

An aerial photograph of Italy, showing the boot-shaped peninsula and the island of Sicily, set against a blurred background of the surrounding sea and sky. The text is overlaid on the top right portion of the image.

THE LABOR MARKET REFORM AND ITALY'S IMPROVING ATTRACTIVENESS TO FOREIGN INVESTORS IN THE LAST DECADE

*Opening contribution at the
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The Foreign Investors' requests to the Italian Government

Mario Monti

2011: the premier Mario Monti receives from the F.I. Committee a series of proposals, aimed at **increasing Italy's attractiveness to entrepreneurs**





a) proposals aimed at improving labor market performance

- **Simplifying** labor law
- **aligning** it to those of major other Countries...
 - ... namely: replacing the old regime of **job property**, based on sect. 18 of the «Statute of workers» of 1970, by a regime based on **flexicurity**
 - **shifting the center of gravity** of the industrial relation system from national level to periphery: enhancing plant-level bargaining



b) Foreign Investors' proposal in four other fields



- Reducing **tax burden** on businesses and labor income



- Reducing **energy price differential** in Italy compared to central and northern Europe

- Making the **administration of Justice** faster



- Reducing **red tape** for those who invest



Four main goals of 2012-15 reform

- A. making the Italian labor market **more attractive** for foreign investors through HR management **simplification**
- B. making it **more flexible** and **more inclusive**, abandoning the old regime of rigid protection of regular workers' stability
- C. extending to all workers an **unemployment insurance** aligned to the best European standards
- D. building a modern system of **assistance services in the market** able to satisfy the enterprises' demands of skilled labor

The reform of dismissals enacted in 2015 (decr. N. 23/2015)

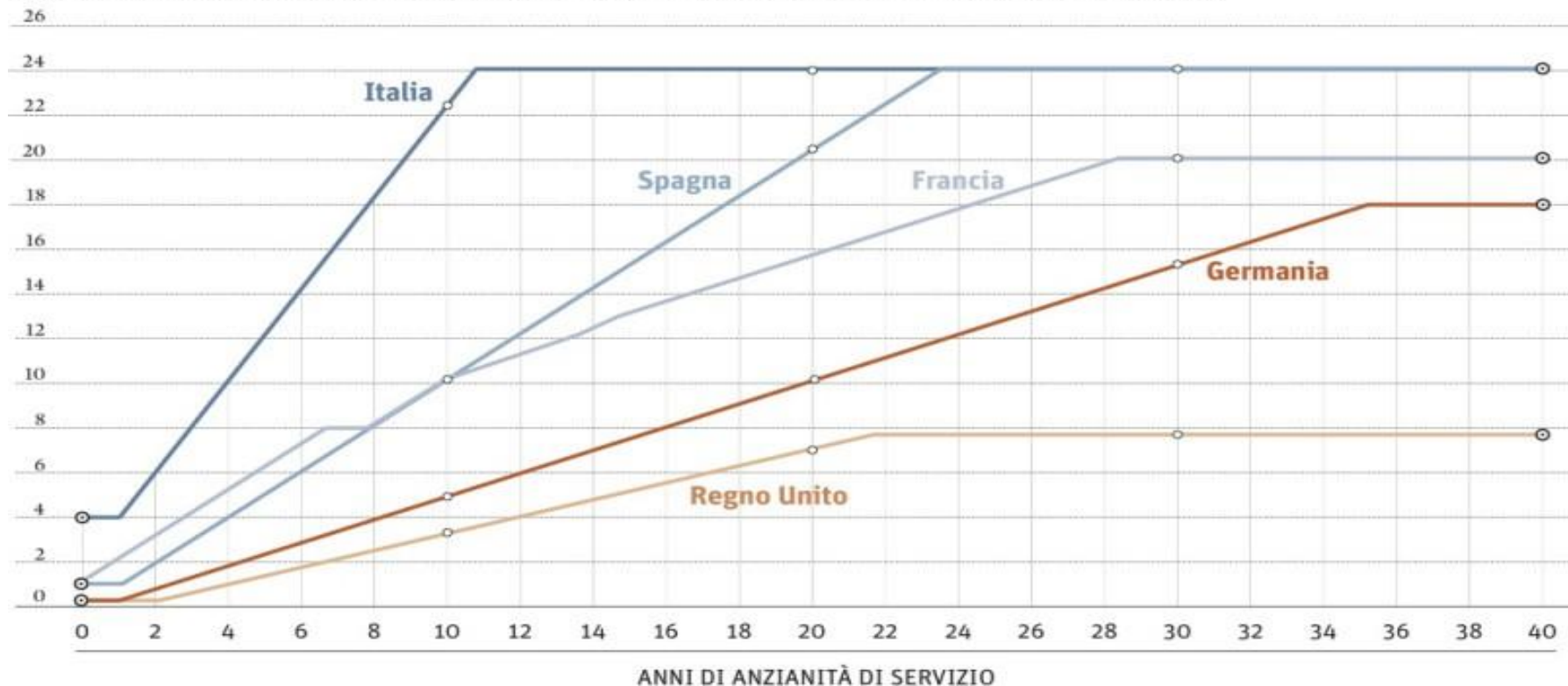
- A lighter and more easy-to-read legislative text that
 - **minimizes the space of discretion** of the courts...
 - in order to reduce litigation hazard
 - thus reducing a litigation rate which had become abnormal
 - ... and **favors a standard settlement** in all cases of «physiological» dismissal (dismissal is no more considered as an extreme measure, intrinsically negative, as far as the worker is duly supported)



