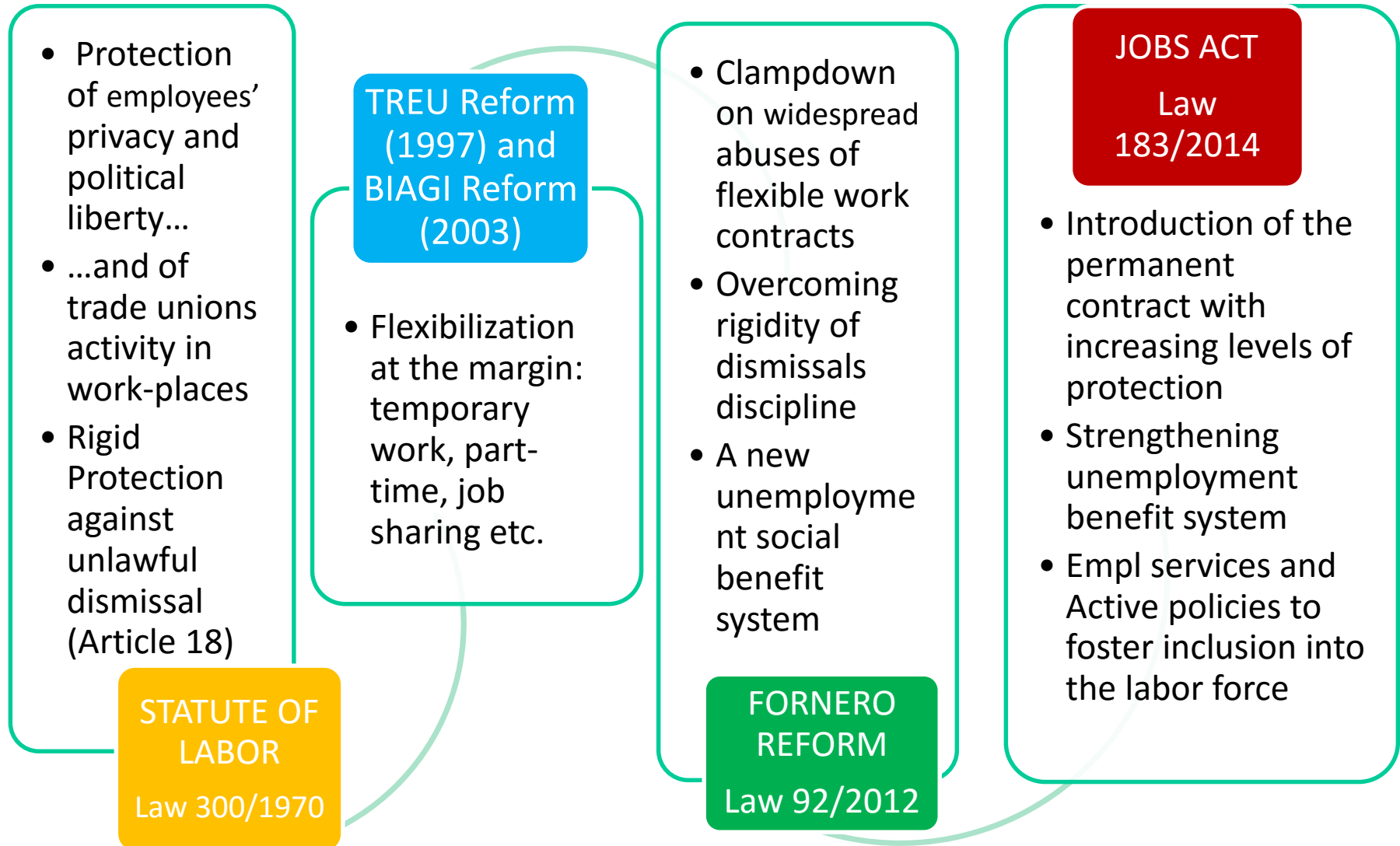


The background of the slide is a classical painting depicting a bustling Italian town square. In the foreground, several figures are visible, including a woman in a yellow dress on the left and a group of people in the center. Horses are also present, some being led by people. The middle ground is filled with more figures and architectural details like arches and windows. The background shows a dense cluster of multi-story buildings with various architectural styles, including a prominent red-brick building with many windows. The overall scene is rich in detail and color, typical of Renaissance art.

