



# Career histories and accumulation of pensions contributions in Italy: evidences from the AD-SILC dataset

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**IESS**

Improving Effectiveness  
in Social Security

**IESS – Intermediate Workshop**  
Rome - 27<sup>th</sup> of November, 2015

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# Preliminary Questions:

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- Why observing career histories for assessing pension adequacy?
- What policy implications from actual working careers?
- Who are the individuals more at risk of accumulating low contributions? Why do these risks emerge?
- Is a pure NDC scheme – acting as a sort of mirror of labour market outcomes – fair as well as actuarial neutral?
- Should we assess the fairness of markets' outcomes in order to design possible measures for coping with pension adequacy?

# Outline

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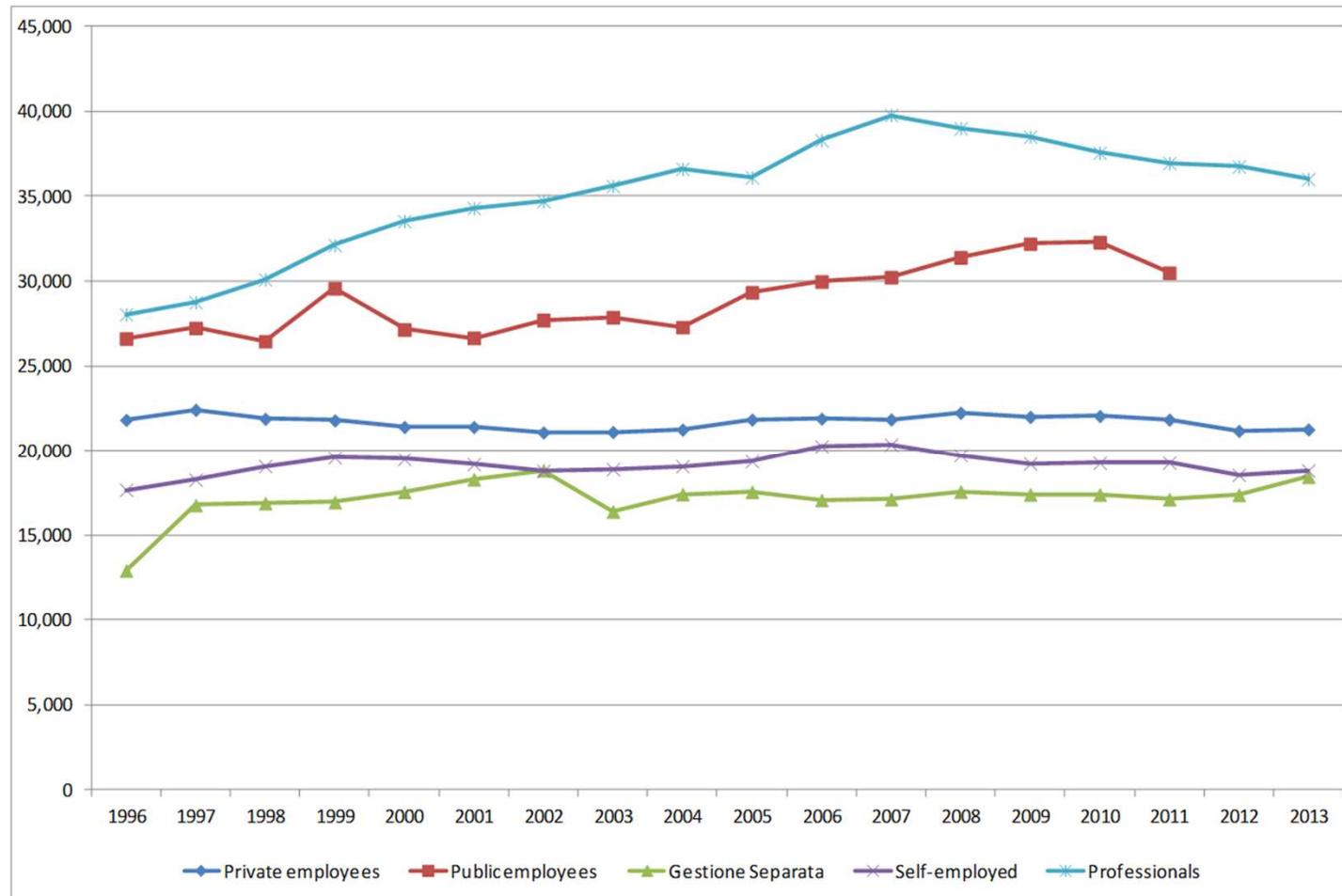
- Individual risks in NDC stem from low wages and instable working careers (also in terms of contribution rates).
- We exploit the special longitudinal information collected in AD-SILC pursuing three aims:
  - a) Show trends of earnings distribution and its determinants;
  - b) Present transition matrixes in order to assess the extent of workers' vulnerability in the medium run;
  - c) Compute some indexes of risks of pension inadequacy and its determining factors for the first cohorts belonging to the NDC scheme.

# Earnings Distribution Trends

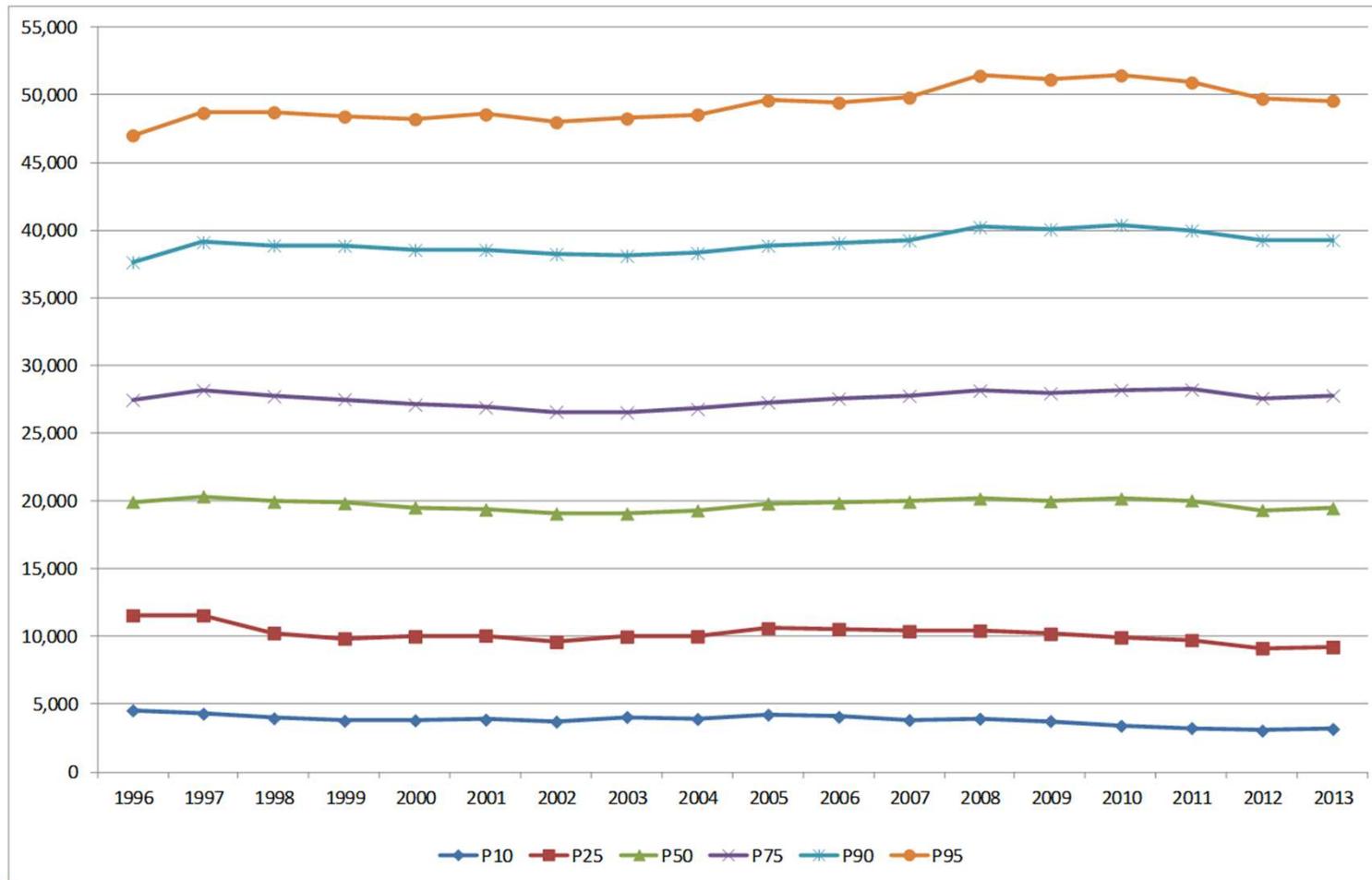
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- Annual real gross earnings for all types of workers (i.e. public and private employees and the various groups of self-employed) plus detailed information on workers characteristics.
- Detailed analyses on main determinants of the earnings distribution of private employees.
- Limits of data about self-employed (and partially public employees, followed until 2011).
- The structure of the dataset prevent us to exploit far in the past cross-sectional information, otherwise unrepresentativeness of older workers.
- Survey sources unfit for analyzing top earners.

