



## **Politics in the Family: Nepotism and the Hiring Decisions of Italian Firms**

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In this paper we investigate the effect of family connections to public officials on private sector labor market outcomes. We combine data for Italy over 16 years on the universe of individuals holding political office with longitudinal social security data on a 1/91 random sample of private sector employees, and we exploit information available in both data sets on a substring of each individual's last name and municipality of birth in order to identify "families". Our most conservative estimates imply that the monetary return to having a politician in the family is around 2 percent, and that jobs acquired through nepotism account for 1 percent of private sector employment in Italy. Nepotism increases when the resources available to politicians increase, although this effect is tempered by competition among politicians over the available budget. The effect is also lower when corruption is more widespread, which we take as evidence of nepotism being a technology of rent appropriation that is a, possibly inferior, substitute for sheer corruption.