The Italian Labor Reform of 2015 and its precedents

*Pietro Ichino's introductory report
to the World Bank Workshop
Warsaw, May 12th, 2016*

Overview: Milestones of Italian Labor Law



In Italy , in 2011-13, just **one out of six** were hired by open-ended contracts

Contract types	2011	2012	2013
Open-ended contracts	17.8%	17.5%	16.5%
Fixed-term contracts	62.9%	63.6%	68.0%
Apprenticeship	2.8%	2.7%	2.5%
Free-lance work contracts	8.5%	7.7%	7.0%
Other types of work contracts	8.0%	8.5%	6.0%
All work contract types	100%	100%	100%
Absolute figures	10,439,516	10,251,383	9,613,990

From Fornero Act Reform in 2012



to the «*Jobs Act*»
in 2014-15

Fornero Act (2012): contrasting dualism between high and no protection Spurious freelances are banned

Statute **no. 92/2012** («Legge Fornero»)
reflects the view of scholars, who tend to
apply labour law not just to ***subordinate***
workers, but to any worker in a position of
economic dependence on the
entrepreneur

Fornero act (2012) - *follows*

The new scope of labour law: the economic dependence

Economic Dependence is identified by:

- the **durability** of a relationship
- **monocommissioning**: working for one and only one company
- **low remuneration** (< € 18,000 per year)

Fornero act, 2012: a life vest in the crisis storm

- Its main **faults**:
 - unclear **wording**
 - disciplinary dismissals reform being **scarcely effective**
 - **overreacting** against precarious employment
 - **monitoring** of the results being absolutely faulty
- Most operators, though, have disregarded two **substantial aspects**, which are really **positive** →

2012: Two key steps toward the 2014-15 reform

I. UNEMPLOYMENT SCHEMES

Unemployment insurance increase and extension
(ASpl)

Stopping abuses of Cassa integrazione (temporary lay-off scheme), limiting its use to its original function

II. DISMISSAL SCHEMES

Individual dismissal for objective reasons made actually feasible with much lower risk of cancellation by the Court

Limited compensation for damage (rather than unlimited as before) in case of a negative decision by the Court

Fornero Reform (2012) compared to Jobs Act (2015)

Reforms	FORNERO LAW	JOBS ACT
FIXED-TERM CONTRACT		
<i>duration</i>	12 months	36 months, no more than 5 extensions
DISMISSALS		
<i>indemnification</i>	12-24 gross monthly pays	2 gross monthly pay/year of service (standard agreement 1 g.m.p.)
<i>reinstatement</i>	most serious cases of dismissals (i.e. for disciplinary or economic reasons)	just in one special case of disciplinary dismissal
UNEMPLOYMENT BENEFITS		
<i>type</i>	fully paid to employees, max 12 to 18 months; reduced for collaborators	equal treatment for employees and collaborators, max 24 months
EMPLOYMENT SERVICES		
<i>re-organization</i>	new principles laid down	new National Agency established

The Simplified Labor Code project

- In **2007** a group of labor lawyers had begun to consider a **drastic simplification of the Italian labor legislation**
- the hypertrophy of the legislation was considered as one of the causes of market rigidity and increased **transaction costs**
- in **2009** (in exact coincidence with the publication of the UE *Decalogue for Smart Regulation*) a bill had been submitted to the Senate, providing a project to **replace the entire labor legislation by a code of 70 articles**



Four main goals of 2014-15 reform

1. **reactivating the Italian labor market**
by means of an **economic shock** and a **regulatory shock**
2. making it **more attractive** for foreign
investors through HR management **simplification**
3. making it **more flexible** and **more inclusive**
4. **overcoming the dualism** between
protected and non protected dependant work

Applying a «defibrillator» to an infarcted labor market

- A **regulatory shock**:
 - a) **simplifying** emplmnt. protection system and
 - b) replacing a **job property rule** (security *inside* the relationship) by a system based on workers' **security in the labor market**
- An **economic shock**: throughout 2015, a permanent **tax cut** and a **100% discount on welfare contributions for 3yrs** for each new open-ended contract (transf. of fixed-term contracts incl.)

