EXPLORING THE DYNAMICS OF LABOUR MARKET:
THE ISAE SURVEY ON FIRMS’ HIRING BEHAVIOUR

EU WORKSHOP ON RECENT DEVELOPMENTS IN
BUSINESS AND CONSUMER SURVEYS
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SUMMARY

- Reason of a ad hoc survey
- What we ask
- Principal results (examples)
- Problems
- Direction of research
REASON OF A AD HOC SURVEY

- Traditional data sources (survey on households like LFS) generally, describe labour markets as static.
  - (Distribution of labour force at a given time, employment and, unemployment rate etc.).

- We have few information at a micro level:
  - on firm’s side of the market
  - On labour market dynamics (describing process by which changes occur).
At the end of 1980s, Italy was one of the OECD countries with the most rigid labour - market regulation.

Rigidity was due mainly:

- Provisions on temporary contracts (entirely prohibited)
- Collective dismissals procedures.

Since 2003 Italy is in an intermediate position despite measures that deregulate employment relationships in several OECD countries).

The deregulation of temporary work contracts shifted the overall Italy indicator while the regulation of open-ended contracts (indefinite term) has remained unchanged.

This route is quite common in Europe (France, Spain), although Italy appears to be an extreme case.
DEREGULATION OF TEMPORARY CONTRACT
REGULATION OF INDEFINITE TERM (OPEN END CONTRACT) -
REASON OF A AD HOC SURVEY (2)

In order to obtain information on these topics, since 2004 ISAE carries out a number of additional questions (ad hoc supplement), to The Business survey on

- Manufacturing firms
- Services

The aim is to obtain information on firms’ recruitment behaviour (a survey on hirings).
REASON OF A AD HOC SURVEY (3)

- How many individuals were hired during a year?
- Are there industry sectors where hirings are more frequent?
- Are hirings more full time or part time?
- Are hirings ITC (indefinite term contract), FTC (fixed term contract) or TWA (temporary agency work)?
- Which is the skill of new entrants?
- Which recruitment channel (formal or informal) firms use more?
A SURVEY ON FIRMS’ HIRINGS BEHAVIOUR

- Hirings represent one aspect of the dynamics of the labour market, the other being quits and layoffs.

- Hirings and separations are both components of labour market turnover.

- Hiring can fill either:
  - new jobs
  - jobs vacated

- The distinction between a new job and an existing one is difficult to make.

- A distinction of special interest hiring may also fill permanent or temporary jobs, and could be part-time or full time.
WHAT WE ASK

- From 2004 to 2006 the survey contains information on “firm’s propensity to hire”.
- Qualitative information: if the firm has recruited at least one individual (yes/no).
- Now (2007 and 2008) an additional question to the firms is: how many individuals the firm has recruited in the year? Number of “movements”.
- But:
  - Same person may more than one contract in the year
    - with the same firm
    - with different firms
  - asking for quantitative information in this context could be costly
WHAT WE ASK (2)

- Which type of contract the firms uses to hire new workers
- How many individuals the firm recruit with:
  - ITC (Indefinite Term Contract)
  - FTC (Fixed Term Contract)
  - TWA (Temporary Contract with an Agency)
  - Training Contract (apprenticeship).
- Number of new entrants with a part time contract.
- Number of individuals hired with ITC previously employed with FTC or TWA (transitions from temp to perm).
SOME RESULTS (Type of contract)

Distribution of hiring by type of contract by industry - 2007

- Indefinite Term
- Fixed Term
- Temporary with agency
- Training contract
- Insertion Contract
- other

Manufacturing

Services
SOME RESULTS (Type of contract)

distribution of firms by type of contract

- Indefinite Term
- Fixed Term
- Temporary With Agency
- Training
- Insertion
- other

Industry
Services
SOME RESULTS (part-time contract) (3)

distribution of part-time hirings by industry (services)

- Hotels
- Restaurants
- Communications
- Transports
- Financial activities
- ITC immob.
- Other (..)
- Total
WHAT WE ASK (3)

Information on recruitment channel preferred by firms.

We consider four recruitment channels:

- Informal channel (friends, relatives etc.)
- Public Employment Services
- Private Agencies (es. temporary help work)
- School, universities and other institutions (law 30/2003).
SOME RESULTS (recruitment channels)

Distribution of firms by recruiting channel by industry (2007)

- **Informal**
- **PES (Public Employment services)**
- **Private agencies (temporary help)**
- **new subjects Law 30 (universities..)**

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WHAT WE ASK (4)

- Skill of new entrants (percentage of entrants with a degree or more).

- Older workers people with more than 50 years old (to few people)
  - Reason: SEO

  - Problems

- Second level bargaining Firm’s - (NEW).
SOME RESULTS (HIGHLIGHTS)

- Number of individuals hired depends, above all, from firm’s dimension (evidence of turnover more than job creation, Trivellato).

- Part time is widespread across firms of different dimension in the service sector.

- Term to perm transitions in the same firm are relatively widespread (27.3% in manufacturing industries 19.7% in services quite less).

- It could be an evidence of a use of the temporary contracts as a screening mechanism – stepping stone to regular employment.

- The preferred channels of recruitment is informal.
LIMITATIONS AND REASESSMENT OF THE QUESTIONNAIRE

- Entry (hirings) and exits (dismissals, retirement) are both components of firm turnover.

- There is a connection between the two phenomena.

- Data on dynamics of labour market are difficult to obtain. It’s not easy to have an idea of the magnitude of worker turnover.

- We have seen before, that we ask how many individuals the firm has recruited in the year.

- But same person may have more than one contract in the year with the same firm or with a different firm-
LIMITATIONS AND REASESSMENT OF THE QUESTIONNAIRE RE (2)

- We know hiring flows (movements) but we would like to have a (rough) measure of turnover.

- One possible solution is to reach this objective using stock of workers at the end of the year.

- We will have:
  - new entrants.
  - Stock of workers at the end of the year (distribution contract).

- We can build panel data (relatively low attrition) and then observe total movements (turnover).

- We can obtain separation by subtracting hirings from employment change.
PROBLEMS

- Building panels may lead to attrition problems (77% evidence not selective).

- Asking for numerical data into a qualitative data survey could cause non responses (ad hoc survey or single question nonresponse) so generate a missing data problem.

- Some phenomena are difficult to observe.
FURTHER RESEARCH

- Flows, firms’ characteristics and employer expectations.
- Use of optimal labour contract inside the firm.
- Turnover from an international perspective?
- Comparable data on labor dynamics are difficult to find.

Topics:

- Is the rate of hirings (or rate of turnover) in the Italian labour market atypical?
- Is the high number of atypical contract a characteristic of European Labour Market?