

# Non-standard and informal employment in Italy

Federica Pintaldi\*

## Preface

In order to approach the study of dimensions and trends in informal and non-standard employment in Italy correctly, it is first necessary to provide an accurate definition of them. While the concept of non-standard employment is well-defined, it is not so simple to give a clear picture of informal employment. Indeed, this operation entails a different set of data, wide for non-standard employment but limited for informal employment.

The SNA review has added chapter 25, “Informal aspects of the economy”. The draft chapter is still available, and the national statistical institutes are providing comments and suggestions regarding this topic<sup>1</sup>. The main problem remains the troublesome distinction among informal, underground and illegal economies. Therefore, although informal employment is one of the key labour market indicators (ILO, 2007), we find no standard operational definition to measure it.

As a consequence of the foregoing considerations, we will start our analysis with non-standard employment. The source is the Labour Force Survey (LFS), which represents the main source of labour market studies within the European countries. In the second step we will address the issue of the relation between non-standard employment and informal employment, considering both LFS and National Accounts.

## Non-standard employment

Non-standard employment is defined considering two main characteristics of job patterns: part-time and temporary. On the contrary, full-time and permanent jobs are considered as standard jobs (figure 1). The first dimension regards both employees and self-employed, while the second is usually related only to employees. In some cases non-standard employment may also include own-account self-employment. However self-employment is a heterogeneous group that cannot be classified in non-standard employment as a whole<sup>2</sup>.

Figure 1 – non-standard job

	Permanent	Temporary
Full-time	standard	non-standard
Part-time	non-standard	non-standard

However, the ongoing labour market deregulation process makes the collection of data on non-standard employment more complex. The traditional distinction between employees and self-employed no longer indicates an alternative but identifies the two extremes of a continuum that includes a large number of hybrid typologies.

As we have seen, to measure these types of non-standard employment the main source is the Labour Force Survey. In Italy, in order to comply with Eurostat regulations, a continuous survey has been implemented that collects information regarding every week of the year. The new survey was carried out simultaneously with the old survey during 2003 and finally replaced quarterly survey in 2004. The overlapping period between the old and the new survey allowed for reconstruction of the historical data for the main indicators. With regard to non-standard employment, data on part-time and temporary employment are reconstructed for gender from 1993 to 2003, and are comparable

<sup>1</sup> \* Researcher of Labour Force Survey in Italy at Istat (Statistics Italy). The opinions expressed here are the views of the writer and do not necessarily reflect the views and opinions of Istat.

See: <http://millenniumindicators.un.org/unsd/sna1993/projectmanagement/comments/chapter25dv2Canada.pdf>

<sup>2</sup> A recent multivariate analysis on quality of work indicators showed that in Italy self-employment is not linked with other indicators of non-standard employment (Massarelli and Pintaldi, 2007).

with those of the new survey. Considering the annual data, the incidence of both these form of atypical work increases: part-time rises from 11% in 1993 to 14% in 2007; temporary from 7% to 10% of total employment. The incidence of non-standard employment is higher for women: in the last year considered 27% worked part-time and 13% had a temporary job (for males the incidence is 5% and 8 %, respectively). Instead, for more exhaustive data collection we have a time series break in 2003.

Since the new survey started in 2004, data have become available for all the types of employment shown in figure 1. Moreover, the survey collects data on the atypical self-employed without employees – a temporary freelancer denominated “collaboratore”, representing one of the major issues of the last few years arising with the introduction of new employment typologies in Italy. As regards autonomy in work, the “collaboratore” is often closer to being an employee rather than self-employed<sup>3</sup>.

All this information is collected in standard publications available in the official Istat website, updated every quarter<sup>4</sup>.

Besides, the large quantity of information collected in the LFS provides the opportunity to study in greater depth non-standard employment, adding new dimensions. In particular, an important issue of the labour market regards job satisfaction. The survey collects data on the workers’ wishes regarding part-time and/or temporary job.

Considering also the job satisfaction dimension, we can distinguish nine groups of non-standard employment, which can be aggregated in five types (figure 2).

