

Milan, March 17th 2015

Jobs Act: Changes to the Employment Market in Italy

Italy's Government has recently launched a wide-ranging labour reform known in the Country as the "Jobs Act". The end-goal is to make the labour market more modern and competitive, benefiting workers by creating new jobs and eliminating certain types of contract that are particularly "insecure" in nature, and helping business by reducing the cost of permanent employment and, more generally, establishing a more efficient "environment".

The belief, understandably enough, is that the Jobs Act will help foster recovery of the Italian economy through a series of provisions that directly and indirectly affect the labour market and everything that revolves around it: welfare, unemployment benefits and pensions. Many commentators consider the new developments to be historically momentous; they are destined to wreak profound change on Italy's jobs market over the next few years.

The main new developments that have already been introduced or are about to be introduced are:

- 1. A new permanent employment contract that offers "rising levels of protection".**
- 2. A social contributions reduction on new hires.**
- 3. Financial compensation (rather than compulsory reinstatement) for sacked workers.**
- 4. Worker duty flexibility.**
- 5. Simplification of the system by reducing the number of existing contract types.**
- 6. Unemployment benefits NASPI and DIS-COL.**
- 7. Simplification of apprenticeship contracts.**
- 8. Wider opportunities to use "work vouchers" to pay for casual jobs.**

Specifically:

1. A new permanent employment contract is being brought in which offers "rising levels of protection". This new contract, which will become standard for new recruits, envisages protections (compensation, protection against dismissal, etc.) that increase as the length of time worked increases.

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2. Under the 2015 Finance Act (in Italian: “Legge di Stabilità”), social contributions are reduced for the first three years that new hires are employed on an increasing-protection permanent contract (ref. point 1). Companies benefit from an exemption on social contributions, for which they would normally be liable, up to an annual maximum of €8,060. This favourable treatment applies provided that the worker hired was not a permanent employee at another employer during the six months prior to being recruited. By reducing social contributions, the intention is to make the adoption of the new increasing-protection contract attractive to companies by reducing the costs for which they are liable.
3. New recruits forfeit their right to reinstatement after dismissal for economic reasons; workers are, however, guaranteed cash compensation which rises with the length of time the employee worked at the company. Reinstatement continues to apply only where the dismissal was discriminatory, invalid or if the dismissal was for disciplinary reasons and it was proven that the underlying material grounds did not pertain.
4. An increase in worker duty flexibility. It will be easier to transfer employees from one duty to another, including what is known as “de-skilling”: when a company’s “organizational structure” undergoes change, workers can be assigned to perform duties a level below those for which they were hired.
5. To streamline the labour market and make it more transparent, starting from 2016, a reduction in the number of existing contract types is envisaged by eliminating a number of contracts considered to be “insecure”. The goal is to simplify the system by reducing the number of different contracts in use, eliminating those that have in the past most been misused. The contracts to be outlawed are: “contratto a progetto” (an ultra-flexible project-related contract), “associazione in partecipazione con apporto di lavoro” (a sort of individual joint venture between worker and company, where just labour is contributed to the company) and “job sharing”. One of the things that will of course need to be considered for existing labour contracts is how to manage the “transition period”, in view of the fact that the end goal is to make “increasing-protection contracts” the standard form of employment by streamlining the number of different contract types and existing regulations.
6. Significant changes are also in the pipeline regarding the duration and nature of unemployment benefits, which will depend on the unemployed person’s “paying-in history”. This will see the introduction of NASPI (replacing ASPI and mini-ASPI) and DIS-COLL.

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7. A number of procedural simplifications will affect apprenticeship contracts, along with a reduction in costs to businesses in order to render them more attractive.

8. It will be easier to use “work vouchers” in payment for “casual” and “extra” work, that is to say work not suited to labour contracts because it takes place on an infrequent and occasional basis. The goal is to extend application of this already existing tool, to protect what would otherwise be hard-to-regulate situations and ensure that they are on the books. These new rules are therefore more extensive than the ones they replace. Use of work vouchers is being rolled out to all sectors of the economy.