The regulatory shock: eight decrees implementing the delegation law n. 183/2014

1. D.lgs. no. 22 **unempl. insurance** (Naspi)

March, 4th, 2015

2. D.lgs. no. 23 new **dismissals discipline**

March, 4th, 2015

3. D. lgs. no. 80 **concil. work and family care**

June, 15th, 2015

4. D.lgs. no. 81 **rewriting contracts discipline**

June, 15th, 2015

5. D.lgs. no. 148 **temporary lay-offs**

September, 14th, 2015

6. D.lgs. no.149 **inspection services** unification

September, 14th, 2015

7. D.lgs.no.150 **placement services** (Anpal)

September, 14th, 2015

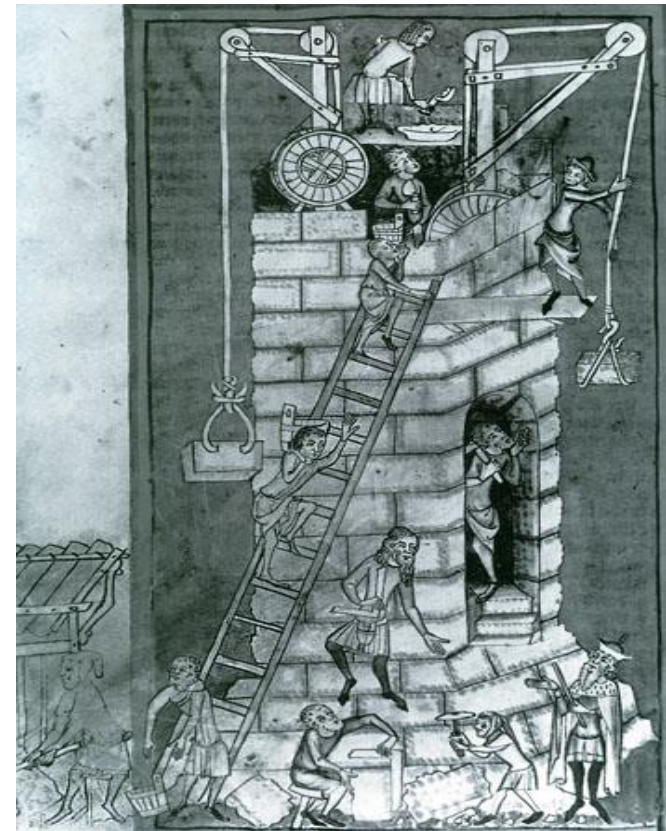
8. D.lgs. no.151 **administr. simplification**

September, 14th, 2015

II.

The main contents of the four most important decrees

- no. 22/2015: new unemployment benefit scheme
- no. 23/2015: new discipline of dismissals
- no. 81/2015: new discipline of work relationships
- no. 150/2015: new discipline of employment services



New unemployment benefit scheme

Legislative Decree no. 22/2015

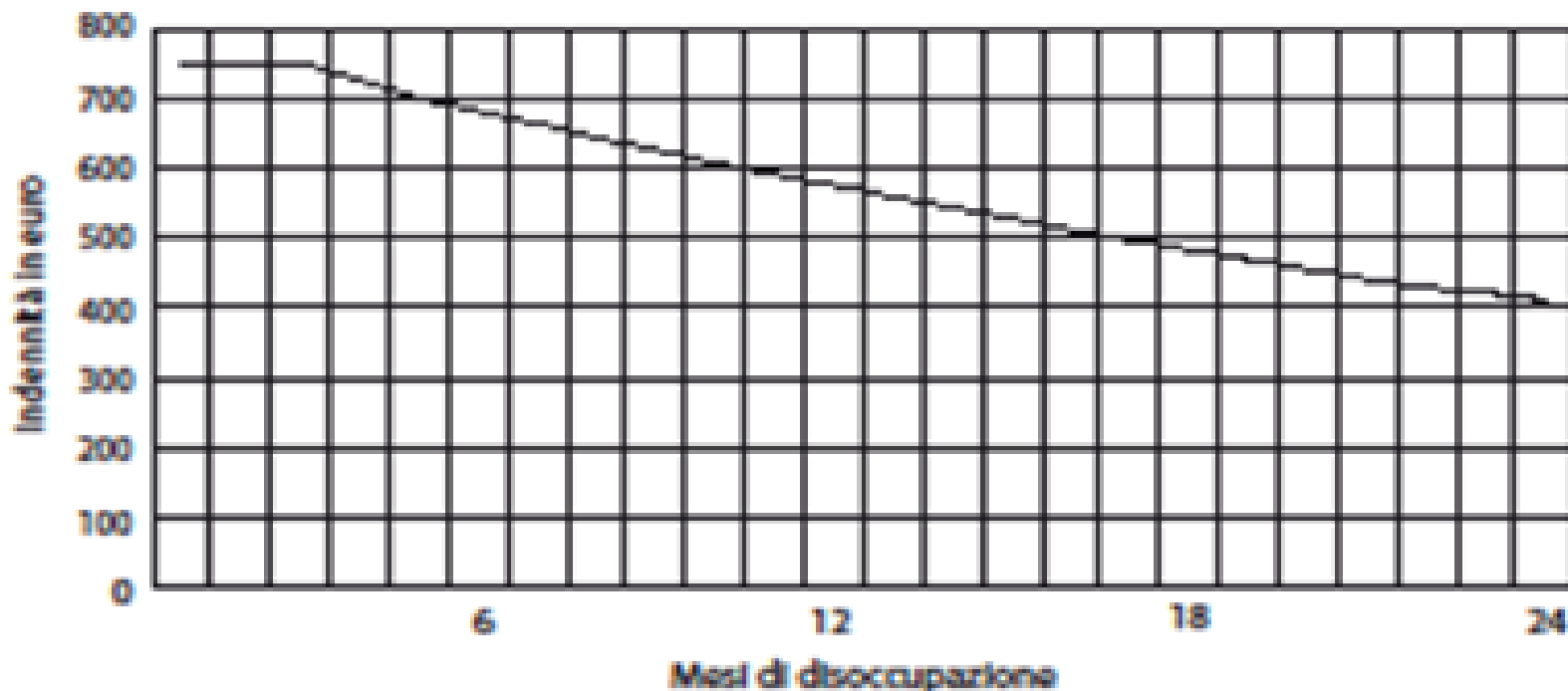
It refines Fornero reform **lengthening**
treatment duration and further
broadening
the range of beneficiaries

