

## TRANSCRIPT

### The Work Goes On

**Guest:** Bruno Contini

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#### **Bruno Contini:**

The increasingly dualistic nature of Italy's labor market is what is our inheritance, and it's a bad inheritance.

#### **Orley Ashenfelter:**

Welcome to [The Work Goes On](#), a podcast from the [Industrial Relations Section at Princeton University](#). I'm your host, [Orley Ashenfelter](#), the Joseph Douglas Green 1895 Professor of Economics at [Princeton University](#).

In this podcast series of conversations with leading thinkers and practitioners, we are creating an oral history of an entire generation of industrial relations experts and labor economists whose contributions to their fields have been absolutely extraordinary. Our guest today is [Bruno Contini](#), Professor of Econometrics emeritus at the [University of Torino](#). Bruno is famous for his work in labor economics and especially for his work on the informal sector and the labor market of Italy. Bruno, welcome to [The Work Goes On](#).

#### **Bruno Contini:**

Thanks, and glad to be here.

#### **Orley Ashenfelter:**

Pleasure to have you. I know you're a little time zone different from me. Let's begin the discussion by talking about your background. Where did you grow up?

#### **Bruno Contini:**

My family is originally from Ferrara, an old and famous Jewish community of Northern Italy. We're not the Bassani's Finzi-Contini, although they existed, and we are somewhat related. My father was a lawyer, anti-fascist, and Zionist, my mother, a good pianist. In 1938, the racist laws against the Jews were enacted by the fascist regime. Jewish professionals were not allowed to work, public servants to keep their jobs. Children could not attend public schools. My family decided to immigrate to Palestine, while in the meantime my brother Leo was born. But my father was imprisoned by the regime in 1939 and sent to confinement in the Adriatic Islands and then to a small village in the mountains, Apennine mountains. The family was allowed to reach him in 1941. The villagers were pleasant people. Life in the mountain village was good for us children. Our father, free from professional duties, had all the time to be with us. One of my best friends was Bruno San Martino, who many of you probably know. He became a famous world wrestling champion for many years after his family migrated to Pittsburgh.

**Orley Ashenfelter:**

The world wrestling champion.

**Bruno Contini:**

During confinement, my father could not work as a lawyer. He then decided to rent a small piece of land where he raised wheat and potatoes. My parents were very worried, as most of the family was in northern Italy where the Germans had begun to deport Jews in 1943. Many of the close relatives reached Switzerland, but a few were captured and sent to German Lagers. After the fall of the Mussolini regime, the family was free and reached Naples in December 1944, rescued by Palestinian soldiers of the British Army who gathered the Jews of Southern Italy, escaped from the German deportations. In Naples, my father went back to work for the Allied courts and began a political life in the new free Italy. Unfortunately, he died at the age of 38 from an illness that could not be treated at the time. My mother was offered a job in Rome as a social worker for a Jewish organization, and we moved to Rome in 1945.

**Orley Ashenfelter:**

Where did you go to high school?

**Bruno Contini:**

I went to high school in Rome, but then at the end of my high school, my Rome high school, I went to San Francisco with the American Field Service where I lived with a wonderful family and graduated from Washington High School in 1955.

**Orley Ashenfelter:**

A man about your age, I would guess, Reuben Gronau, I did a podcast with him. He was born in Palestine in the British mandate, and his parents had migrated there. One of them was a Zionist, and they had left a little earlier. In other words, they escaped before they had difficulties in, I think it was Germany. I have to ask you a little bit about this. So, what are your memories of the way that anti-semitism worked in Italy?

**Bruno Contini:**

My mother had moved to Milano, and once back in Italy I took a job in the accounting office of a large firm in order to help the meager finances of the family. At the same time I enrolled at Bocconi University where I could not attend classes except for courses in statistics. My grades were, therefore, only fair. And in 1959, I wrote a thesis on the Italian coal market using confluential analysis, in antecedent or regression methods. I had become interested in operations research and hoped to attend graduate studies in spite of my far from excellent university record. I was quite fortunate because Franco Modigliani, still at Carnegie Tech, liked my thesis and suggested to give me a chance at GSIA, the Graduate School...

