



Newsletter

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PRESENTATION

The Centre was constituted in March 2000 is based in Turin at the Department of Economics acts as a network the activities of five different Universities: Florence, Modena, Verona, Pisa, Roma II. During its second 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. Since its constitution, CHILD and its members have been involved in several projects. In 2001 a project "The Rationale of Motherhood Choices" was financed by the European Commission. The whole project, involving five countries (France, Greece, Belgium, The Netherlands and Italy), is co-ordinated

by Daniele Meulders and Siv Gustafsson, while the Italian unit is co-ordinated by Daniela Del Boca. Alessandro Cigno and Furio Rosati participated in a UNICEF-sponsored project on the effect of globalisation on child labour. Furio Rosati coordinates a joint World Bank-UNICEF-ILO project (Understanding Child Work) on child labour worldwide. Alessandro Cigno coordinates a CES-sponsored project on pension reform in Europe. In November 2001 a Seminar on the Optimal Fiscal Treatment of Families took place in Florence, jointly sponsored and organized by the European University Institute and CHILD, with papers by A. Cigno, U. Colombino, R. Rees, P. Apps, A. Balestrino, P. Pestieau, A. Pettini and A. Luporini. In 2001 and 2002 Ugo Colombino has co-ordinated the national project "Models of House-

hold Economics for the Design and the Evaluation of Social Policies", which analyzes labour supply and fertility using data at the Italian, European and International level (i.e. ECHP, Bank of Italy SHIW, ISTAT Indagine Multiscopo). The project is jointly funded by the University of Turin and by the Ministry of University and Research and it has also received financial support by Compagnia di San Paolo. Other projects on household behaviour and taxation have been financed by CNR and by the Ministry of University and Research. A network of relationships 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 (Centre for European Studies) at the New York University and CIW (Center for Inequality and Wealth) at Columbia University. A series of working papers relevant to the economics of the family and related topics at empirical and theoretical level are available on our website (www.child-centre.it). The Newsletter is published twice a year and has the objective to updating the information on CHILD activities and establishing more connections with other research groups and individuals.



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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?

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

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.

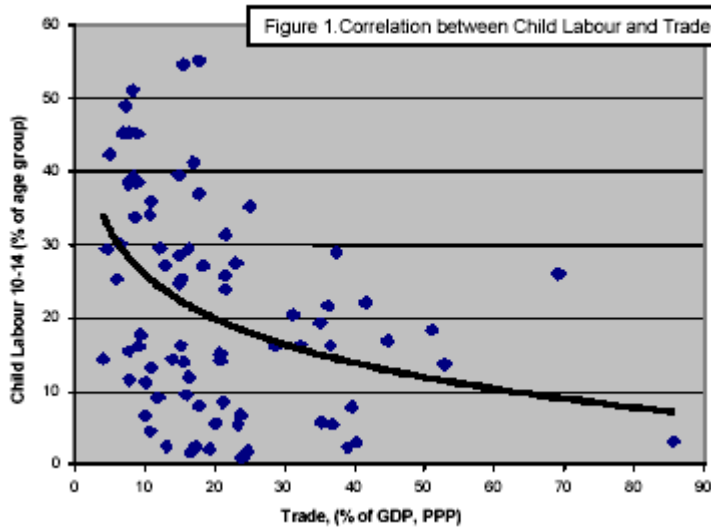


Figure 1 shows that developing countries *more* exposed to international trade tend to have *less* child labour. It is interesting to note that countries little exposed to international trade differ more widely, with regard to child labour, than countries well integrated in the global economy. The finding 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 parents are able to

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

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)

