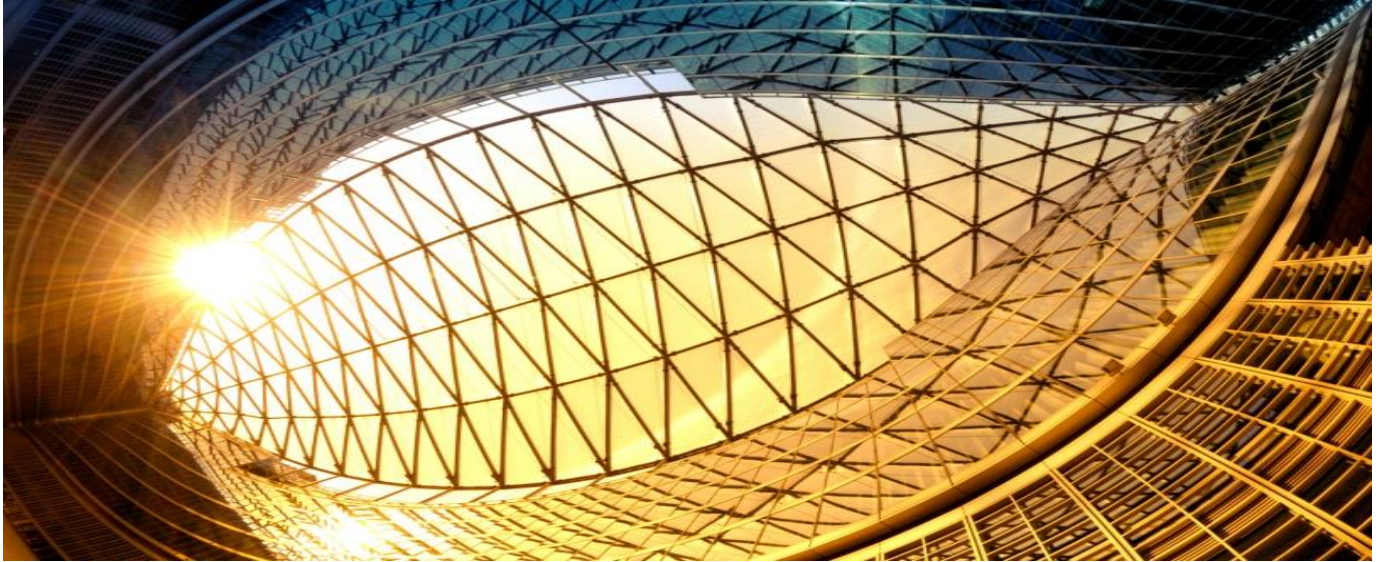


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The 'Fornero Reform' and the 'Jobs Act'



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Italy has long had a reputation for having an inflexible and immobile labor market. This Flash Alert focuses on recent Italian labor market reforms introduced by the Jobs Act, which attempts to address and correct these issues by creating a more modern and flexible labor market.

The 'Fornero Reform' introduced by the Monti Government

The current round of Italian labor market reforms started with the 'Fornero Reform' of 18 July 2012. That law covered contracts and dismissals, unemployment benefits and the labor market. There were three levels of reform.

- flexibility in entering the labor market
- flexibility in exiting the labor market
- unemployment benefits and assistance to the unemployed in entering the labor market.

The 'Fornero Reform' introduced the following significant changes.

Apprenticeship contracts

Apprenticeship contracts cannot be shorter than six months, except for certain seasonal activities. The ratio of apprentices to skilled and/or qualified workers, previously 1:1, was raised to 3:2 for companies with more than 10 employees. Apprentices hired in violation of the limits are automatically considered to be on an open-ended contract.

Fixed-term contracts

For a first fixed-term employment contract of less than 12 months there is no longer an obligation to stipulate why it is being used. The fixed-term contract was further liberalized by the Poletti Decree of May 2014.

Short-term contracts (project workers)

The rules were tightened. Such contracts must be linked to a specific project with a final outcome and not just to the normal day-to-day activities of the client. The Fornero Reform also resulted in a gradual increase in the social security contribution rates for project workers.

Self-employed

Are When there are indicators of economic dependence between the user and provider of services, it is presumed that there is collaboration on a coordinated and continuous basis.

Interns

It became mandatory to pay interns (even a flat fee) for their services.

