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Informal networks, spatial mobility and overeducation in the Italian labour market

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Aim and motivations

- In Italy, in 2011, 36.9% of people with a secondary degree declared that their level of schooling was not necessary for their job; such percentage was 18.2% among graduates
- The percentage of workers finding a job through the informal channel was over 30%
- The rate of unemployment was 4.8 in the North, 7.1 in the Centre and 13.7 in the South
- High territorial mobility

The paper aims at:

- 1. Assessing the relationship between labour market entry channels, spatial mobility and overeducation in Italy**
- 2. Investigating variations in the relationship:**
 - *across geographical areas*
 - *across private and public firms*

Previous research

Two unrelated streams of literature:

- *The informal recruitment channel and employer-employees (mis)matches*
- *Spatial flexibility and overeducation*

Main results for Italy:

1. Wage losses and a higher probability of being overeducated for people entering the labour market via the informal channel (Pistaferri, 1999; Pellizzari, 2004; Sylos Labini, 2004; Meliciani and Radicchia, 2011)
2. Commuting time and migration reduce overeducation (Croce and Ghignoni, 2011) but:
 - Migration does not reduce overeducation when job characteristics (or migration endogeneity) are controlled for (Devillanova, 2013);
 - There are differences across geographical areas of the Italian territory (Iammarino and Marinelli, 2012)

Research questions

1. Does the choice of the recruitment channel impact on the degree of workers' spatial mobility?
2. Does the informal channel increase the probability of being overeducated?
3. Does migration reduce overeducation? And are there differences across geographical areas and types of occupation?

We expect a direct and indirect (positive) impact of the informal recruitment channel on overeducation

We investigate the relative performance of different labour market entry channels

Methodology

We estimate the following equations:

1. $Pover_i = \alpha_1 + \beta_1 Migr_i + \gamma_1 Inf_i + \delta' X_i + u_i$
2. $Pwork_i = \alpha_2 + \zeta' Y_i + \varepsilon_i$
3. $Pmigr_i = \alpha_3 + \gamma_3 Inf_i + \theta' Z_i + \psi_i$

where $Pover_i$ = probability of being overeducated, $Migr$ is a dummy variable equal to one for people who have migrated to find a job, Inf is a dummy variable equal to one for people entering the labour market through the use of the informal channel, and X , Y and Z are vectors of individual and job related characteristics

We estimate a Heckman probit model (using as instrument in the employment equation the number of members in the household) and we test for the endogeneity of migration choices

Data

- The study uses data from the survey Isfol Plus cross section 2011, focusing on over 40,000 individuals in the labour market in Italy
 - **Over education** is constructed from the following question: “is your educational level necessary to perform your job?”
 - **Spatial mobility** is: a) *commuting time* (distance from the workplace in minutes); b) *migration* (internal migration for job)
 - **The informal channel** comes from the question “How did you get your current job?”, (private or public employment service, temporary-employment agency, school or university, by inserting or answering adverts in newspapers, by applying to the employer directly, by public competition, by starting own business or joining family business, working and professional ties, **relatives and friends**)

Descriptive statistics

Recruitment channel	Over education Non migrants	Over education Migrants	% Migrants	% Entry channels
Public employment service	45.17	46.63	8.76	2.92
Temporary-employment agency	58.88	71.30	2.97	2.54
Private recruitment agencies	49.94	34.32	1.30	1.11
School or university	16.71	8.71	4.53	3.75
Insert or answer adverts in newspaper	35.98	23.78	4.69	4.15
Professional informal contact	41.30	52.41	6.79	6.83
Informal contact (Family or friends)	51.82	52.70	3.52	24.67
Direct application	40.26	27.99	4.36	17.47
Public competition	15.83	15.20	10.08	24.83
Start own business or join family business	40.28	18.90	2.80	11.39
Total	37.13	28.37	5.63	100

Findings 1

Main Variables	Heckman probit overeducation	Selection equation employed	Probit migration
Migrant	-0.133**		
Commuting time	-0.00428***		0.00455***
Informal channel	0.342***		-0.318***
Foreigner	0.762***	0.0519	-0.0269
Woman	-0.0722**	-0.177***	-0.181***
Secondary	-0.0106	-0.307***	0.0887*
University	-0.319***	0.381***	0.205***
Failed	0.185***	0.00120	-0.0898
Metropolitan city	0.181***	0.0441	-0.160
Skills	-0.0507	0.420***	0.227
Training Course	-0.119***	0.499***	0.232***
N of components=2		-0.246***	-0.284***
Rent			0.440***
Young adult living			-0.292***

Findings 2: results with job characteristics

	With occupational variables		Only private firms	
	Overeducation	Migration	Overeducation	Migration
Migrant	-0.0838		-0.122*	
Commuting time	-0.00319***	0.00431***	-0.00311***	0.00550***
Informal Channel	0.231***	-0.206***	0.180***	-0.210***
Private firms	0.351***	-0.0311		
Individ. Charac.	Y	Y	Y	Y
Prov. Dummies	Y	Y	Y	Y
Job Charact.	Y	Y	Y	Y

Geographical distribution of job-related migration

Origin	Destination				
	North West	North East	Centre	South	Total
North West	54.0	14.7	12.0	19.4	100.0
North East	14.5	74.3	4.2	7.0	100.0
Centre	12.2	2.0	67.1	18.7	100.0
South	18.2	15.1	16.2	50.5	100.0
Total	25.9	21.0	20.2	32.9	100.0

Findings 3: results by geographical area

	By destination			By origin and destination	
Variables	All sample	Only private firms	Variables	All sample	Only private firms
Migr. vs NW	-0.341**	-0.425***	Inter NW	-0.409**	-0.672***
Migr. vs NE	0.120	-0.0208	Other to NW	-0.266	-0.161
Migr. vs Centre	0.139	0.124	Inter South	-0.180*	-0.109
Migr. vs South	-0.160*	-0.115	Other to South	-0.104	-0.142
Commuting time	-0.00324***	-0.003***	Commuting time	-0.003***	-0.003***
Informal Channel	0.230***	0.178***	Informal Channel	0.230***	0.178***
Individ. Charac.	Y	Y	Individ. Charac.	Y	Y
Prov. Dummies	Y	Y	Prov. Dummies	Y	Y
Job Charact.	Y	Y	Job Charact.	Y	Y

Findings 4: Results by entry channel

Variables (base category: informal channel)	Heck prob. Overeducation	Probit Migration
Migrant	-0.105*	
Commuting time	-0.00299***	0.00529***
Public recruitment agencies	-0.0328	0.297*
Temporary work agencies	-0.0169	0.136
Private recruitment agencies	-0.0794	-0.233
Schools and Universities	-0.641***	0.283**
Insert or answer adverts in newspaper	-0.204***	0.523***
Professional informal contact	-0.153***	0.261**
Direct application	-0.153***	0.205**
Public competitions	-0.358***	0.406***
Start own business or join family business	-0.209***	-0.136

Conclusions

- The use of the informal channel directly increases over education
- The use of the informal channel reduces migration
- Public and private recruitment agencies do not work better than the informal channel
- Migration reduces over education
 - *in the private sector*
 - *within the North-West*
 - *within the South (only in the public sector)*
- Migration from South to North does not reduce over education
 - *Migration from South to North resembles international migration*

Policy implications

- Employment services should be reformed to make them at least as effective as more costly job search methods in order to avoid that workers remain “trapped” into occupations where their competences are not exploited
 - *Reduce entry times*
 - *Favour spatial flexibility?*
 - *Which territorial scale?*
 - *Demand-side policies / local needs*
 - *Which characteristics of international migration in Europe?*