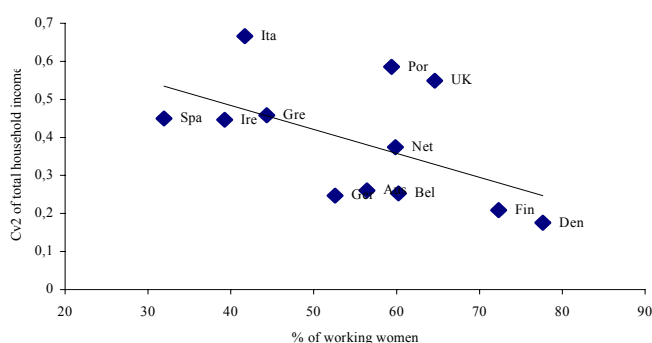
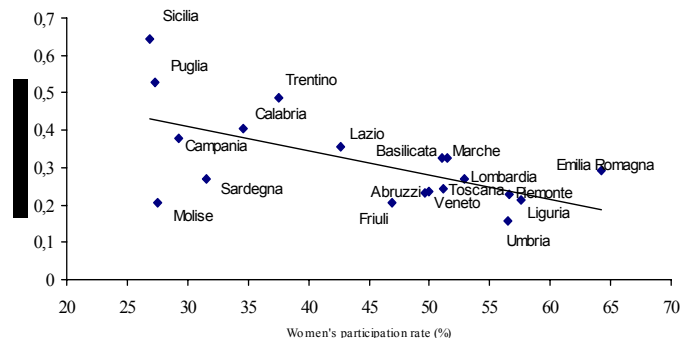


Figure 2 - Women's work and income inequality in Italian regions (1998)



Can we have a bigger pie and more equal slices too?

Ugo Colombino

It is well known that the way you distribute the pie may also affect the size of the pie itself. Incentives are involved. How much I decide to bake also depends on the link between what I bake and what I eat. The system of taxes and transfers on personal income affects very directly the way the pie is distributed - and therefore also the size of the pie. Can we have a bigger pie and more equal slices too? A CHILD working paper written by Rolf Aaberge, Steinar Strøm and myself (CHILD WP 19/2001) answers YES. We talk of personal income taxes and transfers in Italy, although some results are likely to be relevant for other countries as well. We consider two basic ideas that are old ideas but also form the basis of most recent reform proposals. The first idea is concerned with *efficiency* (the size of the pie). Since the '70s, the progressive tax systems prevailing in most advanced economies have been criticised for giving bad incentives and paying too high a price for income equalisation. If we get rid of progressivity altogether we get the so-called *Flat Tax*. Every one pays - say- 20% of gross income. Since this would typically imply lower (higher) taxes for the rich (poor) than before, most advocates of this reform think that the rich are more responsive than the poor and would exploit better opportunities for being more productive. The result would be a bigger cake.

The second idea is concerned with *distribution*. Again since the '70s, the various policies implemented to help the poor (tax exemptions, subsidised prices, in-kind benefits etc.) have been criticised for being costly, chaotic and not very effective. Suppose instead we simply define a minimum guaranteed income. If you are below, you will receive a transfer just sufficient to push your income up to the guaranteed level. If you are above, you will pay taxes (according to some rule) upon whatever exceeds the guaranteed level. This system is called *Negative Income Tax*.

The two ideas can be combined. For example, we can have the NIT combined with a FT above the guaranteed minimum income (NIT+FT). Our paper reports on a simulation exercise that compares the FT and the

NIT+FT to the current system. The fiscal platforms proposed by the two coalitions running the 2001 Italian Parliament elections contained reform schemes very close to the FT ("Casa delle Liberta", right coalition) and to the NIT+FT ("Ulivo", left coalition) respectively (see also WP 03/2001 and WP 03/2002). We use a behavioural microeconomic model estimated with 1993 Bank-of-Italy data. The model simulates the household labour supply decisions as they change in response to different tax-transfer rules. The FT and the NIT+FT rules are calibrated so that they generate the same total tax revenue as the current rule. Tab.1 summarises some of the results. The efficiency effect is just the % variation in the size of the pie (measured as *welfare*: essentially an index that combines income and the value of time allocated to other activities). Both reforms are *more efficient* than the current system. The distribution effect measures the effect on the equality of the slices (based on the Gini index). Here we get the crucial result that answers the question raised by the title. The FT implies *less equal* slices. But the NIT+FT implies *more equal* slices. So we did find a tax-transfer rule that brings about a bigger pie *and* more equal slices too. A striking result is that both reforms imply a lower average tax rate than the current system (20% in the sample used). How is this possible? Well, both reforms give better incentives. Some work more than before. Some are able to access better paid jobs. Overall, people produce more income. But total tax revenue is kept constant and therefore the ratio of taxes to (gross) income goes down from 20% to 18.4 (FT) or to 19.8 (NIT+FT). Another interesting result is the percentage of households who are better-off after the reforms (the *winners*). Both reforms bring about a majority of winners. An implication is that both reforms would win a referendum against the current system. Which