Older workers

It became possible for older workers to retire early under union agreements. The employer shoulders the costs.

Resignation

In order to prevent forced 'resignations', employees who resign or agree to the termination of their employment should formally reiterate their willingness to give up their job by going to the employment office (*Direzione territoriale del lavoro*) to confirm this or by following one of the other procedures prescribed by law.

Dismissal

Reinstatement has been maintained for discriminatory dismissal. For dismissals on disciplinary grounds and layoffs made for unjustified economic (but not discriminatory) reasons, the number of cases requiring reinstatement has been reduced and replaced for the most part by compensation of between 6 and 24 monthly salaries.

ASPI benefit system

An unemployment benefit system called ASPI (*Assicurazione sociale per l'impiego*) was introduced, to provide workers who have been made redundant with a new form of protection and active support in finding new jobs. A 'mini-ASPI' was also introduced for those who do not fulfill the requirement of 52 weeks of contributions in the last two years. To apply for the 'mini-ASPI', these workers have to prove that they paid at least 13 weeks of contributions in the 12 months before they were made redundant.

The Renzi Government's 'Jobs Act'

Building on the Fornero Reform, the Renzi Government's Jobs Act has two principal aims:

- to reduce the high rate of unemployment
- to update the Italian labor laws.

The principal reforms are described below.

Phase 1

Fixed-term contract

The obligation to indicate the "technical, organizational, production and replacement reasons" for a fixed-term employment contract has been removed. The number of extensions has been reduced from eight to five, over 36 months, regardless of the number of renewals, provided that they are for the same job for which the contract has been signed.

The The number of fixed-term contracts that can be signed cannot exceed 20% of the number of permanent workers. For companies with fewer than five employees it is always possible to hire a temporary worker. Over this threshold there is a penalty to be paid by the employer.

The concept of the priority rights of a temporary worker who has worked for an employer for more than six months is reinforced. The contract must include a provision governing the worker's priority rights.

Apprenticeships

All employers with 50 employees or more will now have to hire at least 20% of their apprentices, unless a collective bargaining agreement provides otherwise.

The apprenticeship regulations stipulate that apprentices must be paid for their hours of work and for at least 35% of their hours of training for a diploma; this is the minimum remuneration to be paid to the worker.

Solidarity contracts

The scope of solidarity contracts has been simplified and extended. Under such contracts, employers are entitled – for a maximum of 24 months and for each employee whose working hours have been reduced by more than 20% – to reduce the amount of employer social security contributions by 35%.

Phase 2

Open-ended contracts

Open-ended contracts will be treated, in line with EU directives, as the desired form of employment contract and will be more affordable than other forms of contracts, in terms of direct and indirect charges. For new hires there will be open-ended contracts offering levels of protection that increase with length of service.

Simplification of labor contracts

The introduction of open-ended contracts offering increasing levels of protection is the first step in reorganizing and simplifying the different forms of contract used in Italy. The open-ended contract should be the main contract for new hires and project-based contracts will gradually be phased out.

Minimum wage

It has been proposed that a minimum hourly wage be introduced for each form of contract.

Dismissal – Article 18

In all new contracts, a worker's right to be reinstated will be restricted to cases of invalid and discriminatory dismissal. Reinstatement is excluded for dismissals made for business reasons; instead, there will be compensation which increases with length of service.

Employment services – Job-seeker contract

Unemployment benefits will be paid on condition that the employee agrees to participate in back-to-work schemes, offered by a designated public or private employment agency. The employment agency will give the worker intensive assistance with job hunting and retraining, based on actual job opportunities. To ensure quality service, the agency will be paid through regional vouchers, cashable for the most part only upon results.

Redundancy payments (*cassa integrazione*)

The rules on redundancy payments will be revised (terms of use, duration, company eligibility). Redundancy payments will be restricted to temporary lay-offs; there will be no payments if a company, or one of its lines of business, is wound up. Companies will only be able to access this scheme if the avenue of contractually reduced working hours has been exhausted.

There will be reinforcement and extension of ASPI. The duration of this unemployment benefit must be linked to the contribution history of the employee. Unemployment benefits may also be extended to self-employed workers.

Simplified labor code

The Jobs Act proposes an overhaul and simplification of labor contracts and the duties of employees and employers.

Changes to job descriptions

Within certain limits, it will be easier to reassign workers and change their job descriptions in company reorganizations and conversions.

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