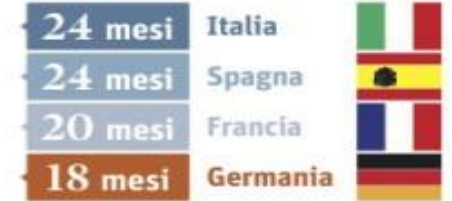
The quasi-alignment of the Italian severance cost with that of the other major EU Countries

Il confronto internazionale

Rapporto tra anzianità di servizio e mensilità di retribuzione dovute come indennità risarcitoria (scala sinistra)



Indennità massima



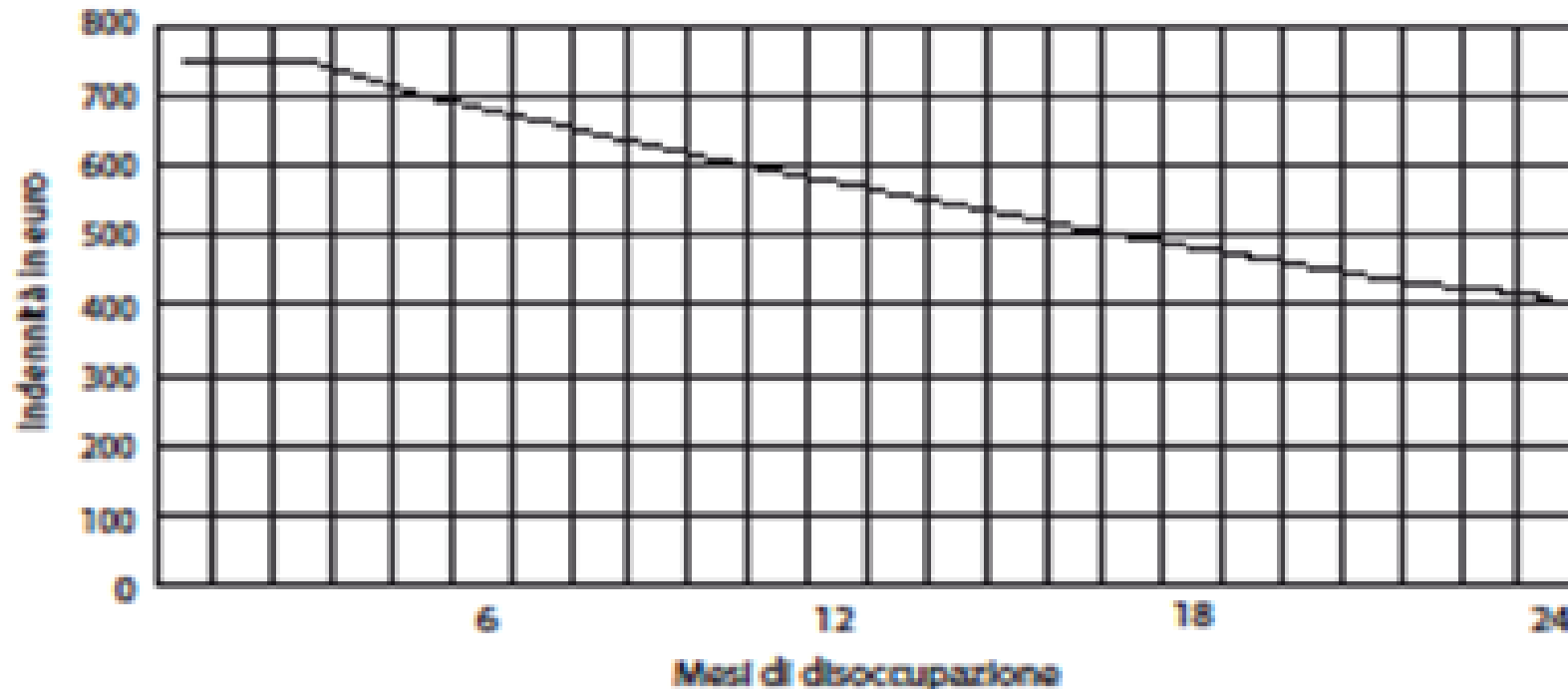
7,8 mesi Regno Unito

È previsto un massimo di indennità, ossia quante £ devono corrispondere a una mensilità

Unemployment benefit: 75% last salary
(from the 4th month: -3% each month)

UN ASSICURAZIONE CONTRO LA DISOCCUPAZIONE SECONDO