reform is best? By summing the efficiency and the equality effects we get the social welfare effect. Using this criterion, the best reform is NIT+FT. The percentage of winners suggests the same answer. Are there better ideas than those considered above? Of course there are. An example provided by the paper is called *Workfare*, a variant of NIT+FT. Here, however, I want to elaborate on alternatives that under some respect might radically depart from the proposals considered above. Recall the argument used above to motivate the desirability - efficiency-wise - of FT or NIT+FT. Is it true that the rich are more responsive, and by working more and exploiting better opportunities contribute to a bigger pie? Well, no. Looking into the details of the simulation results, you would discover that the rich hardly move: they simply collect a larger slice thanks to lower taxes. Lowering marginal taxes for the rich does not necessarily seem to be the best idea for efficiency purposes, although it is obviously a good idea for receiving their votes. A large part of the contribution to the bigger pie comes instead from lower and middle-income households. They respond more elastically than the rich. Even though they might face a higher marginal tax rate, by supplying more labour they can access jobs that are better paid than before, since the average tax rate is lower than before. We might probably improve upon FT or NIT+FT by leaving a high marginal tax rate for the very rich (say households above the 8th decile). They would not significantly reduce their productive activity. We could then significantly lower the taxes for the average- and low-income households, and they would contribute to (and receive) a larger slice of pie. We are currently exploring this direction of reform with our model.

Table 1. Simulated effects of the reforms

	Efficiency effect (a)	Equality effect (b)	Social welfare effect (a) + (b)	% Winners	Average tax rate (%)
FT	+2.1	-1.2	+0.9	52	18.4
NIT + FT	+0.8	+0.7	+1.5	55	19.8

Why Dowries?

Maristella Botticini

Parents transfer wealth to their children in many ways. The dowry is distinctive because it is a large transfer made to a daughter at the time of her marriage. Dotal (dowry giving) marriages were common in the Near East, Europe, East Asia, South Asia, and pockets of the Americas. Although the custom has largely disappeared in the western world, it remains popular in South Asia. In India, dowries have been blamed for the negative outcomes, which they seem to bring to women.

Why in some societies do sons receive bequests and daughters receive dowries? Are daughters discriminated against when receiving a dowry instead of a bequest? And why did dowries disappear in some places but are still a thriving institution in others? A CHILD Working Paper (M. Botticini and A. Siow, "Why Dowries?", CHILD 5/2002) provides a theory of dowries and also discusses its implications in light of narrative evidence from various societies, such as ancient Near Eastern civilizations, ancient Greece, Roman and Byzantine empires, western Europe from 500 to 1500 AD, the Jews from antiquity to about 1300, Arab Islam from the seventh century to modern times, China, Japan, early-modern England, modern Brazil, and North America. Some of the predictions of the model are also consistent with quantitative evidence from a unique data set of four thousand marriage contracts and many legacies from medieval and early Renaissance Tuscany we analyzed at the state archives of Florence.

Our model begins with the observation that dowries occur primarily in monogamous virilocal societies, where married daughters leave their parental home and married sons do not. In these societies, altruistic parents use dowries and bequests to mitigate a free riding problem between siblings. Since married sons live with their parents, they have a comparative advantage in working with the family assets relative to their married sisters. Ab-

sent any incentive problem, parents should not assign any dowry but rather give the daughters their full share of the estate through bequests. However, if married daughters fully share in the parents' bequests, their brothers will not obtain the full benefits of their efforts in extending the family wealth and, therefore, will supply too little effort. While bequests are more efficient for distributing wealth to daughters, they have poor incentive effects for sons. Thus, parents will want to assign dowries that are large enough, and consequently bequests to their daughters which are small enough, to mitigate the disincentive for their sons.