Unemployment benefit

75% last salary for ½ contribution period, up to 24 months (from the 4th month: -3% each month)

UN ASSICURAZIONE CONTRO LA DISOCCUPAZIONE SECONDO
I MIGLIORI STANDARD EUROPEI

Nuova ASpl (ultima retribuzione mensile € 1000)



Unemployment benefit scheme:

how requirements, length and amount changed

Until 2012

Required: 104 weeks contrib.
of which 52 within last 2 yrs

Duration: max 52 weeks <55
max 78 weeks >55

Amount: 60% last. sal. for 6
months, -10%m. for 2 more m.

Conditionality: loss of
treatment in case of a
reasonable job offer refusal

From May 2015

Required: 13 weeks contrib.
within last 4 yrs

Duration: ½ contrib. period in
the last 4 yrs, max 24 months

Amount: 75% for 3 months,
then -3% each month → 24

Conditionality: loss of
treatment in case of refusal of a
reasonable job or training offer

The new discipline of dismissals

Legislative Decree no. 23/2015

It applies **only to new employment contracts**, from March 7th, 2015, so that **the open-ended contract will be the normal form of employment** in the area of dependent work (in combination with Lgs.D. no. 81/2015)

The new system of sanctions applicable in case of unfair dismissal

- A legislative text more slender and easy to read...
- ... which will **minimize the space of discretion** of the courts...
 - in order to reduce the judicial hazard
 - thus reducing a litigation rate which had become abnormal
- ... and will **favor a standard settlement** in all cases of «physiological» dismissal (dismissal is no more considered as an extreme event, intrinsically negative)

Dismissals for objective reasons

Dismissals continue to be considered lawful «for economic, technical, and organizational reasons»

Whenever the Court deems the **reason insufficient or non-existing**, the employer is ordered to pay **compensation equal to 2 gross monthly pay-check per year of service (min. 4)**

Fast track settlement: compensation offered to the employee is equal to **1 gross monthly pay-check per year of service (min. 2) tax free**

All amounts are halved for **companies <15**

The new severance cost in the Italian labor law system (in addition to the unemployment benefit)



Disciplinary dismissals

a) If the breach is **stated not so serious as to justify the dismissal**:

compensation as for the dismissal for objective reasons (see previous slide)

b) if **the material fact of which the worker was accused is stated as never happened**:
reinstatement of the employee in his/her job and payment of all compensation that would have been due, however, no more than 12 gross monthly pay-checks

Rewriting and simplifying work contracts discipline

Legislative Decree no. 81/2015

A simplified rewriting of the discipline of
eight crucial labor law chapters

(distinction between dependent employment and self-employment, change of duties, fixed-term, part-time, occasional jobs, job on call, temporary work agencies, apprenticeship)