**Orley Ashenfelter:**

I wanted to ask you how you ended up, I know you got your PhD from what was then Carnegie Institute of Technology, now of course Carnegie Mellon, but I wondered whether it must've been that connection with Franco Modigliani, an Italian also, and I guess also Jewish, who must have escaped from Italy before, an earlier time. So, he was the one who connected you with Carnegie Tech.

**Bruno Contini:**

Indeed. I was quite fortunate because Franco Modigliani liked my thesis, suggested to give me a chance at GSIA, where no Italian students had ever attended. Franco had migrated in the United States in 1939 after the racial laws. His support was big help. My wife and I just married, inherited the Modigliani's Haida bed, where probably my eldest daughter was conceived. At that time, I was still thinking of operations research as my future major. I was not particularly interested in economics per se, I took some basic courses with Cyert and Kal Cohn, enjoyed Herbert Simon who gave me a very meager B, loved Bill Cooper's courses in linear programming, but it was Jack Muth who changed my perspective. I was his research assistant at the time of his rational expectations, which I did not understand then. But he was extremely helpful in many respects, taught me a lot of statistics and basic econometrics, and we became good friends. I convinced him to try skiing instead of drinking and smoking, and that changed his life. His weekends became longer and longer; he put on a nice suntan, and perhaps skiing improved his bad life habits.

**Orley Ashenfelter:**

This is Dick Muth. How did you come to meet him? How did you meet him? In class?

**Bruno Contini:**

Yeah, sure.

**Orley Ashenfelter:**

Well you went through a list of extremely famous people in their day who were at Carnegie Tech, and then what happened? So you finished at Carnegie. Who did you work with? Did you work with Muth?

**Bruno Contini:**

Well, actually, I worked with Muth at the beginning, but then as you probably know, Jack had to leave Carnegie and go elsewhere because there was a very funny story about his being a PhD student at Carnegie, never awarded a PhD, because he refused to take an examination in a foreign language. Although he knew German very well. So, what happened is that a few of his friends, including myself, told him, "Why didn't you write a nice letter in German to the Dean and see if it works?" And it did work, because at that point they decided they had to award him the PhD, but then unfortunately Jack was not particularly happy at Carnegie, and he moved to the Midwest and finished his career there. So actually my thesis, which I thought I would write under the supervision of Jack, which I changed supervisor, and did it with Davis, Otto Davis, a public finance professor.

When I took the PhD qualifiers at Carnegie, the company of candidates were really very challenging. Williamson, Olly Williamson, Dale Mortensen, Roger Sherman, and one year later, [Edward] Prescott, whom I liked mainly as a great football player. Coffee time was already exciting. Lucas, Bob Lucas, had joined GSIA and it was about to apply Muth's expectations in his monetary macro models. Herb Simon was all against it. Alan Meltzer was so and so. He wasn't too sure. At the time in the coffee lounge, we talked with many people. Dick Cyert and Jim March had teamed up with Morry DeGroot, a renowned Bayesian statistician, and discussed empirically sound behavioral models of organizations. Bill Cooper and his lifetime co-author, Charnes, were exchanging ideas on programming with multiple objectives. I became attracted by the idea, and later made it the object of my doctoral dissertation. So, I started on that, but in the mid '60s, we had to go back to Italy because my mother-in-law was seriously ill.

I worked for almost two years at Olivetti Electronics doing applied operations research. Then we were back in Pittsburgh where I finished and defended my thesis. Then I was hired by Tom Marschak at UC

Berkeley to teach organizations a la Carnegie Tech. Berkeley was full of excellent theorists from DeBraun to Dan McFadden, George Akerlof, and others too. My thesis, bargaining with multiple objectives, was theoretical and not bad. It was accepted by *Econometrica*. I continued to work on theory with modest success. Multiple objectives made it natural to write also a paper on general equilibrium with public goods. In 1965, the business school had created a laboratory for experimental work with Hoggatt and Balderson being the first ones to make use of it. I was getting tired of theory, also because my math was not good enough, and decided to try something experimental, and I did an experiment on duopoly that turned out successful, and it was published by the *American Economic Review*.