I MIGLIORI STANDARD EUROPEI

Nuova ASpl (ultima retribuzione mensile € 1000)



Simplifying labor contracts

(Legislative Decree no. 81/2015)

The discipline of **eight crucial labor law chapters** has been simplified

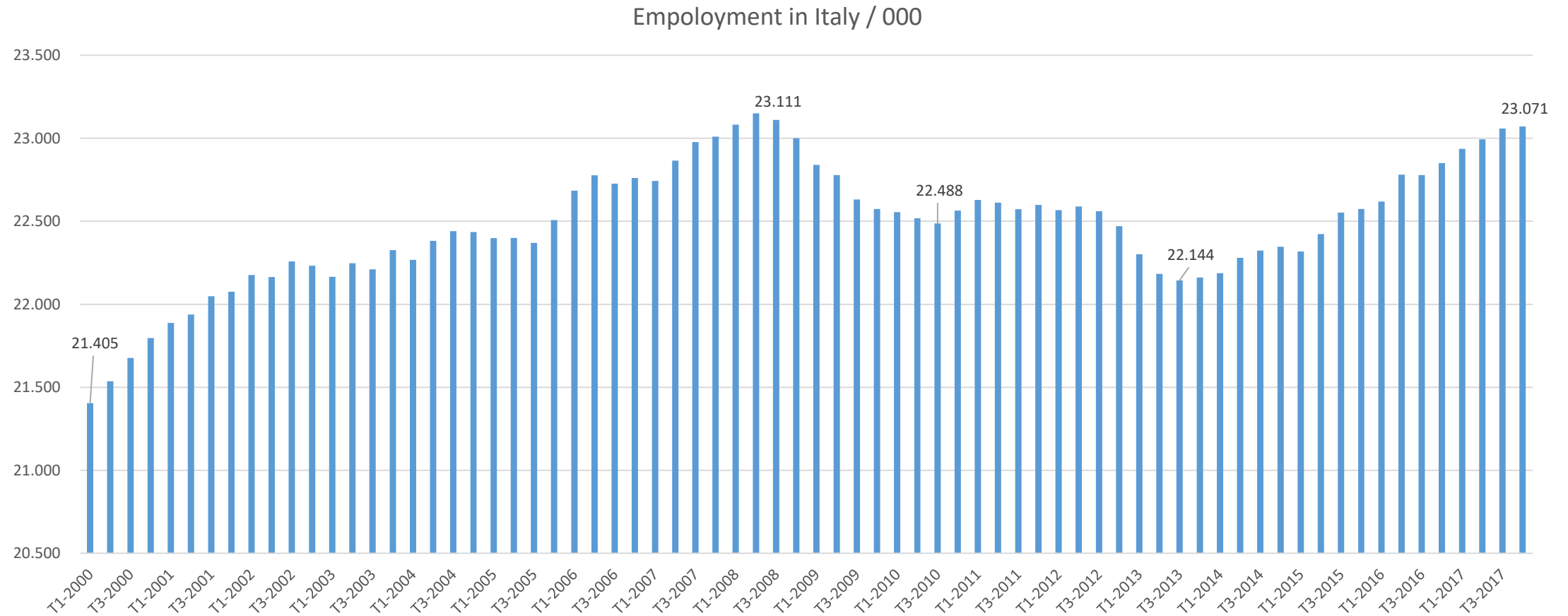
with new elements of flexibility
and repeal of dozens of previous laws

- a)** distinction between dependent employment and self-employment
- b)** change of employee's duties
- c)** fixed-term contracts
- d)** part-time
- e)** occasional jobs
- f)** job on call
- g)** temporary work agencies
- h)** apprenticeship