*Figure 2 – non-standard job and job satisfaction*

	<i>Permanent</i>	<i>Voluntary Temporary</i>	<i>Involuntary Temporary</i>
<i>Full-time</i>	1	2	4
<i>Voluntary Part-time</i>	2	2	4
<i>Involuntary Part-time</i>	3	3	5

1= standard employment

2= non-standard voluntary

3= non-standard involuntary part-time

4= non-standard involuntary temporary

5= non-standard involuntary part-time and temporary

We find a gradation in non-standard employment from type 2, with voluntary part-time and/or temporary jobs, to type 5, with involuntary part-time and temporary jobs.

However, there is a difference between voluntary part-time jobs and voluntary temporary jobs. In the first case, a part-time job can be a choice to combine work and personal/family life (for instance for students or women with children); in some countries, like the Netherlands, part-time jobs is more common than full-time. Therefore, it is important to separate part-time jobs for personal choice from part-time jobs due to the lack of opportunities to find full-time work.

On the other hand, only a few kinds of temporary jobs could be voluntary due to their intrinsically provisional nature (for instance seasonal jobs or expert consultancy). This is also empirically confirmed by the fact that voluntary part-time jobs are common, while voluntary temporary jobs are observed for few workers (table 1).

In the last four years, non-standard jobs have increased in proportion from the 20% of 2004 to 22% of 2007. In particular, non-standard employment shows an involuntary increase.

<sup>3</sup> In the new questionnaire there are three questions that investigate the autonomy in the work for this profile: 1. *Do you work for only one company/client or for more than one company/client?*; 2. *Do you usually decide where to work or are you obliged to work at the company/client's premises?* 3. *Do you personally decide your working hours?*

<sup>4</sup> The link is: <http://www.istat.it/lavoro/lavret/forzedilavoro> .

Table 1 – non- standard job in Italy (2004-2007)

Year	2004	2005	2006	2007
<b>Total (thousands)</b>	<b>22,404</b>	<b>22,563</b>	<b>22,988</b>	<b>23,222</b>
<b>%</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Standard (permanent and full-time)</b>	<b>79.5</b>	<b>79.0</b>	<b>78.0</b>	<b>77.6</b>
<b>Non standard voluntary</b>	<b>9.3</b>	<b>8.5</b>	<b>8.7</b>	<b>8.5</b>
- permanent and voluntary part-time	6.9	6.8	7.1	7.2
- voluntary temporary and full-time	1.7	1.2	1.0	0.8
- voluntary temporary and voluntary part-time	0.7	0.5	0.6	0.5
<b>Non standard involuntary part-time</b>	<b>3.1</b>	<b>3.3</b>	<b>3.2</b>	<b>3.5</b>
- full-time and involuntary part-time	2.9	3.2	3.1	3.4
- voluntary temporary and involuntary part-time	0.2	0.1	0.1	0.1
<b>Non standard involuntary temporary</b>	<b>6.7</b>	<b>7.6</b>	<b>8.4</b>	<b>8.6</b>
- involuntary temporary and full-time	6.2	7.0	7.8	7.9
- involuntary temporary and voluntary part-time	0.5	0.6	0.6	0.7
<b>Non standard involuntary part-time and temporary</b>	<b>1.4</b>	<b>1.6</b>	<b>1.7</b>	<b>1.8</b>

Source: Labour Force Survey

The data for 2007, considering some socio-demographic and work characteristics, show the potential of this typology of non-standard employment for the analysis of labour market (table 2).

Table 2 – main characteristics of non-standard job in Italy (2007)