The nexus between virilocality and dowries helps us explain the disappearance of dowries in previously dotal societies. Virilocal societies are primarily agricultural economies and/or economies where the gains for children to remain in the family business is substantial. As the labor market in a dotal society becomes more developed, as the demand for different types of workers grow, children are less likely to both hold their parents' occupations and to work for their families. The return to investing in general rather than family-specific human capital also increases. The use of bequests to align work incentives within the family becomes less important. Instead of the dowry, parents will transfer wealth to both their daughters and sons as human capital investments and bequests. Evidence from modern Brazil supports this prediction; the development of labor markets, which ensued from the discovery of gold brought to the disappearance of the dowry.

Scholars have claimed that in societies with dowries, daughters often ended up being disinherited and parental wealth was divided unequally among sons and daughters. But are really dowries to blame for these negative outcomes?

Micro data we gathered from a sample of last wills written in medieval and Renaissance Florence supply evidence that parents rarely transmitted their wealth to daughters via bequests. This seems to confirm the scholars' assertion that dowries disinherited daughters. In the thirteenth (fifteenth) century, 21 (25) percent of the Florentine testators having sons and daughters left bequests to their daughters. However, in contrast to the scholars' other claim, our data indicate that the existence of dowries, by itself, did not prevent daughters from receiving roughly an equal, or higher, share of their parental wealth (Table 1). In the sample of marriage contracts for Cortona and Florence, the median dowry a bride got was similar to the median share of family wealth per sibling. Parents chose a different timing to allocate their wealth among their children but did not leave disproportionately larger shares to their sons.

This evidence from a past society indicates that dowries per se are not an evil. The bad outcomes that brides in contemporary India seem to suffer after they move into their in-laws' households may not be prompted by the custom of the dowry per se, but by the fact that brides do not have property rights over their dowries there. Abolishing dowries as India tried to implement since 1961 is not necessarily the right answer to this problem.

Dowries to Brides and Bequests to Bride's Siblings, 1420-1435

	Dowry	Bequest	N
Cortona	70	53	222
Florence	485	468	315

Note:

- The figures (in gold florins) refer to the "median" dowry and the "median bequest."
- N = number of dowry contracts.

Pensions reforms in Italy: The current debate.

Franco Peracchi

The heated debate on Article 18 of the "Workers' Charter" ("Statuto dei Lavoratori") has left the issue of pensions reforms somewhat on the sidelines. Although it does not show up on the front pages of the Italian newspapers, however, this issue has neither lost its importance nor has been solved.

On the contrary, the need of further pension reforms was stressed very clearly by the report published in September 2001 by the special committee appointed by the Italian Ministry of Welfare to assess the effects of the 1995 reform. The report pointed out the recent success in keeping under control the growth rate of public pension expenditure, but it also stressed three worrisome features of the system. The first is the effect of the progressive aging of the Italian population on the long run solvency of the current public pay-as-you-go scheme. Today, 27 percent of the Italians is older than 57 years, the age at which a worker with 35 years of contribution can claim a seniority pension. This percentage is expected to increase to 33 percent in 20 years, and reach 43 percent in 40 years (see the recent paper by Caselli, Peracchi, Barbi and Lipsi in the CHILD Working Paper series). The second is the insufficient diversification of the system, due to the lack of a sizable second pension pillar. The third is the absence of incentives to postpone exit from the labor force beyond the minimum age for early retirement (see Brugiavini and Peracchi, 2001 and 2002).

Especially on the last aspect, Italy needs to do something quickly. This is especially true in the light of the targets agreed upon by the governments of the European Union at the recent meetings of Lisbon (2000) and Stockholm (March 2001). The first target is to raise the total employment rate, by

