because

these policies reduce the cost of education. But health policies have a role too. In developing countries, where the premature mortality is high, education is in fact a very risky long term investment, because the child may not live long enough to benefit from the education received. Furthermore, parents expend resources in rearing a large number of children just so that a few will survive to adulthood. Policies such as provision of safe water, sanitation, mass immunization, etc. reduce the incidence of child labour by inducing parents to switch from a

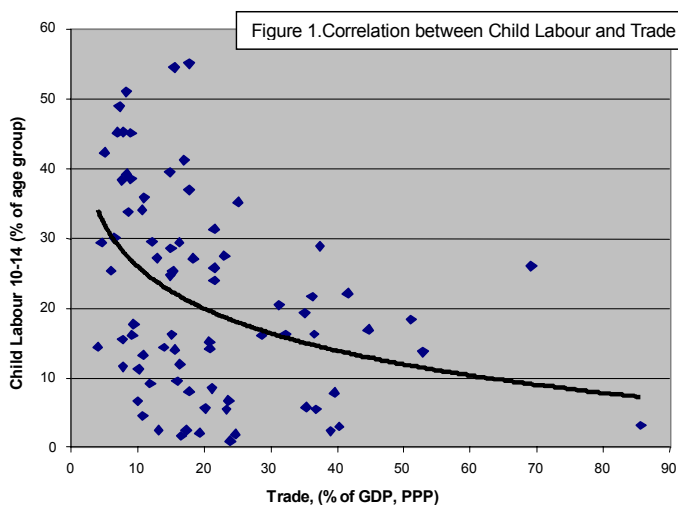
high-fertility, low-education to a low-fertility, high-education strategy.

Using data on all developing countries for the years 1980 to 1998, the paper shows that exposure to international trade does not increase child labour.

Few developing countries have a comparative abundance of workers with secondary or higher education, but some have a comparative abundance of workers with completed primary education. In all these countries, globalization may be expected to raise the wage rates of more educated workers relative to those of less or non educated workers. That will encourage education and discourage child labour. By contrast, in countries with a comparative abundance of workers who have not completed primary education, globalization may be expected to raise the wage rate of uneducated workers relative to that of educated ones, and thus to encourage child labour.

Estimates of the effect of trade openness on child labour, holding constant income, the country's policy posture, and the skill composition of its labour force are provided. Child labour is alternatively measured by the 10-14 labour participation rate, or by the primary school non-attendance rate. Trade openness is alternatively represented by the trade ratio (exports plus imports, on GDP), or by the Sachs-Warner categorisation, which defines a country as "open" if free from a number of obstacles to trade, from non-tariff barriers to state monopoly on major exports.

In conclusion, concern that trade exposure *per se* could raise child labour does not appear to be well founded. However, national policies have an important role. In countries with a relative abundance of educated workers, the primary aim of national policies should be to relax the liquidity constraint on poorer households. In countries with a relative abundance of uneducated workers, by contrast, the aim of policy should be essentially to restore (or create) the incentive for parents to send their children to school. The policy instruments are the obvious ones, school provision and educational subsidies, but also less obvious ones like survival-enhancing health policies.



is interesting to note that countries little exposed to international trade differ more widely, with regard to child labour, than countries well integrated in the global economy. The finding that trade makes countries more like one another should not come as a surprise. The argument runs roughly as follows. The probability that a child work rather than study depends essentially on three factors: the private cost (including loss of current earnings) of education, the expected return to education, and the extent to which

DOES WOMEN'S WORK REDUCE INEQUALITY?

Daniela Del Boca and Silvia Pasqua

In most advanced countries the pattern of employment among men and women has changed remarkably over the past several decades. While between 1973 and 1998 the employment rate of men decreased, the employment rate of women has increased markedly, with most of the change being attributable to changes in the patterns of labor market activity of married women.

These changes in labor market participation have brought changes in the contributions of wives and husbands to family income. Questions have arisen about the effect that changes in the employment patterns of wives and husbands have had on family inequality.

Do changes in income inequality matter? This is the subject of a CHILD Working Paper (D. Del Boca and S. Pasqua, "Employment Patterns of Husbands and Wives and Family Income Distribution", CHILD 13/2001).

There are several reasons why one might care about changes in income distribution. Authors have provided evidence that an unequal distribution of income might ultimately affect economic growth, mainly through the channels of education, access to capital markets, and political and economic mechanisms. Increasing poverty (especially of the younger cohorts) and diffusion of low paid jobs have also evolved in parallel with income inequality.

