

The Italian Jobs Act at a glance

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Main tools

- «Poletti Decree» (Law 78/2014): liberalization of fixed-term contracts
- Budget Law (Law 190/2014): elimination of social security contributions for the next three years (up to a yearly cap of 8,060 euros) on new hires during 2015
- Delegation Law approved in December (Law 183/2014)
- First enforcing decrees (approved on December 24, 2014):
 - New open-ended contracts with «increasing protection» → smaller firing costs and reduced judicial uncertainty (new hires only)
 - Reform of unemployment benefits → increased duration and coverage
- Next enforcing decrees:
 - Simplification of contract types and of the labor code
 - Active labor market policies
 - Reform of temporary lay-off schemes

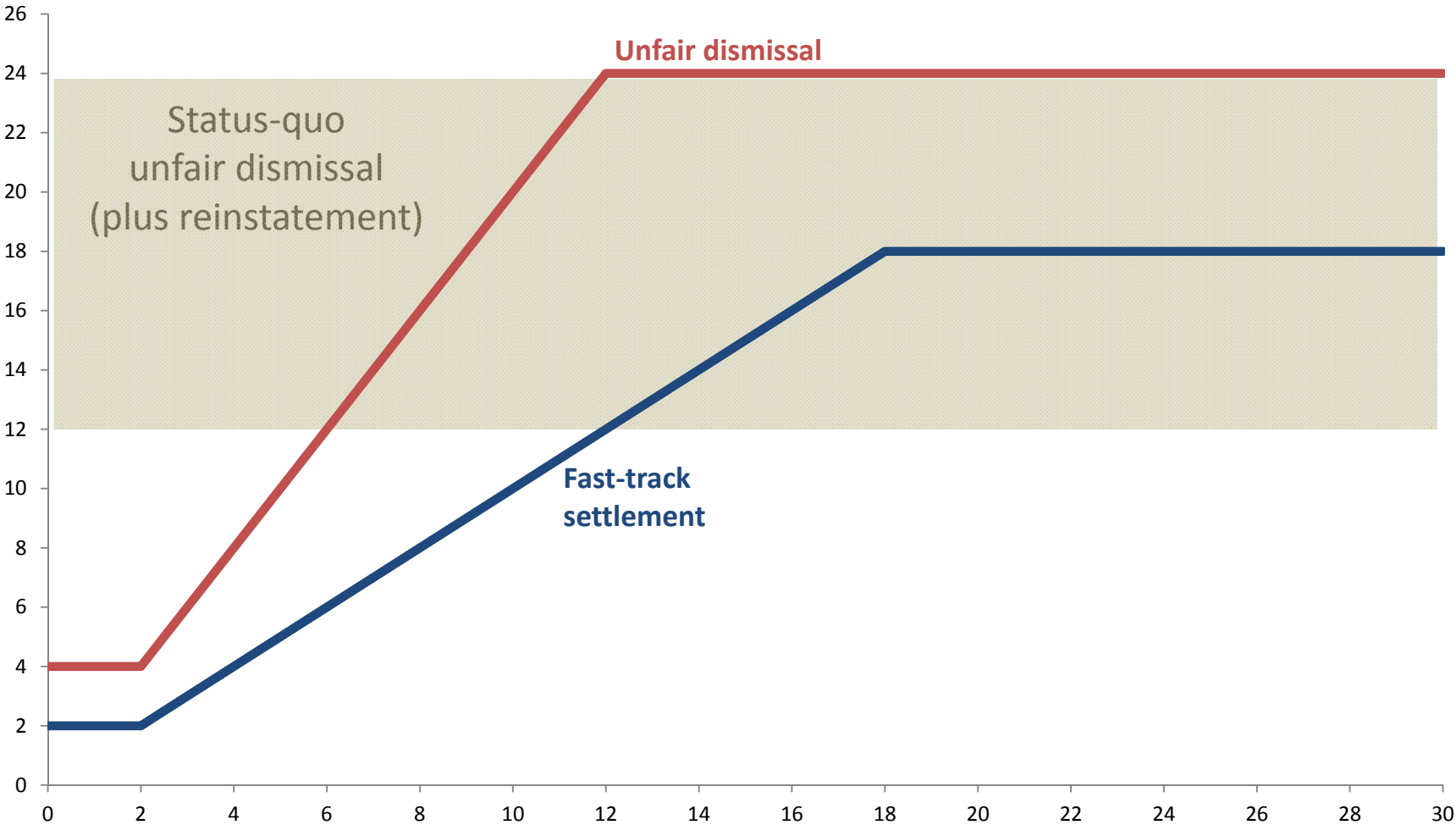
Main goals

- Reduce labor market duality
 - No more flexibility «at the margin» → reduced separation costs on standard contracts (especially for low seniority)
 - From «job property» to «flexsecurity» → enhanced income protection and employment services for the unemployed
 - Lower tax wedge on permanent employment (cyclical or structural?)
- In God we trust, all the others must bring data...
 - Share of new hires with open-ended contracts ↑
 - Duration of individual spells toward career stability ↓
 - Labor court litigation ↓
- Evaluation of the reform in the long run will be crucial
- In the short run, also crucial to monitor:
 - Labor mobility from old to new permanent contracts
 - Balance between individual and collective dismissals