**Orley Ashenfelter:**

Bruno, I want to interrupt because that's the first paper of yours that I ever read, the paper in the *American Economic Review*, which was, I guess, a combination of bargaining and an experimental work. What did you find in that paper?

**Bruno Contini:**

Basically, the experiment suggested that people acted as true duopolies, in the sense of Gronau, and that was interesting because this also could be seen experimentally and could be seen the result. It wasn't obvious at all.

**Orley Ashenfelter:**

That must have been one of the very earliest papers in using experiments that was published.

**Bruno Contini:**

Well, actually the editor, I think he was Gurley perhaps.

**Orley Ashenfelter:**

Perhaps.

**Bruno Contini:**

The editor of the *American Economic Review*-

**Orley Ashenfelter:**

Yeah, Jack Gurley.

**Bruno Contini:**

... told me that it was the first paper ever published in experimental economics in the *American Economic Review*.

**Orley Ashenfelter:**

I think that's probably right. Most of the journals were not very sympathetic early on to experimental work.

**Bruno Contini:**

No.

**Orley Ashenfelter:**

So you were quite a pioneer, but how long were you at Berkeley?

**Bruno Contini:**

I was there between '65 and '68, and then we had to go back to Italy for a couple of years, and I was back in 1967, and left Berkeley in 1969. I must say that at that point it was clear that I would not become a full-fledged economist. My knowledge of macroeconomics and monetary theory did not go much beyond the level of a good textbook.

**Orley Ashenfelter:**

Some people would say that was a good thing for you.

**Bruno Contini:**

In 1967, my friend and colleague Bart McGuire received a grant to estimate the damages of the 1966 floods in Oregon and Northern California and asked me to join him on the economics of natural disasters. Our work was made a good impression at [Resources for the Future](#). At that time I was about to return to Italy and Resources for the Future proposed me a study on the flood damages of the Po river in northern Italy. Well, in Berkeley I had become a friend of an Italian labor sociologist, Paci, and suggested to team up for an empirical study aimed at estimated flood damage in the Po region, and suggesting new measures of land use for agricultural development. This would require a good deal of sociological imagination in order to have the local farmers cooperate. Two years later, we wrote a book that made a good impression on the Italian economy.

The project made a turning point in my life, thanks to Paci, who, he was a labor sociologist, but then labor economics was to become my daily soup for many years to come. In 1971, I joined the University of Torino to teach econometrics. Years later, I discovered that the Italian Social Security Administration had complete micro data of worker histories matched to their employers as well as to the self-employed. For many years since, and throughout the '80s, I was after the Social Security Administration in order to convince them of the importance of using their micro data for policy-oriented research. But it was a very long and difficult find to surmount legislative and administrative obstacles to win the battle. Not until the mid '80s was the [LABORatorio](#) able to release the [Work Histories Italian Panel](#), WHIP for short, a one to 90 random sample of individual work histories matched with their employers. In dealing with the Social Security Administration, we subscribed to the policy of free releasing the data to research institutions and individual researchers. This made a big difference with all other countries where access was more complicated, if not precluded.

In addition, WHIP, our panel, was more informative than other existing databases, complete work histories from first hire to labor market exit, date, and salaries, employing firms, work interactions, job changes due to modernity, leaves, illness, return to school, draft, sabbaticals, and also moved into self-employment. As of today, let me say, over 50 papers of researchers from different countries have been published with WHIP data.

**Orley Ashenfelter:**

Now Bruno, this enterprise that you just described was a part of, I understand you started what you called the [LABORatorio](#). What is it?

**Bruno Contini:**

The [LABORatorio](#) was founded, I was at the time also with a University of Torino, but also at the Collegio Carlo Alberto. My co-author Riccardo Revelli died very young, in 2000, and so we decided to put together a group called LABORatorio Revelli for employment studies in honor of his work. Our first study on the WHIP data was on job and worker flows, essentially for the understanding of labor market dynamics. My colleague and friend Revelli and I had presented the results in a conference of Torino with a participation of the very few who were moving the same direction, in third place, Steve Davis and John Haltiwanger, as well as people from Statistics Canada and Norway. Other who attended were from France, Germany, Holland, Israel, but they did not have access to the data yet.