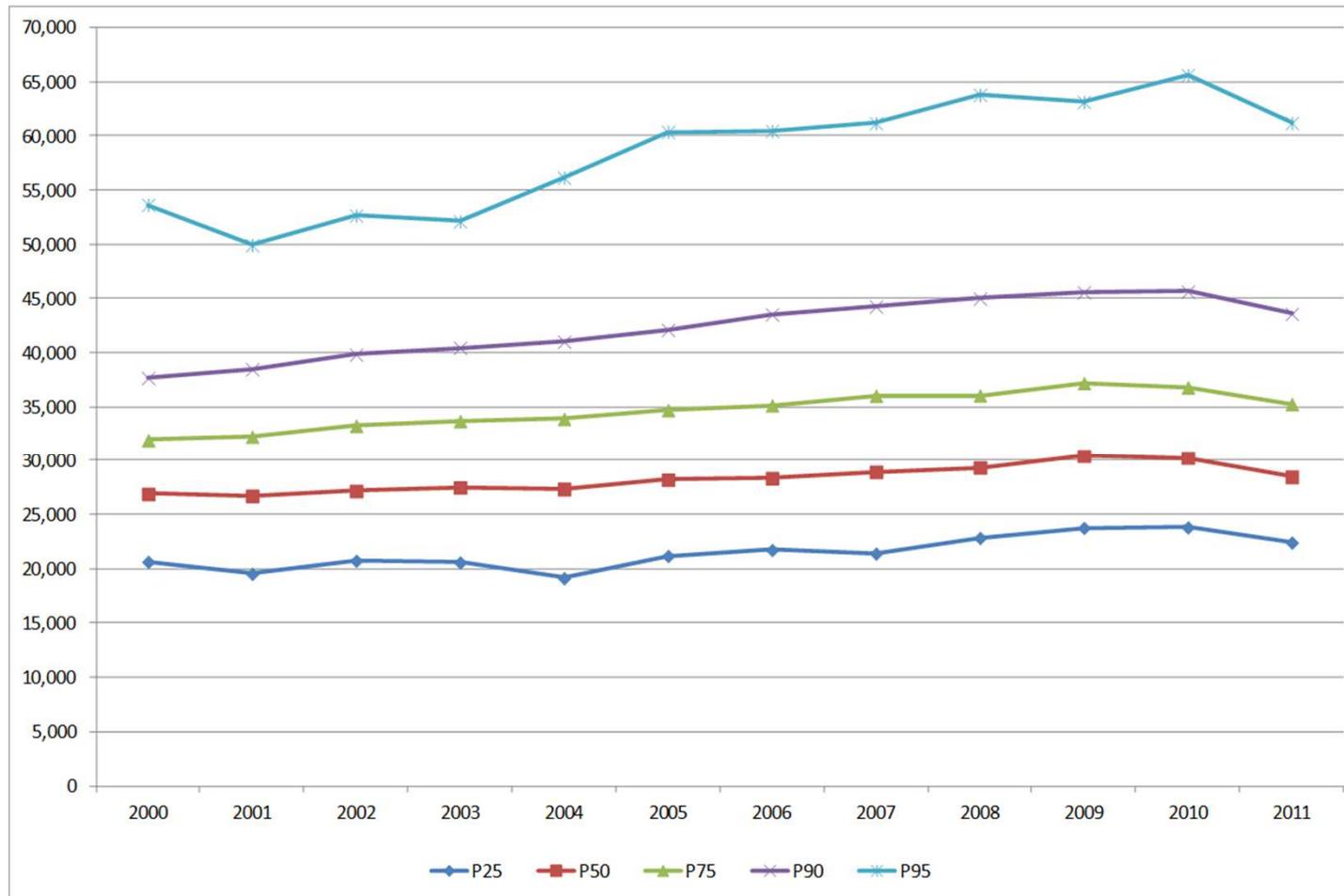
# Trend of mean yearly gross earnings



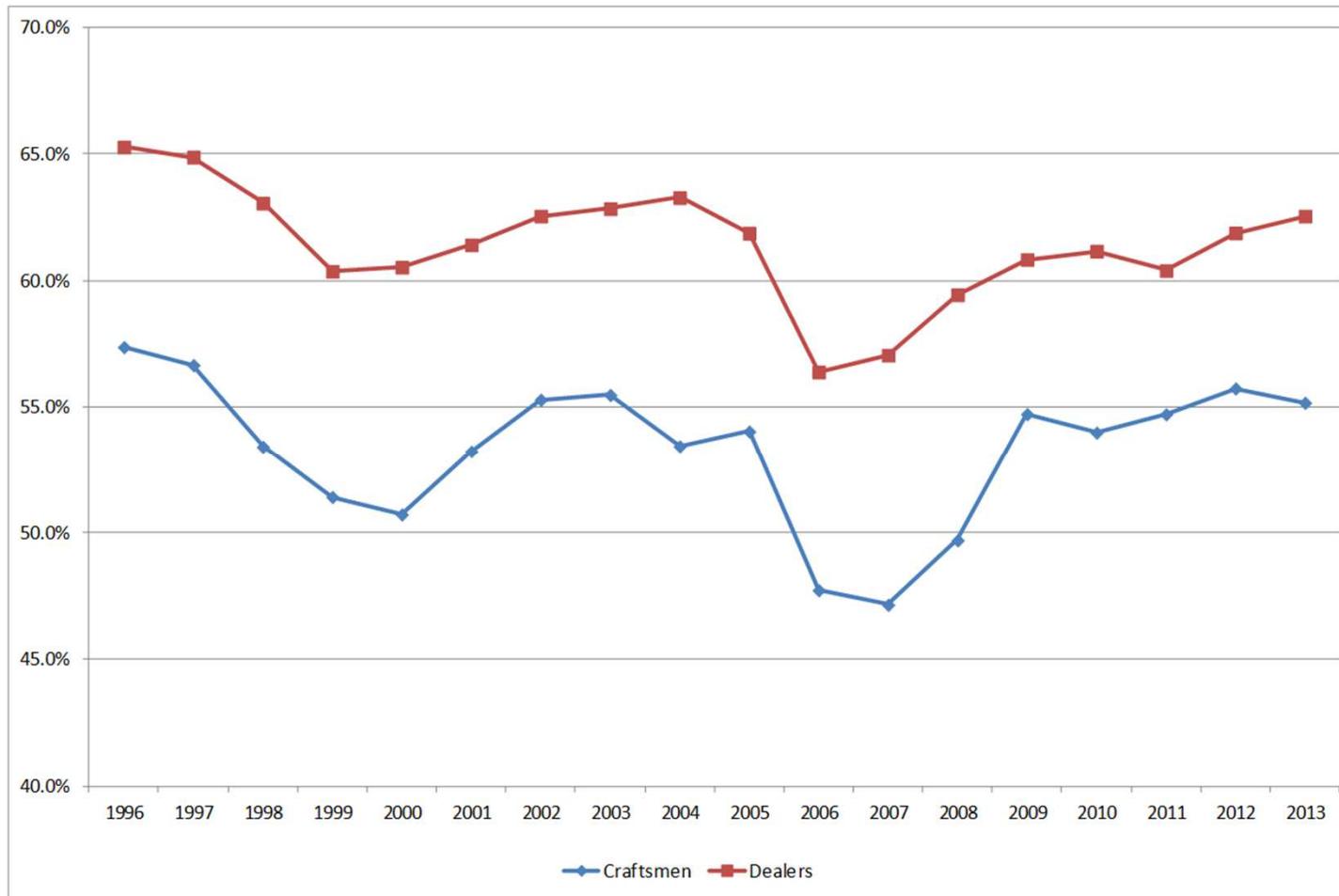
# Percentiles of the earnings distribution: private employees (15-65)