Individual dismissals

- Fixed separation costs (increasing with seniority/tenure)
- **Fast-track settlement:** compensation offered to the employee is equal to **1 gross monthly salary per year of tenure (min 2 max 18)**; if the employee accepts issue is settled, else court
- In any case the firm pays a small share of unemployment benefits (now) and of active policies (tomorrow?)
- **Unfair dismissals: 2 gross monthly salaries per year of tenure (min 4 max 24)**, but amount is fixed by the law
- Reinstatement only remains for discriminatory dismissals and for non-existing breach of conduct
- Foreign benchmarks: Germany (Section 1a TPA 2004), France (*«rupture conventionnelle»*)

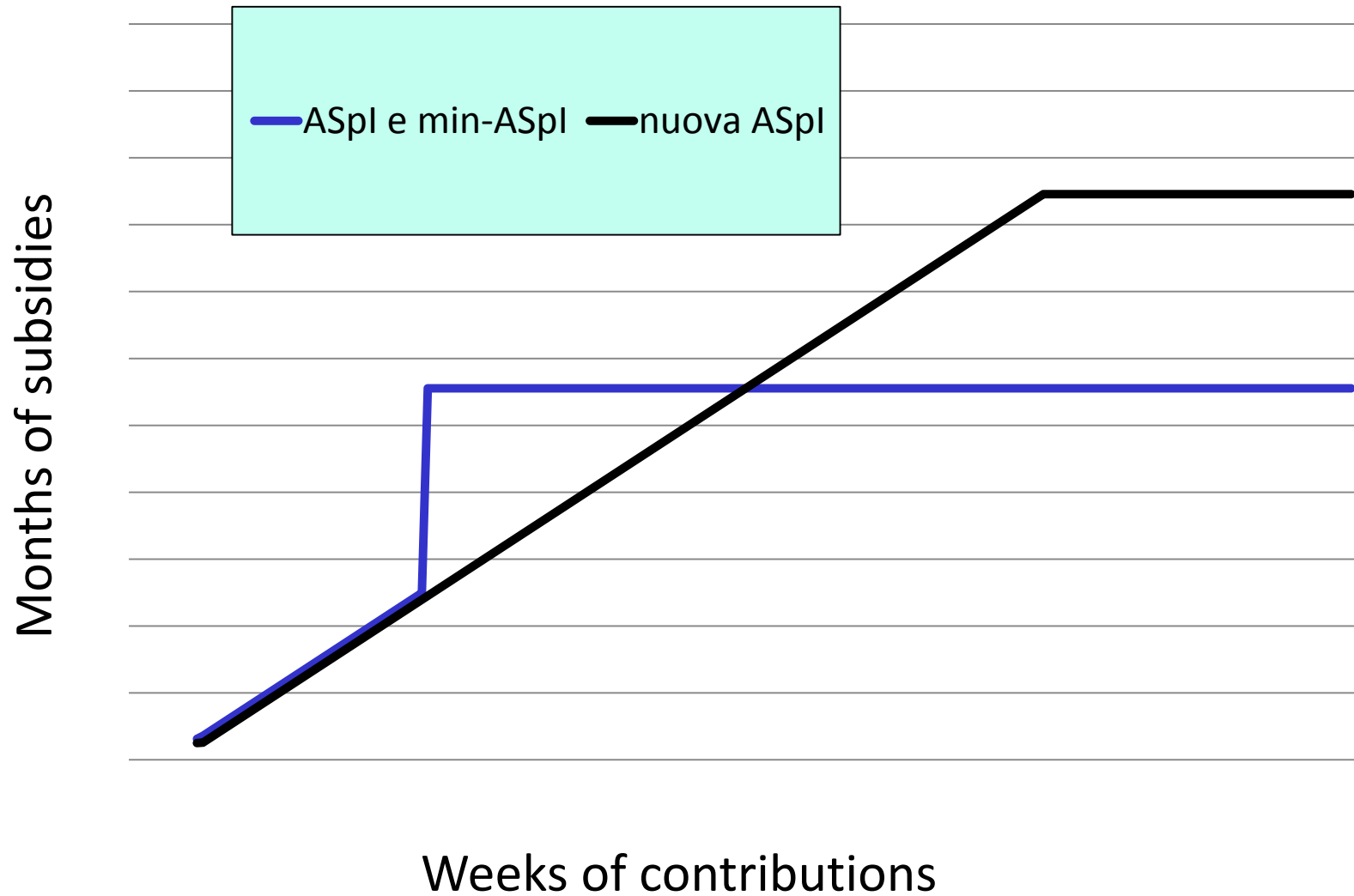
Fig.1: Monetary compensation



Income protection schemes

- Bringing back short time work schemes (*cassa integrazione*) to their original function
 - Temporary support, i.e., only for a TOTAL of 2 years
 - Closing the “CIG by way of derogation”
 - Universal coverage for all firms
- Widening the unemployment benefits and making them proportional to contributions: new ASPI (→ NASPI)
 - Max duration from 18 months (above 55) and 12 months (below 55) to 24 months for everybody
 - Duration proportional to contributions paid in the last 4 years
 - Max amount of the subsidy increased too

Fig.2: Unemployment benefits



Active labor market policies

- **National agency** in charge of:
 - Setting the rules of the game for all areas of the country
 - Defining employment services standards
 - Checking on compliance with the standards
- **Public and private services** need to be complementary, and actually to compete between them
- Payment of (public or private) agency services only upon re-employment of workers
- Interplay between active and passive policies:
 - Firms pay upon dismissal a voucher to be spent only in active policies
 - Conditionality on receiving passive help