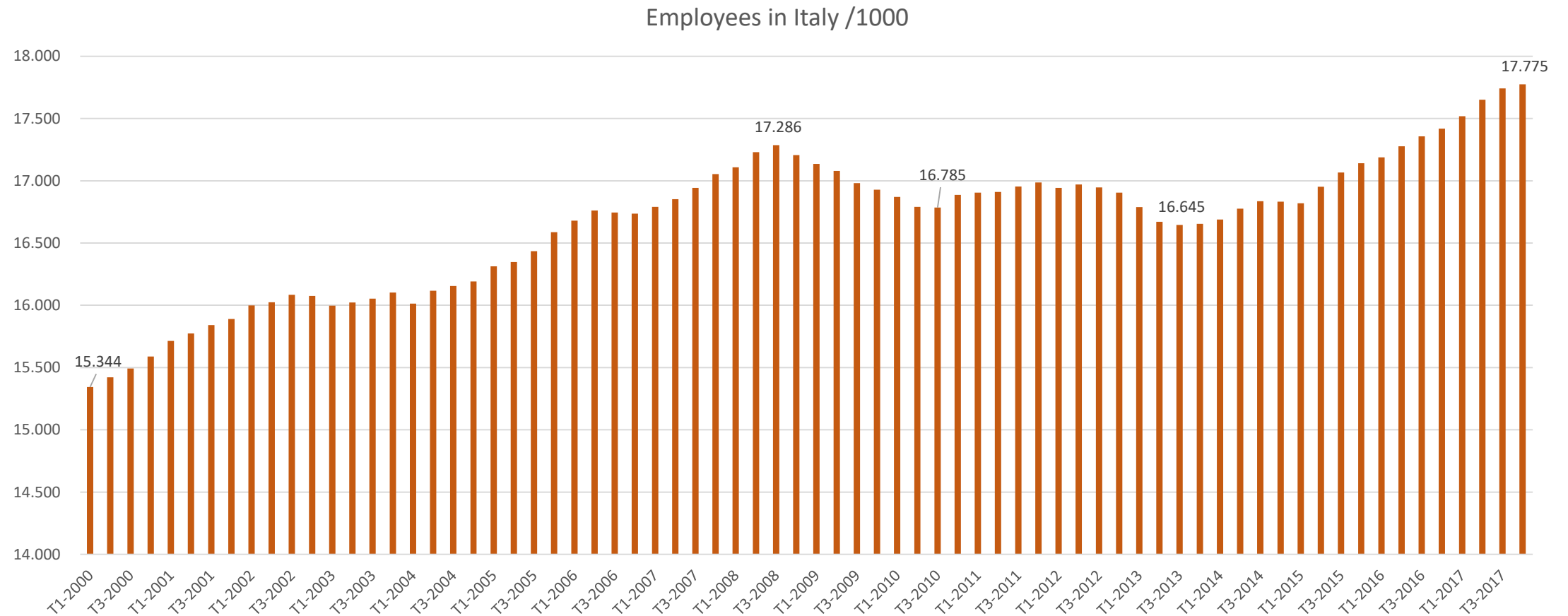
Plant level bargaining has been incentivized