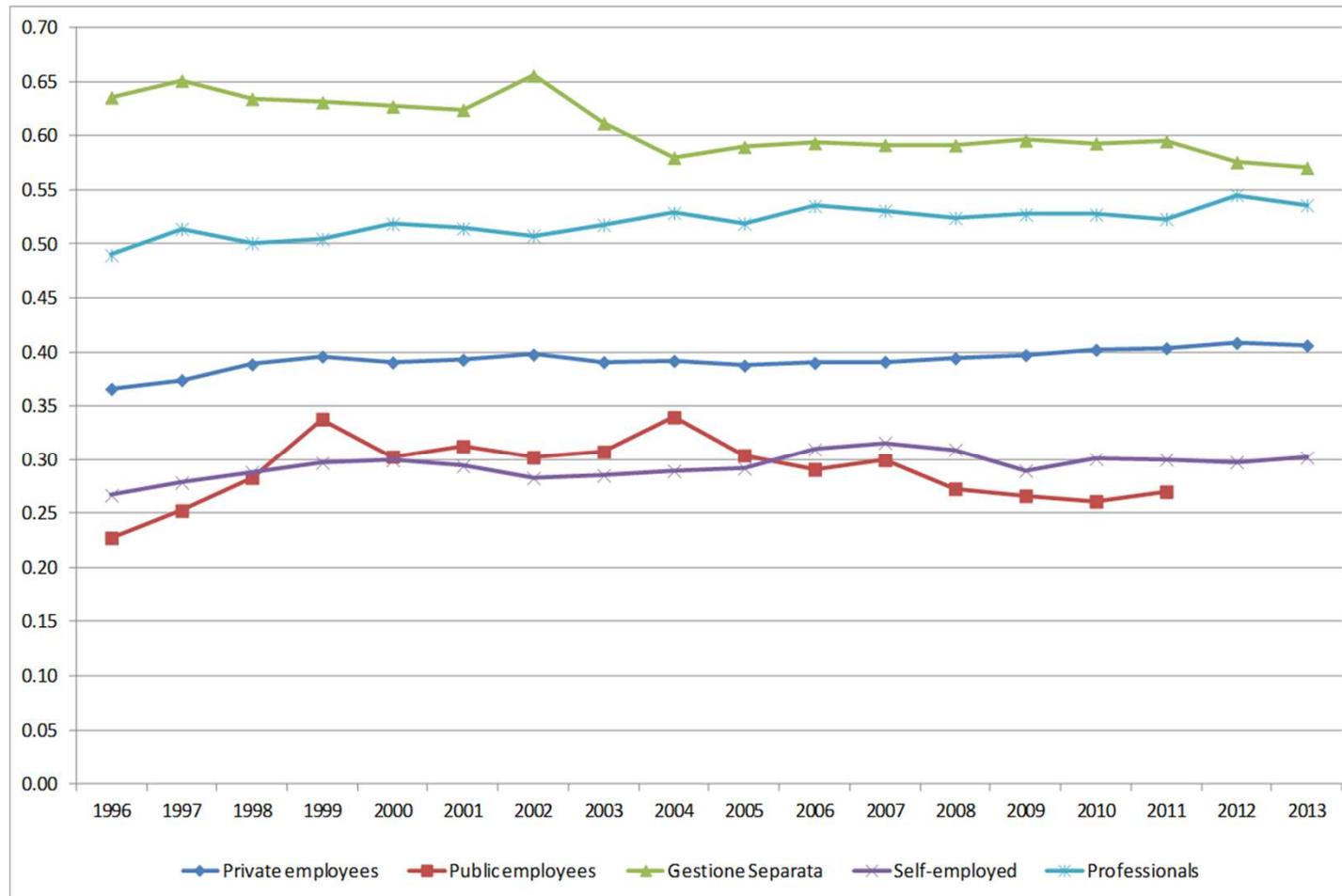
# Percentiles of earnings distribution: public employees (15-65)