My research became redirected towards the understanding of Italy's poor performance versus that of all the main countries – slower growth, negative labor productivity, investment crisis, low labor participation, increasing dualistic nature of the labor market. And the characteristics of those who were sacked from the firms and did not ever return to the labor market were quite different from other workers – lower educated, very low salaries, employed in the service industries, less mobile, unable to find alternative jobs, also when labor demand was favorable.

At the time, I was hoping to discuss with Alan Krueger, because he had written a paper on the fact that once long-term unemployed people would never return to the labor market. In 2019, I did joint paper with a German economist and a Spanish economist aimed at comparing long-time unemployment in Italy, Germany, and Spain. Many features of them were similar to the Italian ones. The ratio of long-term non-employed to overall employment were not surprisingly higher in Italy and Spain compared to Germany. Ten years ago, a new important development took place with a regional epidemiological service – the matching of the data with histories of work, accidents, and illnesses, which provided a new instrument of policy analysis. Here two new lines of collaboration were established with a statistical institute and the ministry of public health. Now, I think that several policy conclusions, valid for Italy, can be drawn from the study of long-term non-employment.

As I said, the average length of non-employment spells was sometimes of 10-15 years. Many of the workers who were dropouts from the regular labor market, presumably joined the irregular economy – irregular by Italian standards. Actually, I think that many of them would be legal in more European countries where regulation is less invasive and where these jobs may also be exempt from social security contributions. This is the case for the majority of low pay, often part-time, temporary jobs, in the service sectors – waiters, janitors, salespeople, domestic helpers, and caregivers. A less restrictive legislation would reduce the incentive to join the irregular economy, while it might also have a mitigating impact on early exit, and a drastic reduction of the excessive number of contract typologies would dissipate the legislative confusion and reduce the number of litigations, as well as their associated transaction costs. More recently, actually, my last attempt to write a paper was a cost-effectiveness analysis of the incentives to youth employment, which is still underway.

The incentives indicate that a three-year 50 percent exemption of social security contributions from the European Community for the new male hires would save a substantial number of workers from dropping out of employment in a ten-year window. Now, it turned out, and this is very unfortunate, that the number of additional people saved from becoming long-term non-employed is very low, and the cost of this policy is quite high so we're not yet ready to a full evaluation. And of course, also a lot of interesting work for a young generation of economists would be to study and the social implications of the long-term non-employment that we find by the means of our data. I've been working very hard on this, but I'm not too convinced that the paper is convincing.

**Orley Ashenfelter:**

We're coming to the end of our podcast. You've been very helpful in describing exactly the topics that I had wanted to ask you about, including this labor force that's secondary really to the primary labor force in Italy, and other places that happens as well, of course not to the same extent perhaps. And also your development of new data sources in labor economics. There is one last thing I'd like to ask you. You've been in Italy for a very long time, observed the Italian economy over a very long time. Let me ask you this. How do you think it has evolved on the whole compared to, if you think back to the beginning of time, you obviously have very difficult time in the 1930s, but since that time there have been clearly some very helpful developments and some not so helpful. What's your overall assessment?

**Bruno Contini:**

The overall assessment is that the Italian economy fared quite well throughout the '80s and early '90s, but then the Italian economy became less pervasive, and Italy accepted the advice of the European Community to make the labor market much more flexible. So, what happened is that the policies of the European community increased the dualistic nature of the Italian labor market and made it more difficult to accumulate human capital, and that is a very bad accomplishment because Italy continued, the Italian economy continued to fall vis-a-vis the other European countries, both in terms of growth and also in terms of labor market development and labor market success.

**Orley Ashenfelter:**

Thank you. I appreciate that. That's a little depressing.

**Bruno Contini:**

So, the increasingly dualistic nature of Italy's labor market is what is our inheritance, and it's a bad inheritance.

**Orley Ashenfelter:**

Thank you. Thank you, Bruno. Our guest today has been [Bruno Contini](#), Professor of Econometrics emeritus at the [University of Torino](#). Please join us again for the next episode of [The Work Goes On](#), an Oral History of Industrial Relations and Labor Economics from the [Industrial Relations Section at Princeton University](#). I'm your host, Orley Ashenfelter. Thanks for listening.

**Announcer:**

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