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

Decree no. 81/2015 has not
the characteristics of the
«**Simplified labor code**» yet,

nevertheless, it is
an important step

on the way of simplifying legislation

Probably, the theme of full simplification
will be proposed again, to be carried to
completion, after the upcoming
parliamentary elections (2017 or 2018)

A new definition of the boundaries between labor law and the Civil Code (Decr. n. 81/2015, sect. 2)

The logic of the Fornero Act,
based on the notion
of "economic dependence",
is abandoned

A **new rule** is adopted,
less impacting but simpler to apply →

The new rule

less impacting, but simpler to apply

The new essential elements of the employment relationship notion covered by labor law are:

- a task essentially consistent of **an activity** and not a specific result...
- ... carried out **personally by the worker**, without any other collaboration...
- ... under the employer's **power to determine the place and the time** of the performance:
hetero-organization replaces subordination as the identifying element

What does hetero-organization mean?

- It will no longer be possible to hire as a free-lance any worker who is **obliged to work inside the company, with a time constraint**: e.g.
 - an **office secretary**, although operating with large autonomy
 - a **storekeeper**, if the store belongs to the employer
- conversely, it will no longer be risky to hire as a self-employed any worker **who is contractually free to do his/her job where and when he/she deems appropriate**

New power granted to employers of changing employee's duties (sect. 3)

- Under the **pre-existing provision**, any new duties assigned to employee by the employer had to be **at the same professional level** as the previous ones
- In case of reorganization, the **new provision** allows the employer to **assign lower-level tasks**

New employment services

Legislative Decree no. 150/2015

By way of anticipation of the constitutional reform,
the legislative and administrative
competences are **centralized again**
(until 2015 the matter was subject to Regions)

A new method of **cooperation** between
public services and **private employment**
agencies is launched

A new central agency

- ANPAL is in charge of
 - **defining** employment services standards
 - **checking on** compliance by each Region with the aforesaid standards
 - **taking the place** of any non compliant Region
- National and private services need to be **complementary**
- Joint action of active and passive policies by means of effective tools, such as **Employee Repositioning Agreements**

The cooperation PES/PEAs: the Employee Repositioning Agreement

Those who are unemployed from **more than 4 months** are entitled to an agreement

- concluded with an **agency freely chosen**, among those certified...
- ... providing **intensive assistance** in the search for a new job...
- ... providing compensation by means of a **voucher**, the main part of which paid once the results have been obtained...
- ... **obliging the employee**: to participate in every searching and retraining activities proposed by the job advisor appointed by the agency
- the job advisor must report to PES about **any unjustified refusal** by the employee, who then will risk to lose the unemployment benefits

Most equitable conditionality automatically provided

- If an agency is **too demanding**, the employees will not choose it
- however, if an agency is **not demanding enough**, it will not reach the objective of repositioning the employee (hence, it will lose its voucher)
- This sort of market based mechanism automatically induces **fair cross-compliance**