	TOTAL (thousands)	Standard	Non standard				
			Voluntary	Involuntary	- involuntary part-time	- involuntary temporary	involuntar y part-time and temporary
<b>TOTAL</b>	<b>23,222</b>	<b>77.7</b>	<b>8.5</b>	<b>13.8</b>	<b>3.5</b>	<b>8.6</b>	<b>1.8</b>
<b>GENDER</b>							
Male	14,057	87.2	3.1	9.7	1.6	7.3	0.8
Female	9,165	63.0	16.8	20.2	6.3	10.6	3.2
<b>NATIONALITY</b>							
National	21,719	78.1	8.6	13.3	3.1	8.4	1.8
Non national	1,502	70.9	7.5	21.6	8.4	11.3	1.8
<b>AGE</b>							
15-34 years	7,237	68.7	7.9	23.4	4.2	16.1	3.1
35-49 years	10,549	80.0	9.0	11.0	3.5	6.1	1.4
50 years and more	5,436	84.9	8.4	6.7	2.5	3.4	0.8
<b>PROFESSIONAL STATUS</b>							
Employee	17,167	75.6	8.5	15.9	3.9	10.1	1.9
- manager and executive	1,714	90.2	3.6	6.2	0.3	5.1	0.7
- clerk	7,143	77.4	10.0	12.6	2.7	8.2	1.7
- worker	8,310	71.1	8.1	20.8	5.7	12.9	2.2
Not employee	6,055	83.5	8.6	7.9	2.1	4.2	1.6
- Self-employed with employees	1,623	96.1	3.6	0.3	0.3	-	-
- Self-employed without employees	4,010	79.4	9.1	11.5	2.8	6.3	2.4
- Family worker	421	73.6	23.8	2.6	2.6	-	-
<b>ECONOMIC ACTIVITY</b>							
Agriculture	924	66.7	8.6	24.7	1.6	21.2	2.0
Industry	5,048	85.4	5.7	8.9	1.2	7.3	0.4
Construction	1,955	87.3	3.5	9.2	1.7	7.0	0.5
Wholesale and retail trade	3,541	79.0	9.9	11.1	3.7	5.9	1.5
Other services	11,754	73.2	10.1	16.7	4.8	9.2	2.6

Source: Labour Force Survey

The incidence of standard employment is higher for males, older workers, managers and executives, self-employed with employees, and in the industry and construction sectors. Voluntary non-standard jobs are particularly common among females, clerks and family workers in the service sector while involuntary non-standard jobs are observed among females, non-nationals, young people, unskilled employees and in the agricultural sector.

The figures in table 2 offer an example of how these data can be used, but other important characteristics can be investigated. In particular, concerning personal aspects, it is possible to consider family context (single, couple without children, etc.), the role in the family (parent, son, etc.), and the level of education. With regard to jobs, the survey collects data on duration of temporary work, profession, usual weekly hours, atypical time arrangements, etc. In particular, the articulation of the working time in specific hours/days is associated with the quality of work, highlighting situations where combining working times and private life becomes difficult. On this subject, the survey collects information on evening working hours, night work, work Sundays or work in the home in the 4 weeks preceding the interview.

Considering the relationship between non-standard employment and the quality of work, two indicators appear relevant: time-related underemployment and over-education. In Italy these data are not systematically made available but the information is collected and can be calculated<sup>5</sup>.

According to the 16th ICLS resolution in 1998, time-related underemployment refers to insufficient hours of work in relation to an alternative employment situation that a person is willing and available to engage in. Operationally, it identifies employed persons who, in the reference week, were willing to work additional hours; were available to work additional hours; had worked below a work time threshold (40 hours in Italy).

Time-related underemployment only partially overlaps with involuntary part-time, because the criteria used in the definition of time-related underemployment is based on worked hours, while the distinction between part-time and full-time is based on the interviewees' self-evaluation (especially for the self-employed). Thus, although almost all the underemployed working part-time are also involuntary part-time workers, there are also time-related underemployed working full-time. Bearing in mind that the part-time/full-time distinction varies according to the occupation and among countries, the variable hours worked is more stringent and homogenous criterion than the definition of part-time/ full-time work.

Another significant kind of inadequate employment situation coming under the broad heading of underemployment is skill-related underemployment. We used a simple definition of over-education, identifying the overqualified people according to the level of education on the basis of the directions of the International Standard Classification of Occupations (ISCO) for major groups of occupations. We classify as overeducated any person with a university-level degree in major occupational groups 3 to 9 (Technicians to Elementary occupations), and any person with an upper secondary school diploma in major occupational groups 5 to 9 (Service workers and shop and market sales workers to Elementary occupations).