What has followed

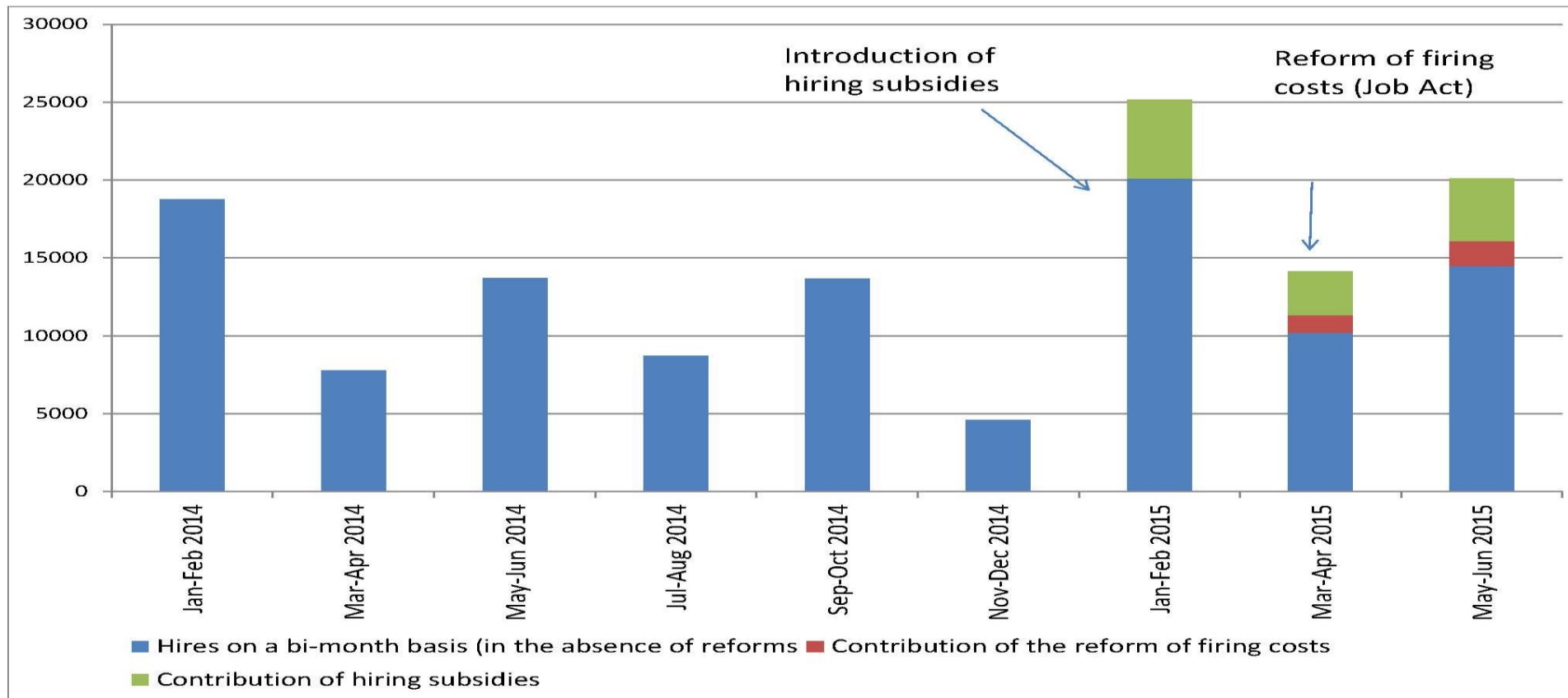
Employment in Italy from 2000 to 2017: recovery of pre-crisis levels



Employees in Italy from 2000 to 2017: labor policies aimed at boosting **stable employment**



The causal effect of the dismissals reform, and of incentive, on the increase of stable employment



Sestito and Viviano, in *Economic Policy*, 2018)

After the 2012-2015 reform:

no appreciable increase in the frequency of dismissals (1.4%),

but

a dramatic reduction of litigation at Court concerning dismissals and fixed-term contracts