Possible issues in the cooperation between PES and PEAs

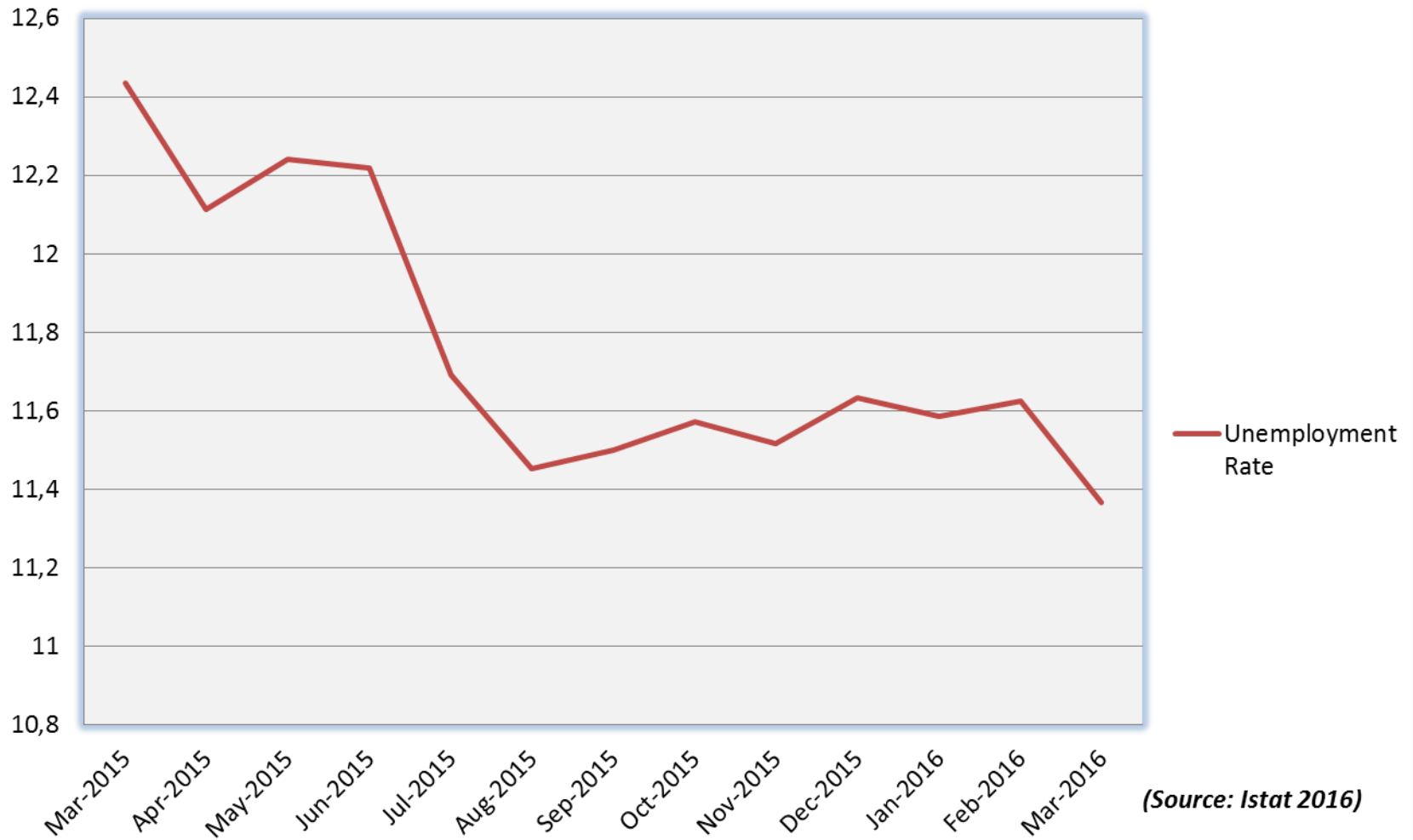
- Opposition from those who would rather invest more on public entities than on private organizations
- private agencies being undersized with respect to the new demand for services
- opportunistic behavior by PEAs: *creaming*, *cherry picking* or *parking*

In the field
of the new employment services
the legislative work is completed
but **most of the implementation
is still to be done**