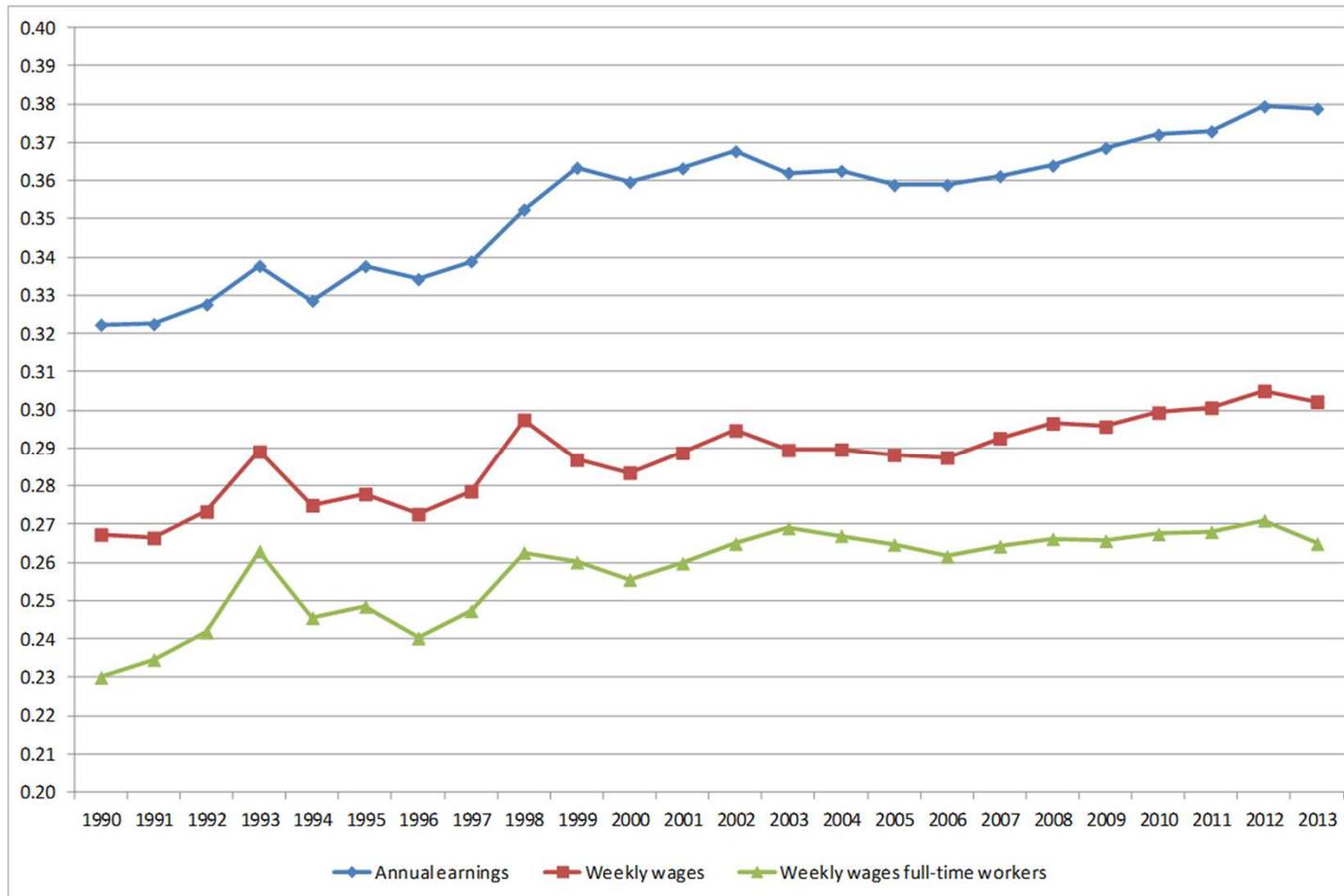
# Trend of self-employed reporting no more than minimum contributions