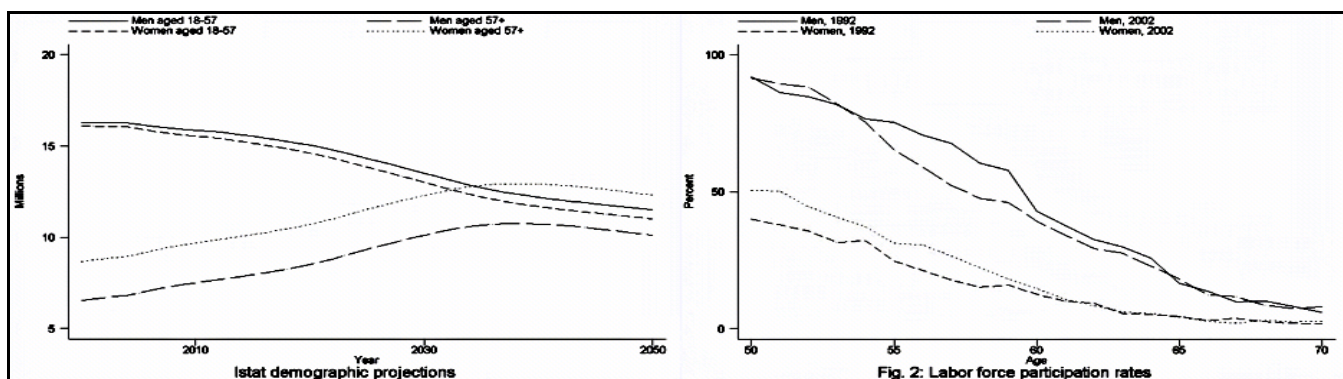
2010, to at least 70 percent. The second is to raise the female employment rate to at least 60 percent. The third is to raise the employment rate of people aged 55-64 to at least 50 percent. An additional target, agreed at the recent Barcelona meeting (March 2002), is to increase the effective retirement age by 5 years (from 58 to 63) between now and 2010. Because the current employment rate of the Italian population aged 55 to 64 is 28 percent and the effective age at retirement is currently between 58 and 59 years, reaching these targets requires rapid and substantial changes in the rules of the pension system. Keeping all this into account, the current government presented last December a law proposal containing, among other things, a set of "measures to promote complementary pension plans and stable employment". The law proposal has two explicit objectives: (i) increasing employment by reducing payroll taxes on new employees, and (ii) raising the effective retirement age by creating incentives for older workers (both employees and self-employed) to postpone exit from the labor force. These two objectives are clearly the right ones, but the precise nature of the proposed measures leaves room for skepticism.

To attain its first objective, the law proposes to introduce a difference of 3-5 percentage points between the "notional" and the "effective" payroll tax rate. The "notional" rate, which would remain at its current level of 33 percent of gross earnings, is the basis for computing future pensions. The "effective" rate, which would instead be lowered to 28-30 percent of gross earnings, is the rate actually paid by the employee and its employer. It is not easy to evaluate the employment effects of the proposed change, but

they are unlikely to be large. It is easier to evaluate the increased burden on the public finances of the lower payroll tax revenue which, in 40 years, should reach between 0.6 and 1 percent of GDP. To attain its second objective, the law proposes to cut payroll taxes to zero for those workers who, after becoming eligible for a seniority pension, pledge to keep working for two or more years. At least half of the tax cut would be pocketed by the worker, the rest would help reducing labor costs for the employee. In exchange for the tax advantage, the worker would forfeit the permanent increase in pension benefits associated with each extra year of work. Unfortunately, the advantage to the worker of postponing retirement (which is given by the difference between the higher after-tax earnings and the amount of the seniority pension) is considerably reduced by the fact that, at the same time, the law proposal makes it easier to collect a pension while earning labor income.

Very puzzling is also the lack of any detail on crucial aspects of the proposed reforms, such as their applicability to public sector employees, or the way in which the law can be financed avoiding extra burdens on public finances.

A natural question at this point is why the government, that is acting so cautiously on the pension ground, has instead decided to openly defy the trade unions on the murky ground of Article 18. One could well imagine a scenario where the trade unions, or at least their less conservative components, finally draw the necessary policy implications of future demographic prospects, but it is very difficult to imagine a scenario where they give up without fighting the very symbol of their role as custodians of labor relations.



Family formation, fertility and atypical employment: the case of para-subordinate workers.