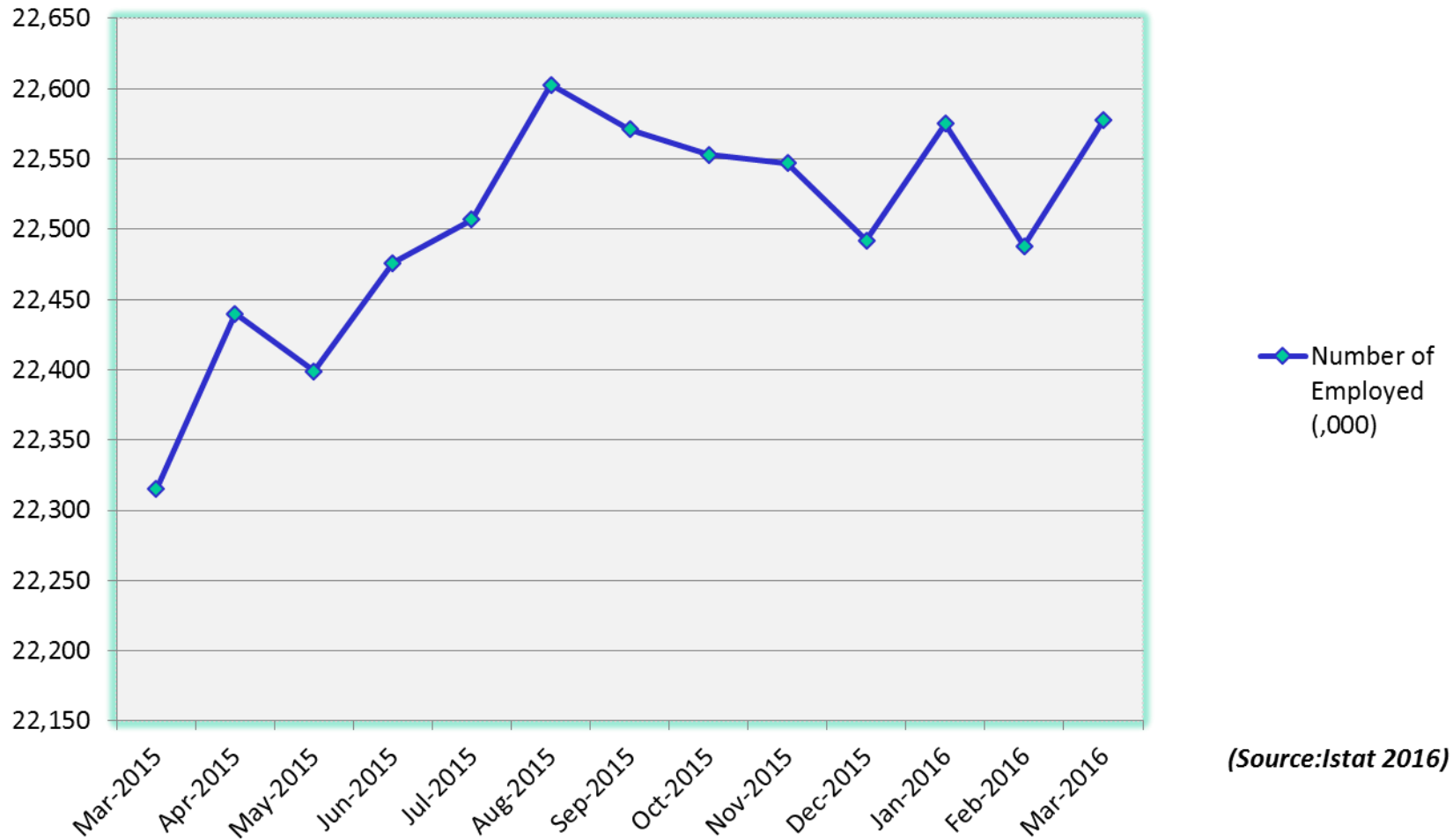


Effects of the Reform:

Unemployment Rate in Italy (as for April 2016)