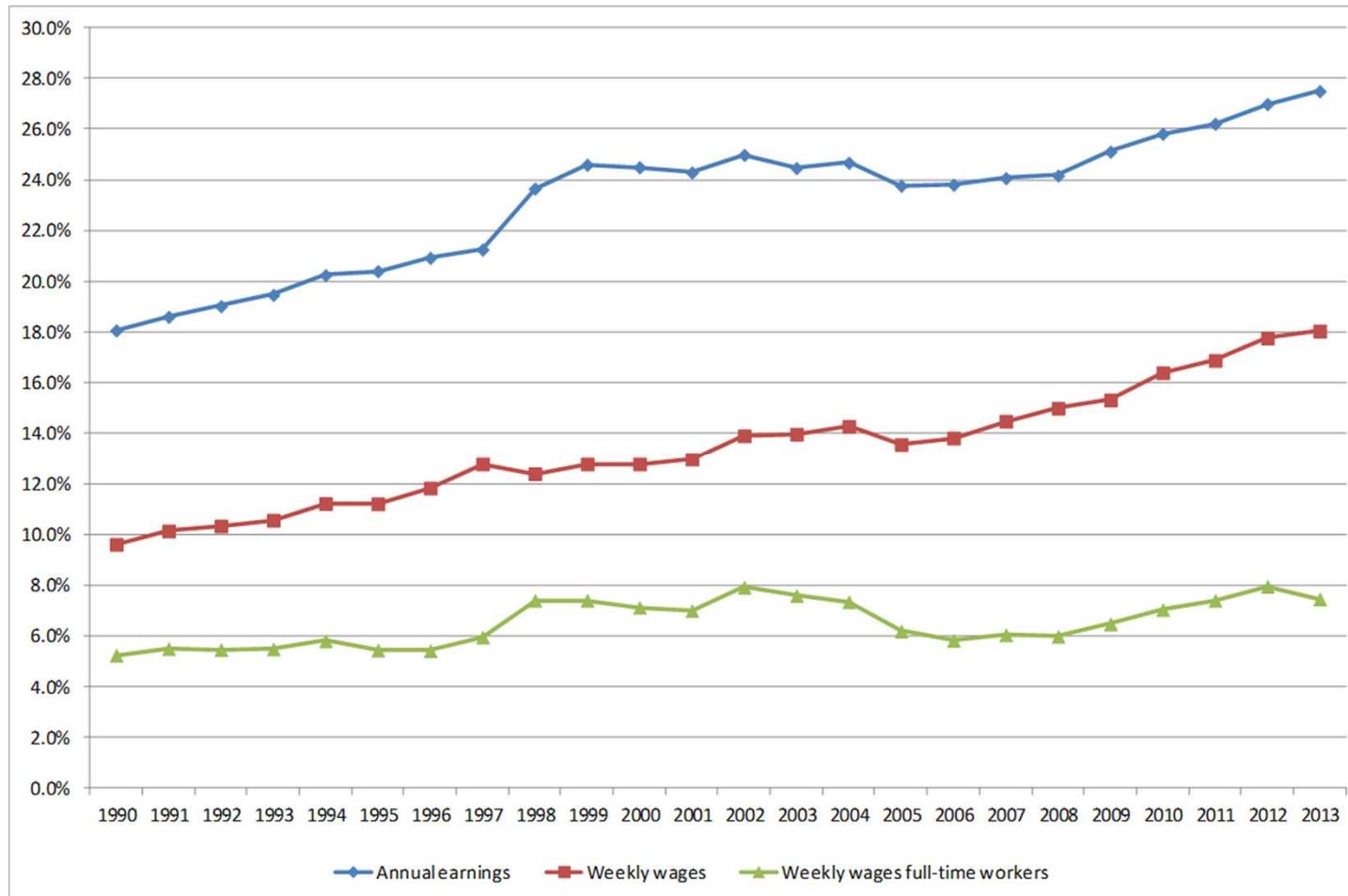
# Trend of Gini of earnings inequality



# Trend of Gini of private employees earnings (25-54)



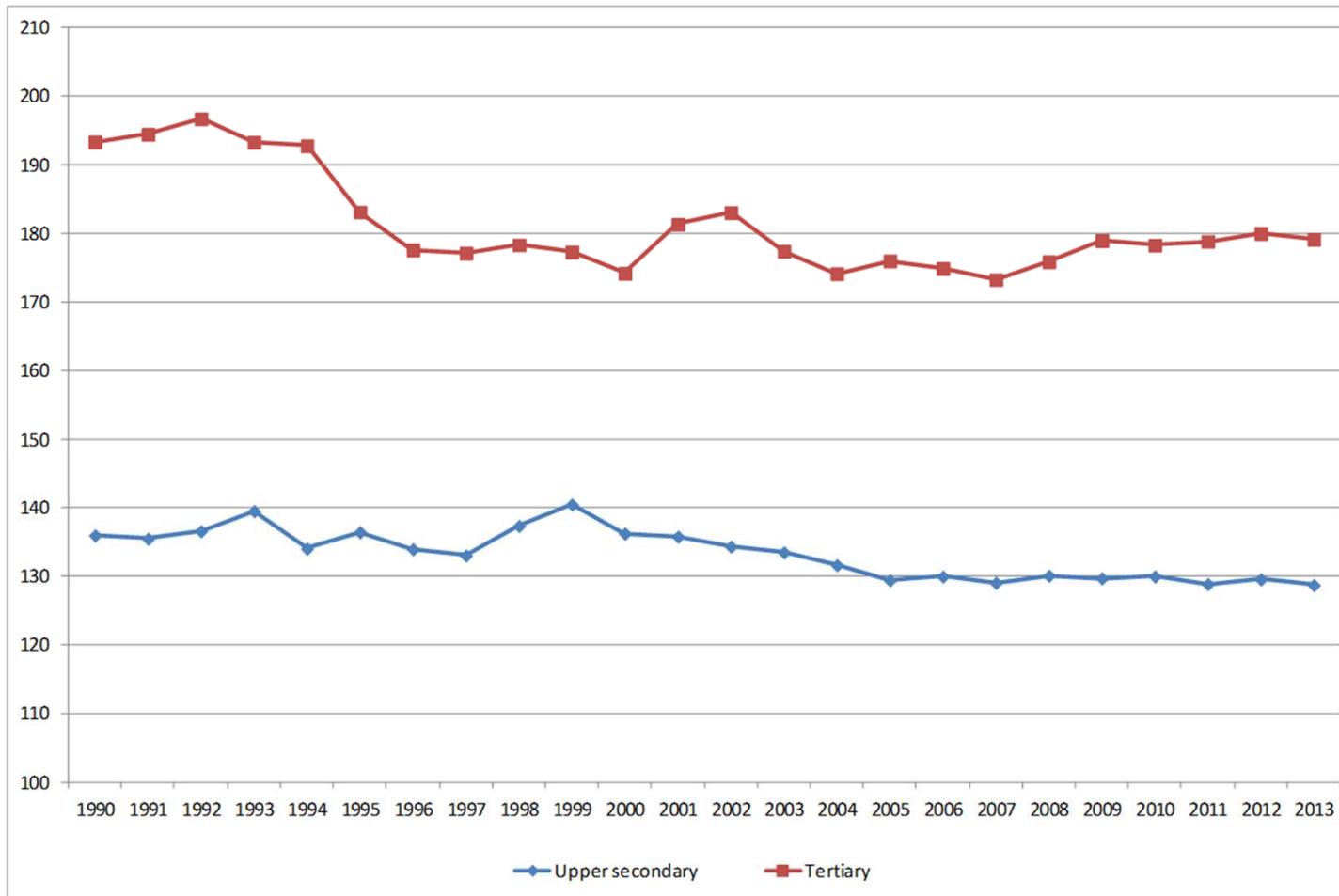
# Trend of the share of working poor: (private employees; 25-54)



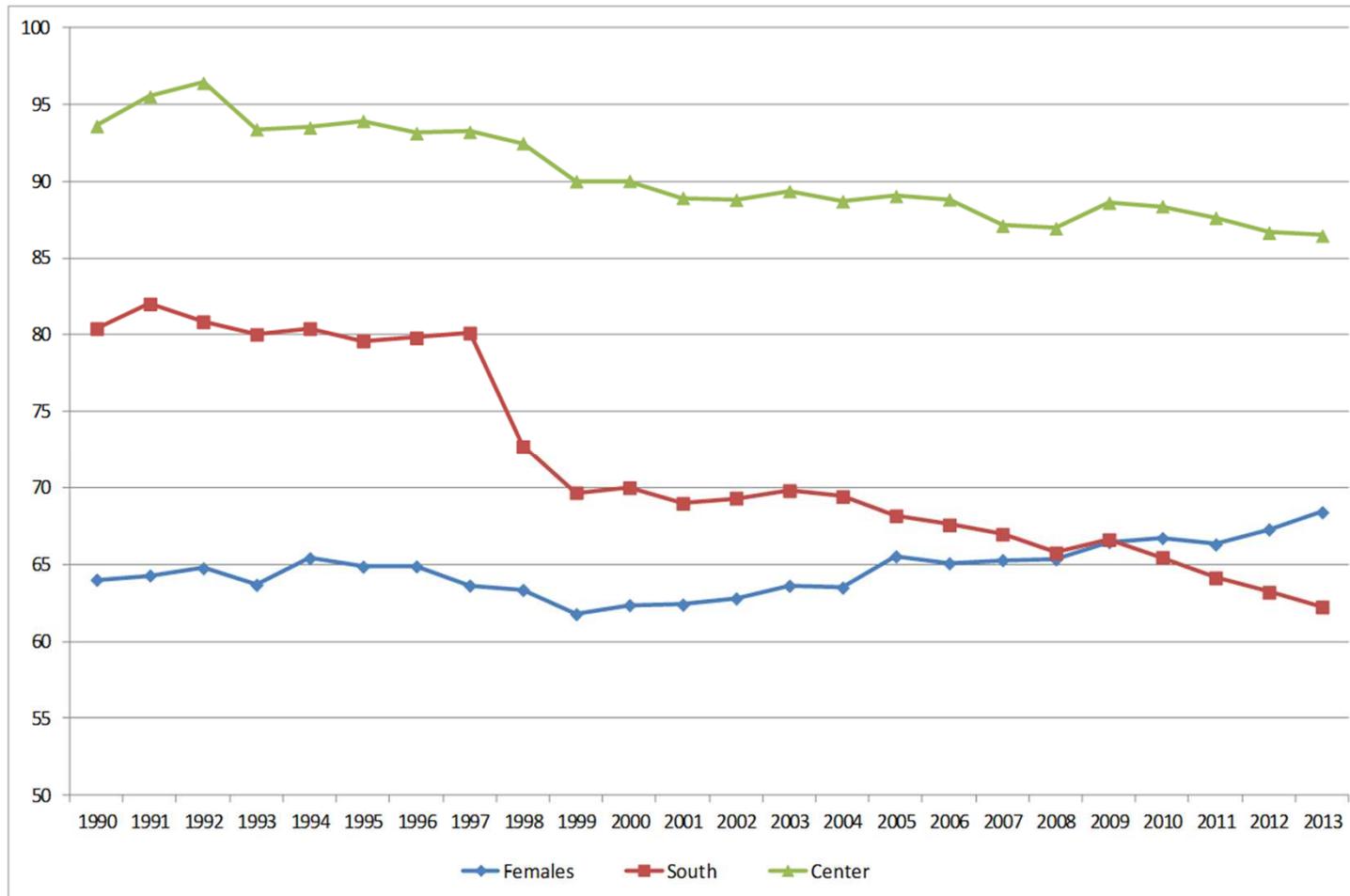
# Determinants of earnings inequality: between vs within gaps

- Focus on workers aged 25-54 since 1990 (sample more homogeneous in the tails).
- What determinants of increasing inequality?
- Trends of skill biases, gender or geographical differences?
- Are wage gaps mainly due to education? Is there a mere generational divide?
- Do “between groups” gaps matter the most? => Results from Theil decompositions.
- How does the explanatory power of the standard determinants of earnings move? => Variance of residuals of OLS including various set of controls.