Tindara Addabbo and Vando Borghi

The important changes that are taking place in the employment condition of Italian workers are currently at the centre of the academic and political debate in Italy. The incidence of what has been defined as 'atypical work' (part-time work, temporary, and sub-contracting or "dependent" self-employment) has increased in Italy. Here we focus on the impact on fertility and family formation of one particular form of atypical employment: *collaborazione coordinata e continuativa* (sub-contracting or "dependent" self-employed). This type of work has been defined as the most atypical amongst the atypical types of work and it lays between dependent and self-employment work. We show the results of two surveys carried out in 2000 and 2001 in Emilia-Romagna (the second region in Italy, after Lombardy, as far as the regional distribution of collaborators is concerned). The research was conducted by means of a structured questionnaire collecting information on the worker's characteristics and his/her family composition, plus employment conditions and profile, and by means of semi-structured qualitative interviews, as well as on employers and on managers in services related to the daily life of collaborators (training, childcare public services, insurance companies, banks).

Though there is a high variance in income most collaborators are unsatisfied by the lack of safety net and are heavily constrained in their plans for the future: in terms of fertility (29% of women who believe that their work limits their family plans in year 2000), in terms of consumption in durables and housing, in terms of co-residence (which, together with having a partner employed as dependent worker or with double work, sustain a standard of living which otherwise would be average low) and in terms of social participation (40% of women interviewed in year 2000 consider that this type of work limits their participation in cultural societies and voluntary associations). These workers (especially women) also show significant tendency towards dependent work in the sample analysed.

A significant percentage (almost 40%) of women interviewed during both surveys fear that they could not return to

their job after having a child. This is also true for the second sample analysed, where the interviewed workers are on average more educated and in relatively better jobs than women interviewed in year 2000.

It is interesting to note that the difficulties connected with fertility were also found in 2001 after some changes (in the 2001 Budget Law, art.80) in maternity protection in which the maternity protection and family allowances (Law 449/97) of dependent workers were extended to collaborators. Uncertainty on the implementation of this extension may have delayed the perception of an improvement. The recent application of art.80 of Law 23 December 2000/388 and the extensions made should improve the situation of collaborators as far as maternity leave is concerned, and it could be interesting to analyse its impact on workers' perception and fertility decisions.

Even if the improvement in maternity leave provisions could have a positive effect on collaborators' fertility and family formation, the uncertain and discontinuous income they receive exposes them to delaying family formation and fertility. Note that collaboration work is not as transitory as temporary work in Emilia Romagna and even the latter is less transitory for women than for men.

The employment profile is discontinuous, with overemployment as well as underemployment spells. The employment profile of collaborators shows phases when the risk of downward mobility or of exiting from the labour force is high, but also phases when an investment in training can play a significant role in ensuring a continuous working profile and a stronger position.

The uncertainty and discontinuity in income may constrain the admission of collaborators' children to childcare services. The criteria used for admission and fees at public child care ser-

vices should change in order to avoid excluding atypical workers' households, and indeed have changed in some contexts like the one analysed.

Though the number of families with children under 3 years old surveyed is too low to allow a statistical analysis on the problems of child care their families face (and the observed low number of families with young children is probably connected to the constraints on fertility perceived by this type of workers) one should note that many of them claimed the costs of fees were too high.

The interviews with managers of the service sectors in the municipalities which took part in the survey in 2000 in Modena district show that before the introduction of a means testing method (ISE: *Indicatore della Situazione economica*) which treats collaborators and other types of workers in the same way, collaborators whose children were admitted at high fees used to make claims which were often accepted.

The instability in income and work often constrains collaborators not to leave their parents' households and the sustainability of this work is often provided by the presence in the household of a more stable worker. Needless to say, the problems of sustainability increase when one moves to the South of the country where the likelihood of having an employed member in the household is reduced with respect to the area analysed here.

In our opinion, attention should be paid to the impact of new maternity leave provisions on collaborators' choices in terms of family formation and fertility, and analyses should be made of the duration of atypical work (not only of the type analysed in this paper but also of other types currently occurring in Italy) in the individual's work profile and the impact on their family life. One should also address the problem of discontinuity in income and work and the conciliation with child care services to reduce the risk of social exclusion and of constraints in family formation.

Why do you feel that your employment condition limits your family plans?			
	Women	Men	Total
It does not enable purchase of a house	19%	41%	25%
I cannot leave my parents' household	21%	24%	22%
I cannot have a child	29%	6%	22%
Other	31%	29%	31%
Total	100%	100%	100%

Source: Our elaboration from Modena 2000 survey Addabbo and Borghi 2001a

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