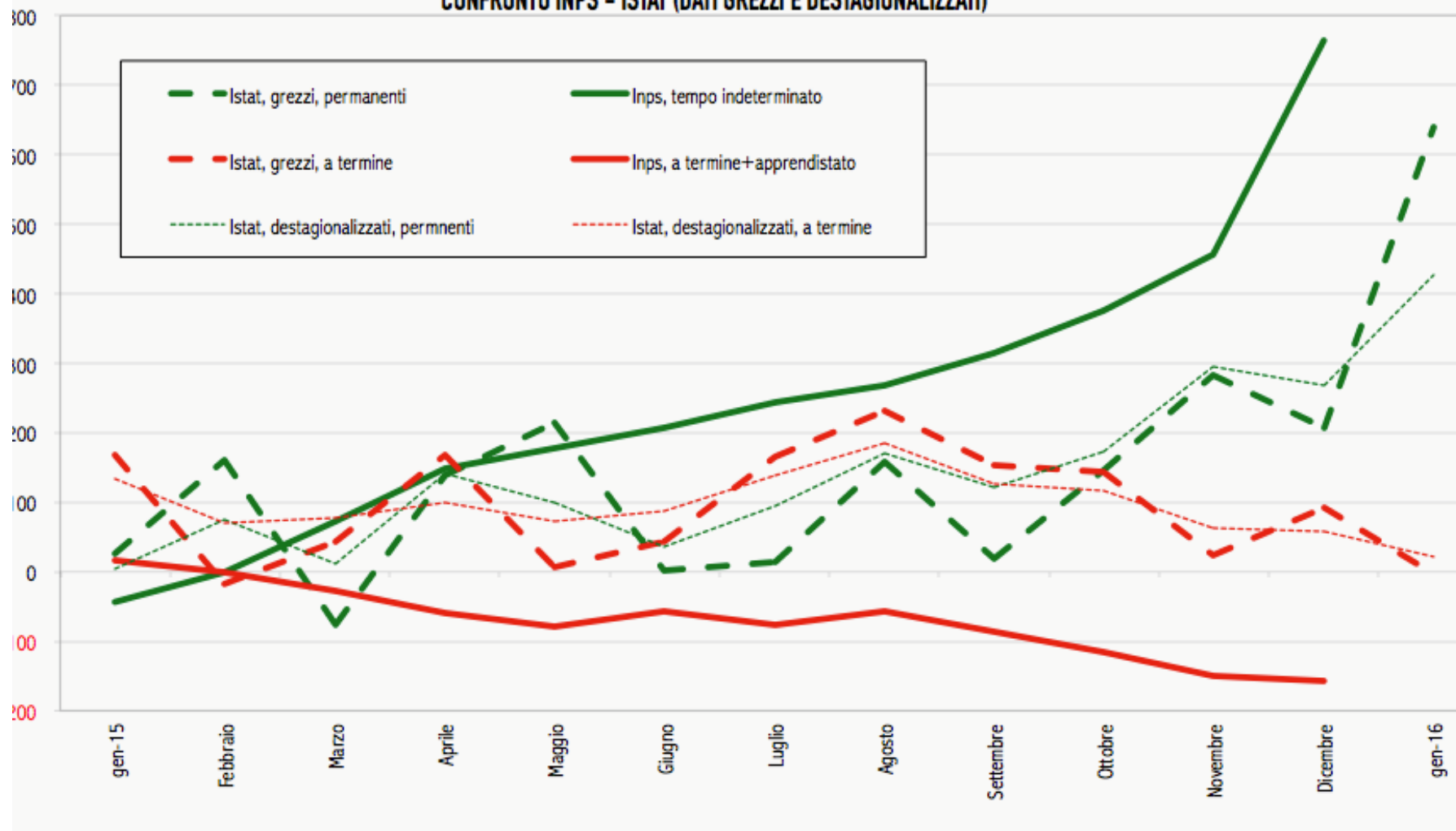


Effects of the Reform: *Number of Employed (as for April 2016)*



(Source:Istat 2016)

**OCCUPAZIONE DIPENDENTE:
VARIAZIONI TENDENZIALI (SULLO STESSO MESE DELL'ANNO PRECEDENTE) (IN MIGLIAIA)
CONFRONTO INPS - ISTAT (DATI GREZZI E DESTAGIONALIZZATI)**



Permanent and fixed-term empl. increases 2015/2014

Occupational Flows

(where the reform can have *more* impact)

	2014	2015	Difference	%
Permanent Hires	1,273,750	1,870,959	+597,209	+ 46.9%
Fixed-Term Hires			- 11,944	- 0.4%
Conversion from Fixed-Term into Permanent Hires (<i>wiht economic incentive</i>)	329,848	492,729	+ 162,881	+ 49.4%
Conversion Apprenticeship into Permanent Hires (<i>with no economic incentive</i>)	85,352	69,271	+ 16,081	+ 23.2
Total New Permanent Contracts			+ 776,171	+ 47.3%

(Source: Inps, Monthly Report, February 2016)

Occupation stock

(where the reform can have *lower* impact)

From 31 December 2014 to 31 December 2015		
<i>Item</i>	<i>Quantity</i>	
Employed (estimates based on a sample):	+ 299,000	
Employment rate	+ 1.3%	
Long-term lay-off benefit scheme (Cig)	– 79,000	(-16.8%)
Unemployed (estimates based on a sample)	– 169,000	
Unemployment Rate	11.5%	(-8.0%)
Inactive People (estimated based on a sample)	– 63,000	(-0.4%)

(Source: Istat, *Statistiche Flash*, March 1st, 2016)

Year-end up or down trend doesn't alter overall trend of open-ended contracts

- The negative rebound of Jan-March 2016 follows a doubling of open-ended hires in Dec. 2015
- the stable hires between December 2015 and March 2016 (**657,037**) are still
 - **+16,7%** compared to those between December 2014 and March 2015 (**562,730**)
 - **+32,6%** compared to those between December 2013 and March 2014 (**442,739**)

TBN: The full economic incentive was available **from Jan 1st to Dec 31^o 2015**; in **2016** the economic incentive is reduced to 40%:
the **increase** thus seems **mostly due to the regulatory shock**

First effects of the new boundaries of self-employment (under the Civil Code)

Lgsl. Decree no. 81, section 2 is in force since July 2015

The following data refer to the **last quarter 2015**

- **New open-ended contracts:** **739,880**
increase compared to 4th Q 2014: **+ 100.9%**
- **New free-lance contracts:** **104,676**
decrease compared to 4th Q 2014: **- 40.4%**

Source: Inps, Monthly Report, March 2016



Thank you for listening