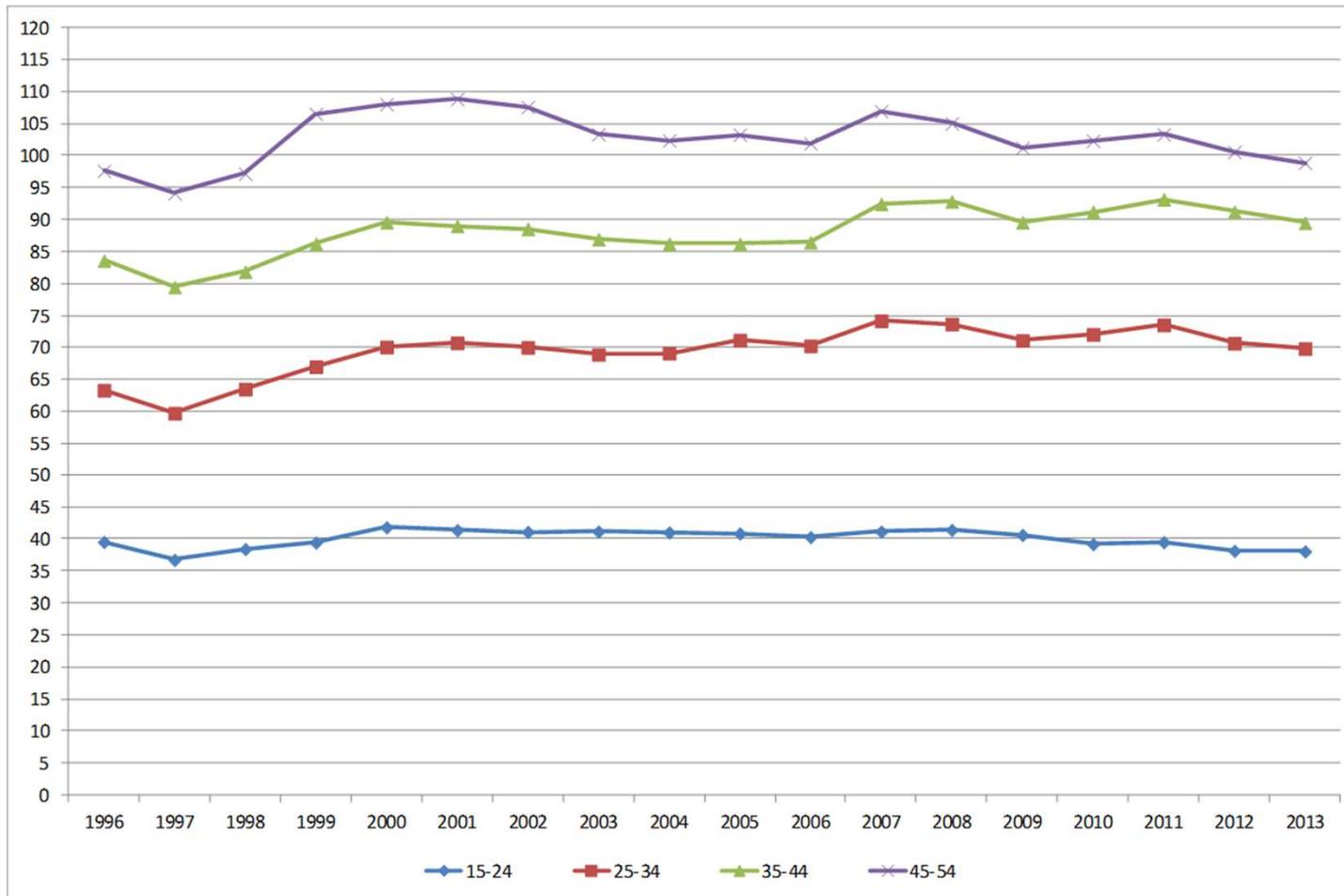
# Skill premia in annual earnings (at most lower secondary=100)



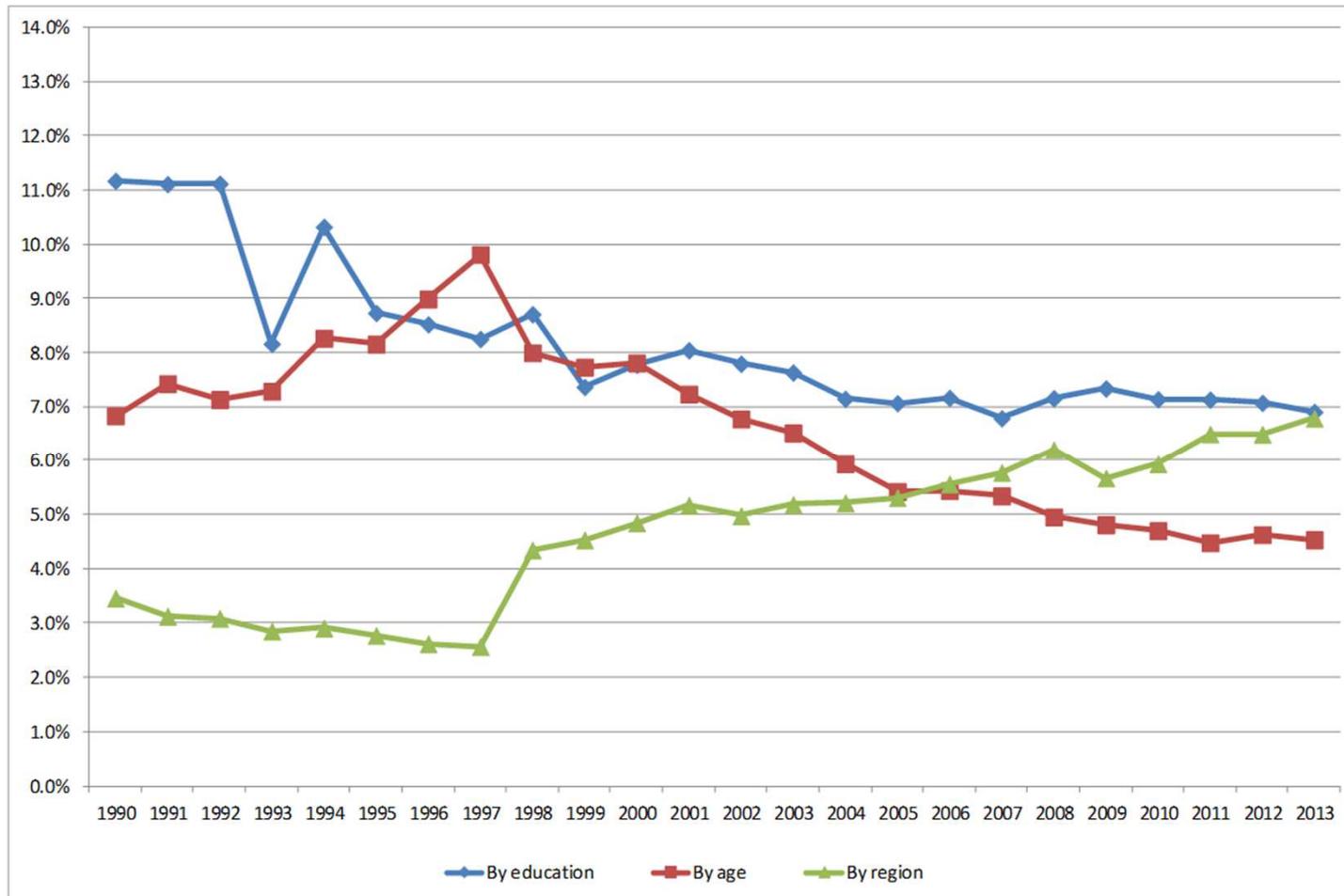
# Gender and geographical gaps in annual earnings