Finally, the wages from the main job is a significant new variable to study non-standard employment: it will be systematically made available as from 2009. In fact, this variable was made compulsory in Commission Regulation no. 377/2008.

A step forward is to study in greater depth the relation among different indicators on non-standard employment and quality of work. Combining these data using a multivariate approach it is possible to obtain a more comprehensive picture of the labour market and select the most significant indicators.

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<sup>5</sup> We have published this information on only one occasion, in the annual report of Italy statistics. Data on time-related underemployment are set out in the 2005 report; data on over-education in the 2006 report.

### ***Informal employment***

According to the new conceptual framework, job-based, informally employed people working in a formal enterprise are to be considered as belonging to the informal economy. In the ILO Report, *Decent work and the informal economy* (ILO, 2002b) informal employment is defined as “the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households, or as the total number of persons engaged in informal jobs during a given reference period”. The most often mentioned jobs are those of: street vendors, shoeshiners, rag pickers, waste pickers, weavers and embroiderers.

Following this framework, although the LFS collects data on all kinds of employment, it is not possible to distinguish between formal and informal employment<sup>6</sup>. Firstly, because the operational definition of informal employment is not harmonized (ILO, 2003; 2007). Secondly, because some necessary information is not available. In particular, the LFS does not collect information on enterprise characteristics (registration, size, unincorporated, division between capital and work, etc.).

In the developed countries, due to the lack of direct data, non-standard work is often used as a proxy for the informal economy (ILO, 2002a). However, in Italy we cannot assume that most non-standard employment is in the informal economy. On the contrary, all kinds of regular waged jobs entail worker benefits and social protection, even for temporary and/or part-time employees. Moreover some kinds of self-employment, as in the case of “collaboratori” and family workers, are entitled to receive some benefits and social protection, even if lower than in waged employment. Therefore specific information not currently available is required to identify informal economy. In the case of employees it would be necessary to collect data on benefits and social protection, which means identifying regular or non-regular jobs, whereas for the self-employed it would be necessary to collect data on their enterprises. However, household survey proves inadequate in collecting this information, extending also to tax and fiscal aspects.

Some information on outworkers can be obtained considering ISCO classification; in particular, the following five occupations could be considered informal: 3.4.7.3 - street, night-club and related musicians, singers and dancers; 5.1.5.2 - fortune-tellers, palmists and related workers; 9.1.1.1 - street food vendors; 9.1.1.2 - street vendors, non-food products; 9.1.2.0 - shoe cleaning and other street-service elementary occupations. However, these occupations represent only a partial picture of the informal economy. In order to have more data to recognize this area of informal jobs, introducing the “place of work” variable (home, street, office, car, etc.) in LFS could provide useful information, relatively easy to collect.

It is in any case essential to remember that the LFS collects information only on the resident population, but these kinds of informal work are usually performed by non-resident (and often irregular) immigrants.

On the other hand, the National Accounts estimate the underground economy including both unregistered residents and non-resident foreigners (Baldassarini and Pascarella, 2003; Baldassarini, 2007; Istat, 2008). The underground economy is defined in terms of legal productive activities that are not registered to avoid tax and social contribution obligations. For the years 2000-2006 the underground economy has been estimated both as share of GDP and as share of unregistered full-time equivalent units<sup>7</sup> (FTE). In 2006 the share of unregistered FTE was 12%; it was higher for employees than for the self-employed (13% and 9% respectively). The economic activity sectors where the incidence is higher are agriculture (23%) and wholesale/retail trade, hotels and restaurants (19%). However, use of estimates based on the indirect method does not allow for the collection of in-depth data regarding job and socio-demographic characteristics. Finally, the problem still remains to form a clear picture of the relation between informal and underground economy.

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<sup>6</sup> At the beginning of the Work situation section of the questionnaire it is stated that: “*The following questions refer to the working activities of last week. Please consider any working activity, wage employment or self-employment, regular or occasional, with or without a contract*”.

<sup>7</sup> Full-time equivalent units are obtained transforming part-time jobs into full-time units.

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