Le cause di lavoro

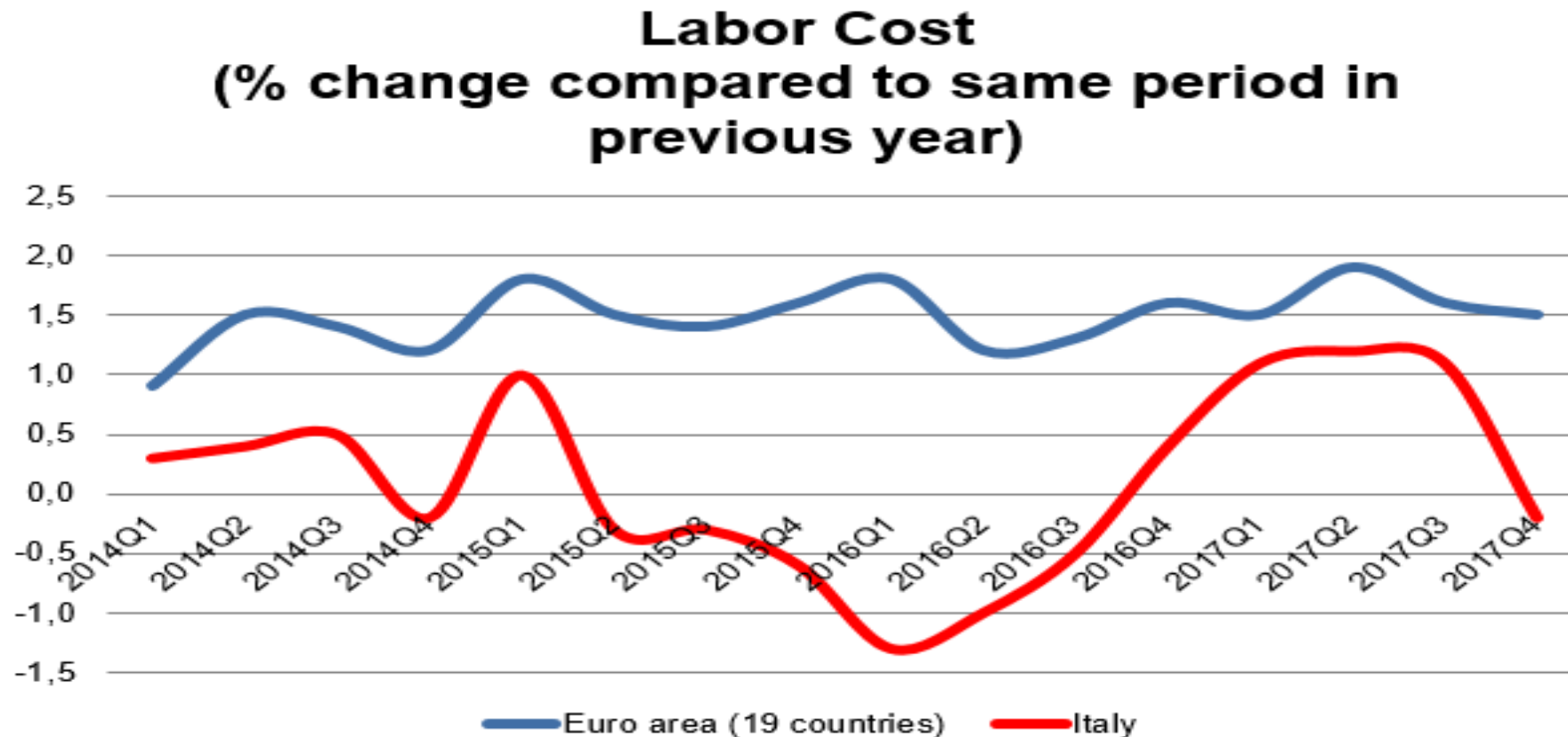
In Italia nel settore privato

PROCEDIMENTI ISCRITTI A RUOLO IN MATERIA DI LAVORO

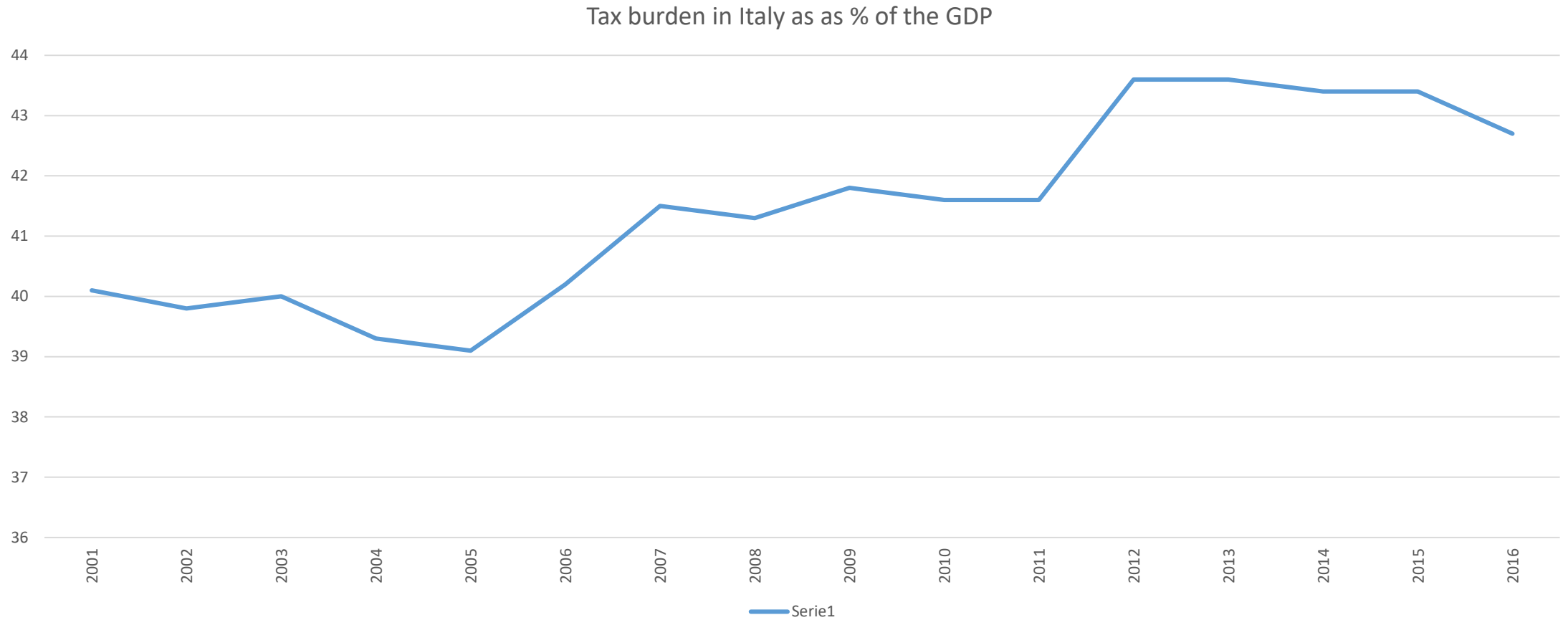
	2012	2013	2014	2015	2016	Var. % nei 5 anni
Categoria e qualifica	1.627	1.508	1.520	1.486	1.307	-19
Mansioni	1.346	1.326	1.222	1.062	1.248	-7
Retribuzione	52.644	51.923	47.131	41.368	39.293	-25
Sanz. discipl. minori	1.440	1.184	1.237	1.229	1.364	-5
Trasferimento	472	498	514	540	668	41
Trasfer. azienda	470	407	444	360	324	-31
Dimissioni	389	387	424	331	295	-24
Tot. Parziale	58.388	57.233	52.492	46.376	44.499	-23
Contratto a termine	8.019	4.363	2.867	1.789	1.246	-84
Lavoro interinale	1.376	633	430	251	280	-79
Licenziam. collettivo	901	552	462	403	279	-69
Lic. g.m.o.*	7.535	5.952	4.615	3.493	3.298	-56
Lic. disciplinare	3.665	2.432	1.494	1.050	1.040	-71
Lic. giusta causa	5.641	3.522	2.492	1.966	2.151	-61
Licenz. Dirigente	455	506	338	295	286	-37
Tot. Parziale	27.592	17.960	12.698	9.247	8.580	-69
TOTALE	123.156	110.259	98.016	85.460	82.514	-33