Figure 1, shows that EU countries with higher female employment rates are also characterized by more equal household income distributions. Only the UK and Portugal seem to have both high percentages of working

women and high inequality.

Similar pattern emerges also in Italian regions: where women work more, inequality is lower (Figure 2).

The effect of women's work on income inequality depends upon the type of women who enter in the labor market. If the employment of women married to husbands with lower earnings increases relatively more, this would contribute to lower income inequality. If instead it is the employment rate of wives whose husbands have high earnings to increase relatively more, we observe an increase in the polarization of household income distribution. This is also a consequence of the contemporaneous growth of households where both spouses work and a rise of households where nobody works. Using micro data of the Historical Archive of the Bank of Italy Survey of Household's Income and Wealth (SHIW), a repeated cross-sectional survey that covers the period 1977-1998, we find that the increase in the employment of women during the period of observation had different effects in the North and South: while we find an equalizing impact of wives' work on income distribution in the North, in the South the effect is less equalising.

How family income would be distributed in the South if Southern wives and husbands' earnings would be distributed in the same way than Northern wives and husbands earnings? Using different simulation methodologies, we find that income inequality would decrease even if it would remain much higher than in the North.

These results can be interpreted in

the light of our previous analysis (D. Del Boca, M. Locatelli and S. Pasqua, "Employment Decisions of Married Women: Evidence and Explanations", CHILD 8/2000) in which women employment respond to labor market changes in households in which the role of women in the labor market has been long accepted and consolidated and in areas where more opportunities are available in terms of working hours as well as childcare facilities. Since these factors are more widespread in the Northern areas of Italy, we would expect there a stronger equalizing effect (since the employment of wives in lower income families reduces inequality).

In fact, remarkable differences between North and South still exist both in the characteristics of the labor market and in the social service system. While in the North there are greater opportunities for part-time activities (which, especially for women, enable work and family-care activities to be combined), in the Southern regions these opportunities are more limited. Moreover, in regards to the social service system, remarkable differences exist in the availability of childcare for children under the age of three in the Northern and Southern regions. Public childcare facilities provide places for 25-30% of the 0-3 year population in most regions of the North, while in the South only 1-2% of pre-school children have access to kindergartens. The rigidity and limitations of public childcare services may have a negative impact on women's employment, especially for low-educated/low-income women, with a negative impact on equality in household income distribution.

Figure 1 - Women's work and inequality in income distribution in Europe (1995)

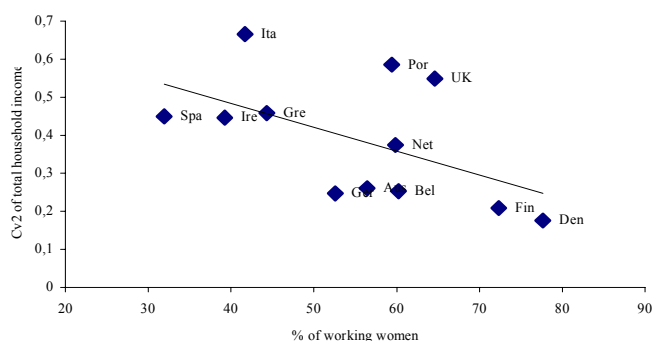
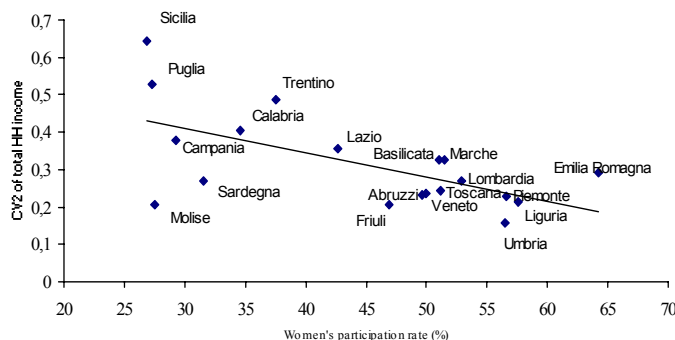


Figure 2 - Women's work and income inequality in Italian regions (1998)



