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Motivation Tarantelli Prize – Year 2015

Getting Stable: an Evaluation of the Incentives for Permanent Contracts in Italy

by

Emanuele Ciani and Guido De Blasio

The paper written by Emanuele Ciani and Guido de Blasio concerns the evaluation of an important policy. They measure the effectiveness of incentives for the conversion of fixed-term contracts into permanent jobs.

Although the topic is clearly important because several European countries have promoted policies to increase permanent employment, there are very few evaluation studies of the effects of incentives for permanent contracts. Ciani and de Blasio deserve credit for filling this gap and studying a recent Italian program which provides benefits for employers who convert contracts for workers in specific demographic groups (for example females and men under 30 years of age).

The program subsidized conversions from fixed-term to open-end contracts during a short period in 2012. Exploiting a difference in difference strategy on administrative data, the authors compare the period when the incentives were available and a similar period when they were not available. They show that the subsidy increased conversions by 83% on average, with no substitution effects over time or across groups of workers. The analysis of potential deadweight losses is particularly important in these evaluation studies: the authors find no evidence that entrepreneurs postponed conversions during the short period between the announcement and the full implementation of the program or that they reduced the conversion rate after the funds were terminated; nor they find evidence that the impact is due to substitution between eligible and non-eligible workers.

This is one of the very few studies on this important topic and the first study providing empirical evidence on these programs in Italy. Given the scarcity of previous research and the importance of these type of policies for public policy, the interest of this paper is very high. The AIEL executive board feels that the paper is highly deserving of the Tarantelli Prize because of its skilful utilisation of the econometric techniques and the clean identification strategy for the purpose of addressing a question of high policy relevance.