(source: Ministry of Justice)

Labor cost in Italy has decreased mainly due to welfare contribution reductions



General tax burden has decreased since 2012...

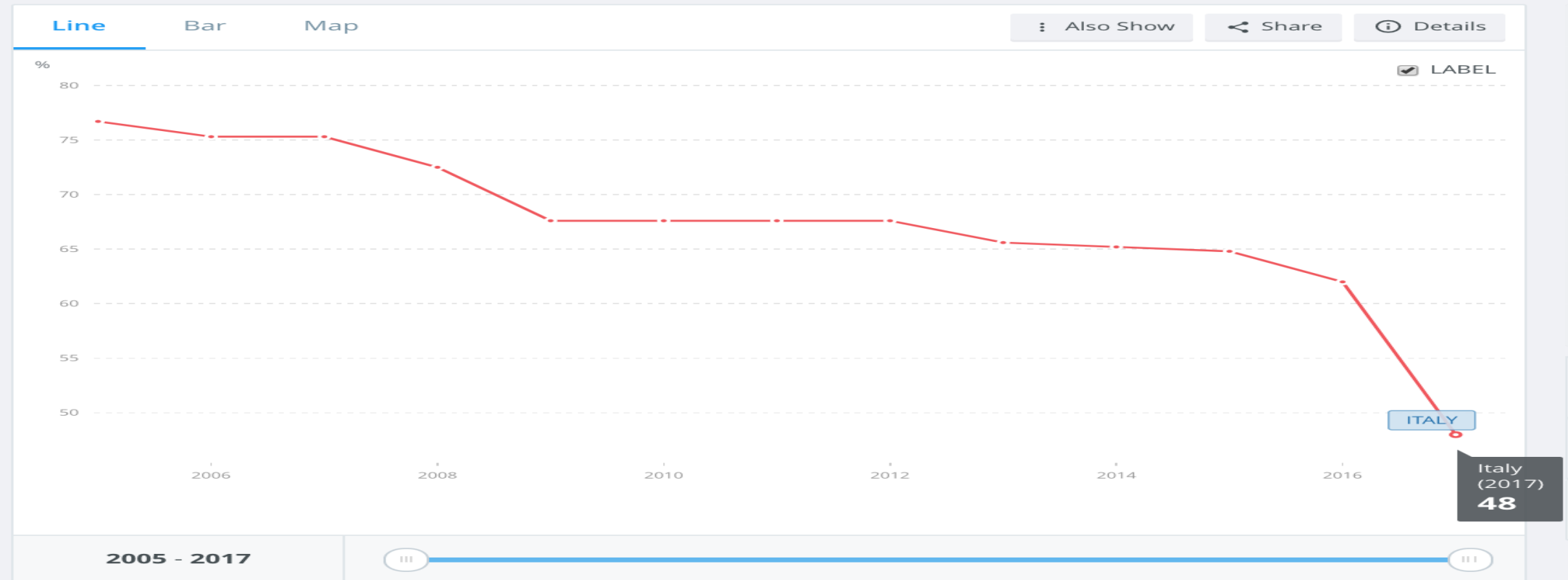


... but the huge tax burden on business income has decreased since 2005

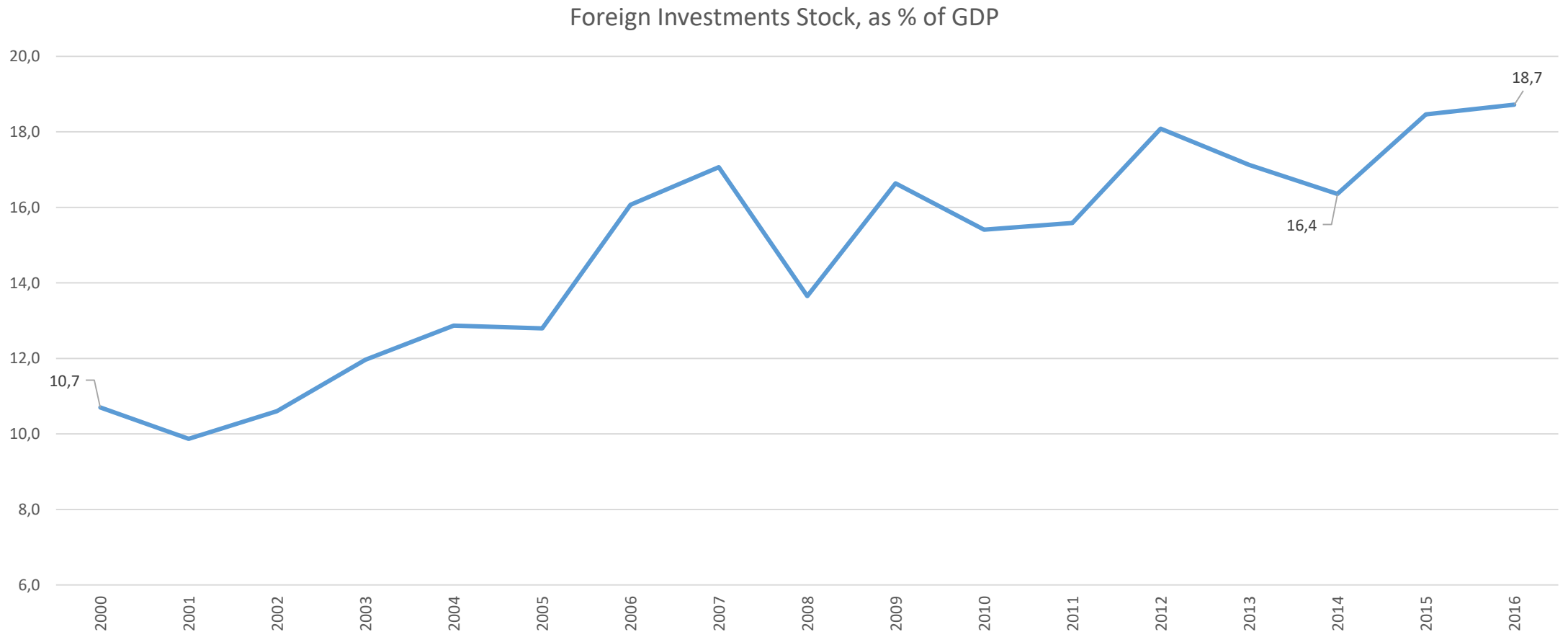
Total tax rate (% of commercial profits)

World Bank, Doing Business project (doingbusiness.org).

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The foreign investments volume in Italy has significantly increased over the last years



More needs to be done
to increase Italy's attractiveness
and its integration in the EU, but
a lot has already changed for the better

Let's hope that
the **new Government**, which will soon
take office, **will continue on this path**

An aerial, top-down view of the Italian peninsula and its surrounding islands, including Sicily and Sardinia. The land is shown in shades of green and brown, indicating vegetation and terrain, while the surrounding sea is a deep blue. The perspective is from a high altitude, looking down at the country.

Thank you for your attention

these slides can be downloaded from the site
www.pietroichino.it