

Flex-insecurity, or why in Italy flexibility turns into precariousness

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The flexibility of a work relationship does not imply precariousness for the worker per se. Flexibility is indeed related to the possibility to adapt the work arrangement – in terms of the total number of hours, the work schedule, the occupation and much more – to the worker's and the firm's needs. Instead precariousness has to do with the capability of a worker to provide herself with a minimum standard of living through the participation to the labor market. Any possible (causal) relationship between flexibility and precariousness must be therefore approached empirically.

This is exactly what we do in a book – *Flex-insecurity. Perché in Italia la flessibilità diventa precarietà*, published by Il Mulino – where we argue that non-standard contracts, the main instruments through which flexibility has been enhanced in Italy in the last fifteen years, actually increase the risk of precariousness (by non-standard we mean fixed-term or part-time contracts). At the same time, though, we show that not all the non-standard workers are precarious and also that precariousness also affects a non-negligible share of the standard ones (by standard we mean full time dependent workers with open-ended job contracts). First of all we identify the three dimensions of precariousness: employability, wages and the access to public income-maintenance schemes. We then evaluate the impact of the employment arrangement on each of them and find that, compared to standard workers: 1) temporary (i.e. fixed term) workers are subject to a higher turnover, which is seldom compensated by either a higher job-to-job transition rate or by a shorter unemployment duration; 2) many non-standard workers, other things being equal, receive a lower wage; 3) non-standard workers tend to enjoy a poorer coverage in terms of income-maintenance schemes in case of non-work, the reasons ranging from non-entitlement to unfulfilled contribution requirements. In the medium run, therefore, non-standard workers receive, *ceteris paribus*, less than their standard colleagues from the participation to the labor market.

In order to assess quantitatively the incidence of precariousness among the Italian workers, and consistently with our three-dimensional approach, we calculated, over a time span of six years, a comprehensive measure of disposable income for a representative sample of Italian workers¹, including in this measure the present value of wages earned by each worker as well as unemployment, maternity and sickness benefits and family allowances he or she has received in the observation period, and the pension contributions accrued (personal income tax has been applied to each year's total income). We then defined as "precarious" those workers earning less than 60% of the median of the distribution of such present value. Our definition of precariousness is therefore independent of the contract one holds in a specific moment in time and allows for the identification – along with precarious non-standard workers – of non-precarious atypical workers, as well as of precarious workers holding a full-time open-ended job. According to our measure, on a very conservative subsample (excluding the long-term unemployed) the average incidence of precariousness is 13,9%; it is lower among standard workers (5,6%) and higher for other contracts (ranging from 15% to almost 50%), thus showing a strong correlation between non-standard employment arrangements and precariousness.

Table 1: incidence of precariousness by employment status as recorded in December 2003

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| Standard | 5,6 |
| Part-time open-ended | 49,5 |
| Fixed term / Seasonal / Agency workers | 29,7 |
| Apprenticeship / Training | 20,7 |
| Freelancers in strict sense (a) | 47,3 |
| Other freelancers | 15,4 |
| Unemployed | 38,7 |
| Total | 13,9 |

(a) Non-professional collaborators not yet retired and working only as collaborators.

Source: own computations on Whip data.

¹ Data come from the Whip dataset and include all private employees, public employees with a fixed-term contract, and freelancers (*lavoratori parasubordinati*). The sampling ratio is 1:90.

The problem is of course many-sided, involving the poor role of fixed-term contracts as a port-of-entry toward stable employment and a reduction of the cost of labor obtained at the expenses of the workers' wages and pensions. Another major reason why in Italy flexibility turns often into precariousness is the lack of a comprehensive unemployment benefit scheme. We therefore put forward some wide-ranging policy proposals, among which the introduction of a monetary compensation, due to the worker in the event of dismissal or lack of contract renewal, and the replacement of the existing unemployment benefit scheme with a new scheme, of which we carefully estimate the costs and identify the ways and means.