BANCA D'ITALIA

EUROSISTEMA

# T-DYMM
# The Labour Market Module
# some comments

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# Outline

- T-DYMM Wrap up
- Modelling (and data) strenghts and weaknesses
- What can be usefully looked at
- What cannot be examined

# T-DYMM wrap up

- A model with a lot of individual worker heterogeneity
  - Educational attainment levels
  - Labour market status, including temporary/permanent employee status as well as part/full time status and sector (private/public)
  - Monthly wages (if employed), depending upon gender/educ/age-experience/contractual arrangements/sector/PT status and unobservables (including an individual FE)
- … and persistence
  - AR(1) process in monthly wages
  - Labour market status at t affects labour market status at t+i
- Pensions (as well as UB claims) depend upon detailed labour market history so that long run distributional analysis may be made

# Strenghts and weaknesses

- The abundance of heterogeneity and the long run persistence of most of the shocks possibly impinging upon individuals … stemming from the richness of the longitudinal data (IT-SILC supplemented by INPS info, as in but much richer than in Mazzaferro&Morciano CAPP-DYN)
- Unclear role of demographics and lack of households' level considerations and households' wealth (even if something is embedded in the modelling of pensions' accrual)
- persistence (in the labour market status) vs individuals' permanent heterogeneity (in the wages): how to assess their specific respective weights?
- No much chances to link the parameters to relevant policy variables (eg. 2000s estimates vs most recent labour market reforms possibly changing the meaning of temp/perm distinction)

# What can be done

- Distributional analysis of the existing set of pension rules (and their changes) taking account of labour market evolution
  - Why not focusing upon the scarring effect (if any) of recessions (and most specifically the double deep suffered since 2008) by comparing the long run evolution of different cohorts (the average outcomes as well as the within cohorts variances)?
  - Why not exploiting the dataset in order to look at tax evasion and “strategic” contributions?
  - Why not looking at the (possibly more relevant) household level?

# What cannot be done (and would be worth to be examined)

- Labour supply reactions are not taken into account:
  - Females labour supply reaction to taxation of secondary earner incomes (Colonna and Marcassa, 2015 and Marino-Romanelli and Tasso, 2016)
  - The shape of the 80 euros bonus (tradeoffs with antipoverty goals due to the 8000 euros kick in and the reference only to individual earnings; possible labour supply disincentives of its extremely fast phasing out between 24 and 26000 euros)
- Take account of possibly changing labour markets:
  - Temp/perm reshuffling?
  - Wage age profile after Fornero reform: are they changing? How to model their possible changes?
- Retirement choices, health status and asset accumulation in the household