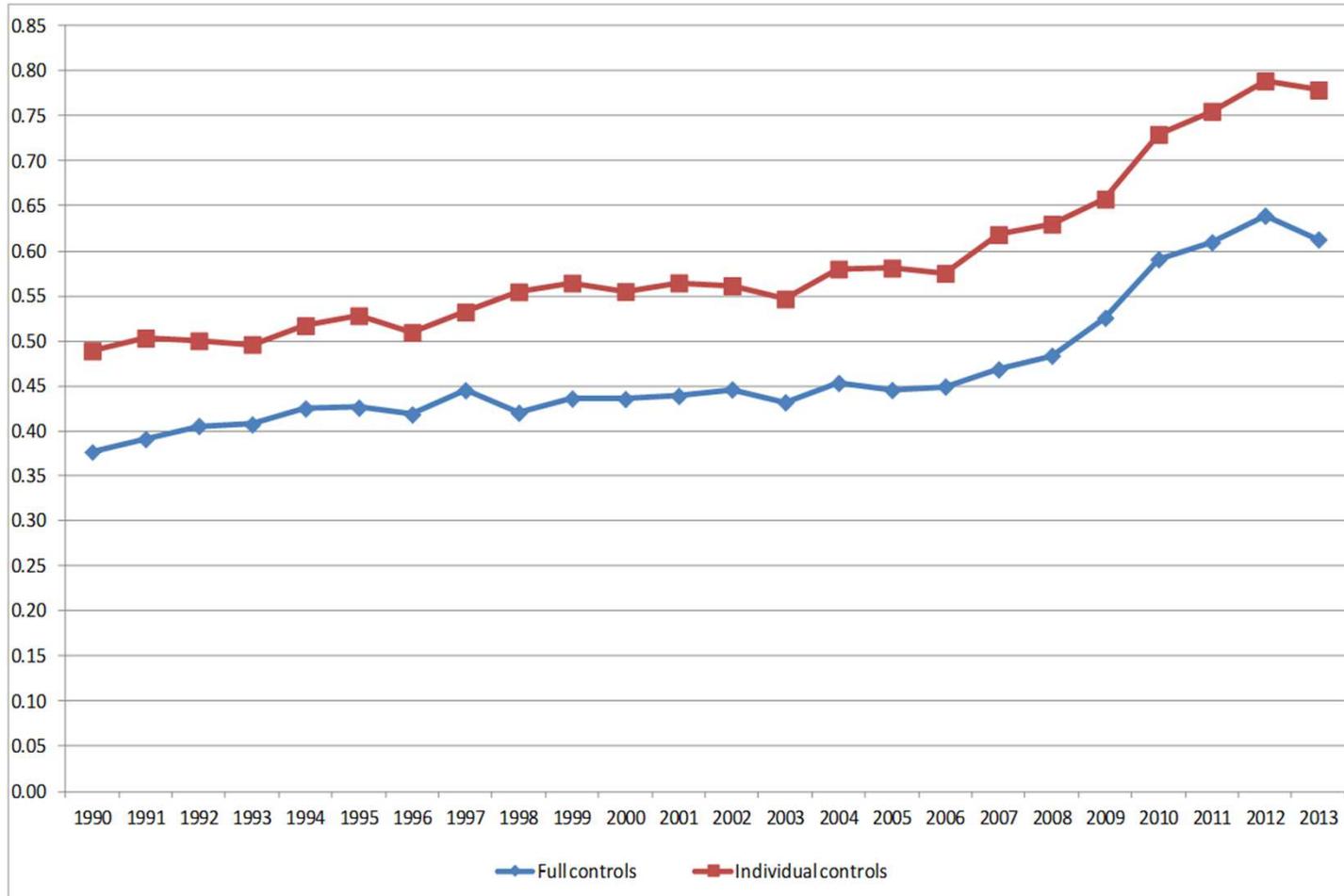
# Annual earnings differences by age (55-65=100)



# Share of annual earnings inequality due to education, age and region of work



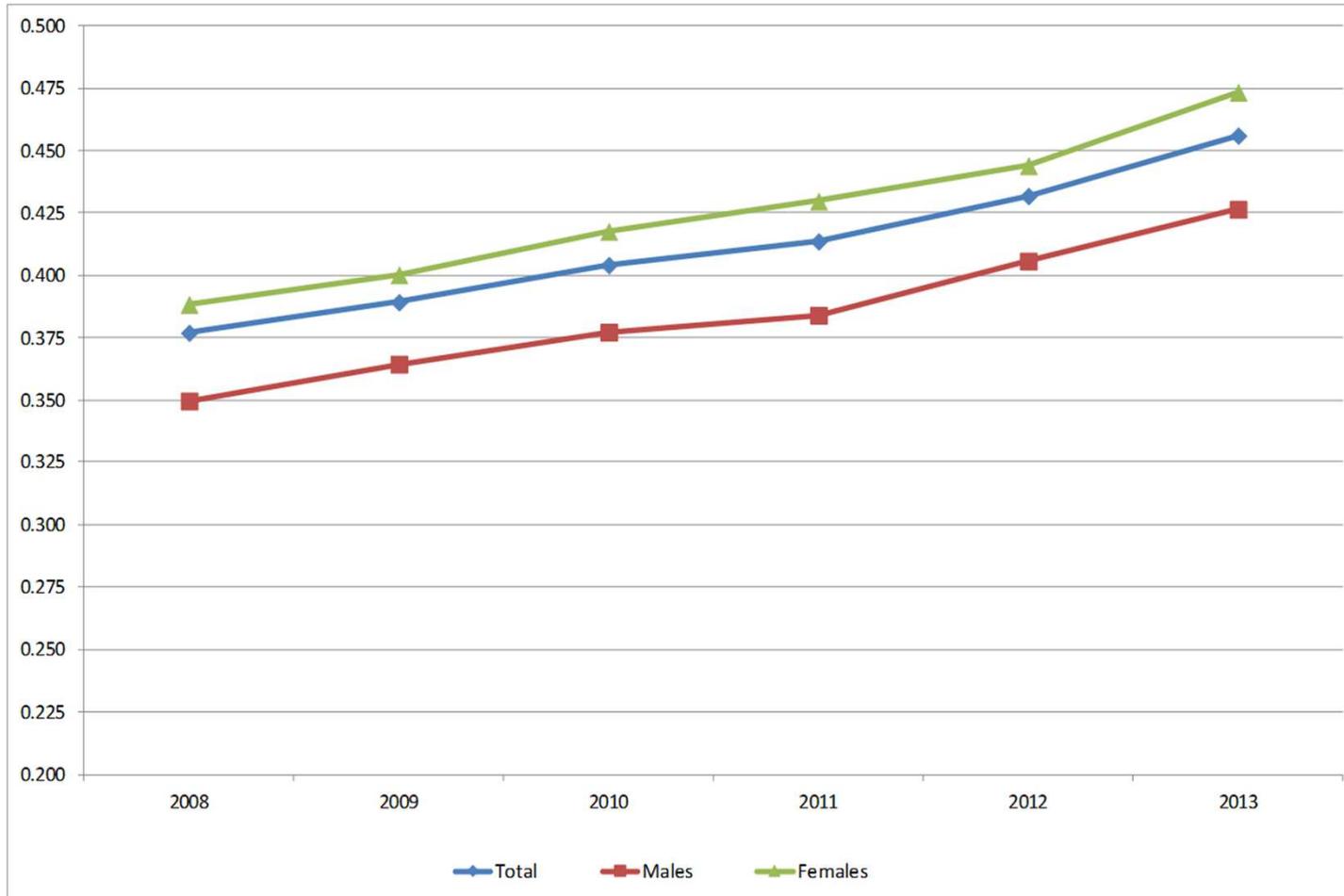
# Trend of residual inequality (OLS estimates on annual earnings)