Working Papers 2001

CHILD 26/2001 D. Del Boca and A. Venturini	❖ Italian Migration
CHILD 25/2001 D. Del Boca	❖ Mothers, Fathers And Children After Divorce: The Role Of Institutions
CHILD 24/2001 M. Locatelli, V. Moscato and S. Pasqua	❖ The European Community Household Panel (Echp): Elements For Users With Special Focus On Labour And Household Economics
CHILD 23/2001 J. Ermisch and M. Francesconi	❖ The Effect Of Parent's Employment On Children's Educational Attainment
CHILD 22/2001 D. Del Boca and A. Lusardi	❖ Credit Market Regulations Changes And Labor Market Decisions
CHILD 21/2001 A. Corsi	❖ On-Farm Wine-Making Decisions Of Vine-Growers: A Multinomial Logit Model
CHILD 20/2001 T. Paul Schultz	❖ School Subsidies For The Poor: Evaluating The Mexican Progress a Poverty Program
CHILD 19/2001 R. Aaberge, U. Colombino and S. Strøm	❖ Do More Equal Slices Shrink The Cake? An Empirical Evaluation Of Tax-Transfer Reform Proposals In Italy
CHILD 18/2001 U. Colombino	❖ Intertemporal Interpretation Of A "Static" Model Of Retirement. An Exercise With Italian Data
CHILD 17/2001 S. Pasqua	❖ A Bargaining Model for Gender Bias In Education In Poor Countries
CHILD 16/2001 U. Colombino and M. Locatelli	❖ Modelling Household Choices Of Dwelling And Local Public Services
CHILD 15/2001 A. Cigno, F. Rosati and L. Guarcello	❖ Does Globalisation Increase Child Labour?
CHILD 14/2001 A. Cigno and F. Rosati	❖ Why Do Children Work, And Is It Bad For Them? Fertility, Education And Survival In A Rural Setting
CHILD 13/2001 D. Del Boca and S. Pasqua	❖ Employment Patterns Of Husbands And Wives And Family Income Distribution
CHILD 12/2001 D. Vuri	❖ Fertility And Divorce
CHILD 11/2001 R. Aaberge, U. Colombino and J. E. Roemer	❖ Equality Of Opportunity Versus Equality Of Outcome In Analysing Optimal Income Taxation: Empirical Evidence Based On Italian Data
CHILD 10/2001 K. Burdett and J. Ermisch	❖ Matching In The Marriage Market And Non-Marital Childbearing
CHILD 9/2001 M. Manacorda and E. Moretti	❖ The Evolution Of Living Arrangements Among Young Italian Men
CHILD 8/2001 D. Card and T. Lemieux	❖ Dropout And Enrollment Trends In The Post-War Period:What Went Wrong In The 1970s?
CHILD 7/2001 A. Cigno, L. Casolaro and F. C. Rosati	❖ The Role Of Social Security In Household Decisions:Var Estimates Of Saving And Fertility Behaviour In Germany
CHILD 6/2001 A. Brandolini and G. D'Alessio	❖ Household Structure And Income Inequality
CHILD 5/2001 S. Bhalotra and C. Heady	❖ Child Farm Labour: The Wealth Paradox
CHILD 4/2001 A. Balestrino	❖ On The Optimal Fiscal Treatment Of Family Size
CHILD 3/2001 M. Baldini and P. Bosi	❖ An Evaluation Of Tax Reform With Focus On Children Welfare
CHILD 2/2001 G. C. Giannelli and C. Monfardini	❖ Joint Decisions On Household Membership And Human Capital Accumulation Of Youths
CHILD 1/2001 D. Del Boca and R. Ribero	❖ The Effect Of Child Support Policies On Visitations And Transfers

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Events 2002

January 25, 2002	"Labour supply and household behaviour.", Christopher Flinn (NYU), via Po 53, Department of Economics, University of Turin.
February 1, 2002	"Child work and educational choice: the case of Pakistan and Nicaragua.", Maria Cristina Rossi (Unicef e Tor Vergata), via Po 53, Department of Economics, University of Turin.
February 15, 2002	"Immigrants in Italy: are they competing with natives?" Alessandra Venturini (Torino), via Po 53, Department of Economics, University of Turin.
March 1, 2002	"An equilibrium matching model for labor supply with nonpecuniary job attributes.", John Dagsvik (Statistics Norway), via Po 53, Department of Economics, University of Turin.
March 15-16, 2002	"Consumption behaviour and welfare measurement" organized by Federico Perali University of Verona
April 5, 2002	"Training and occupational choice of high skilled migrants.", Zvi Eckstein (Minnesota), via Po 53, Department of Economics, University of Turin.
May 24-25, 2002	ETLA and LoWER Conference: Adapting Education and Training for the Enhancement of Low-Skilled Jobs - Helsinki
June 13-15, 2002	ESPE2002 16th Annual Conference of the European Society for Population Economics, Bilbao (Spain)
September 2002	"Migration, human capital accumulation and family decision making.", Daniela Del Boca, Alessandra Venturini, Giovanna Zincone organizers, Centre for European Studies, NYU.