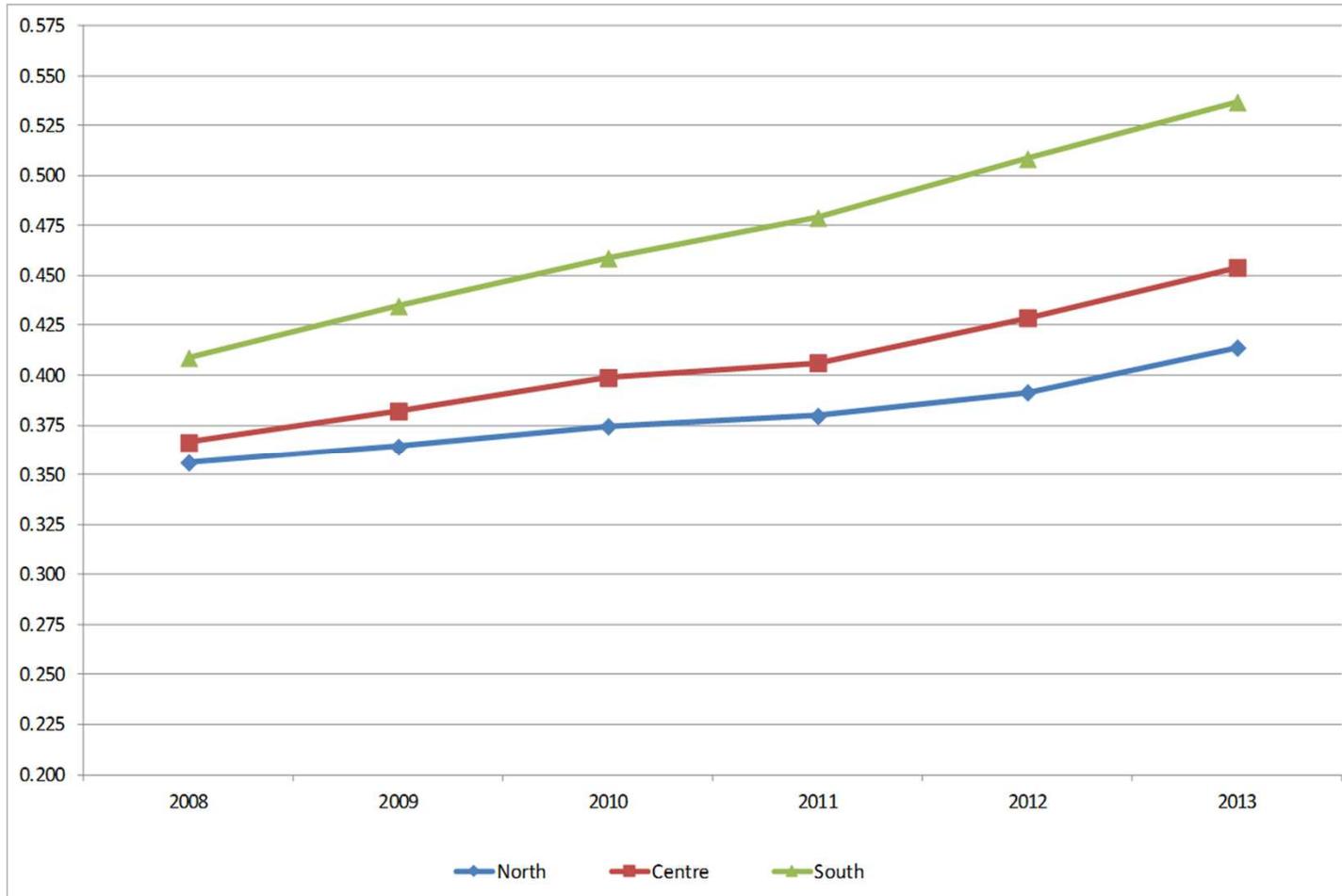
# The “true” effect of the crisis on earnings inequality

- We show trend of inequality focusing on private employees in 2008 born since 1960.
- We follow them up to 2013 including as “zeros” those “disappearing” in the period (we exclude those moving to other types of employment).
- We observe market incomes => CIG is not included.
- Effects of the crisis due to: i) hourly wages; ii) periods and hours spent working during the year; iii) risk to be unemployed during a whole year.
- Analysis by gender, geographical area and education.
- Is the crisis a fair LM outcome? What effects in terms of pensions?

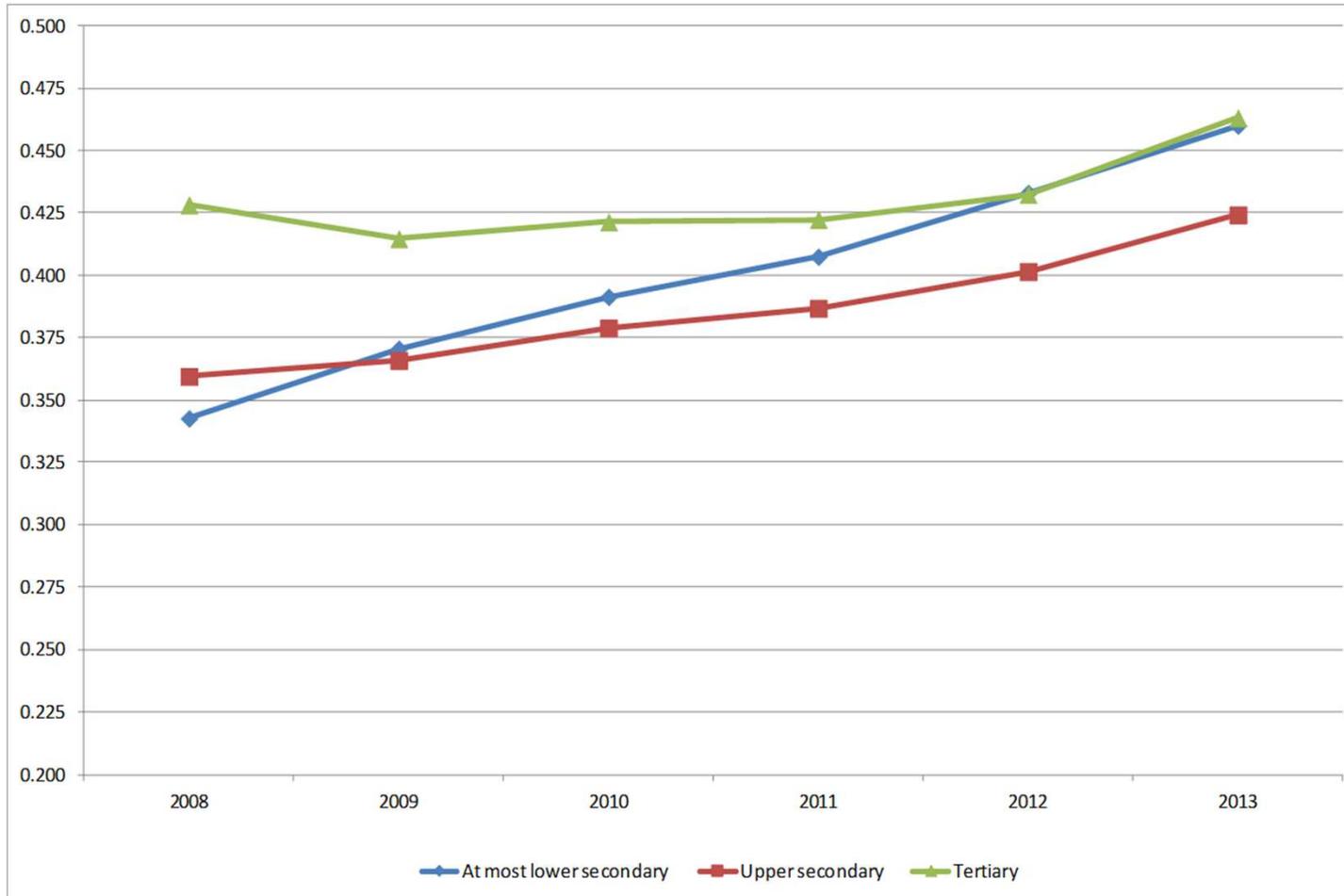
# Inequality and crisis by gender



# Inequality and crisis by area



# Inequality and crisis by education



# A counterfactual: inequality with “0” in the period 2003-2008

