

Italy: Recent Provisions to improve the Labour Market

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The Italian Government recently approved a Decree-Law n.76/2013, to: (i) to introduce economic benefits for the employer when hiring young people, in order to tackle the current high level of unemployment; (ii) to amend and clarify some provisions of the Labour Reform of 2012 on fixed term contracts, project contracts and job-on-call contracts, and the preliminary procedure of dismissal for objective justified reasons; (iii) to amend some provisions on service contracts.

Economic benefits when making new hires

The employer will save on its social security contribution when hiring young people of less than 30 years of age, provided the new hire meets one of the following criteria:

- a) unemployment in the previous 6 months;
- b) no high school degree;
- c) living alone or with one or more dependents.

The benefit for the employer lasts 18 months, and totals a maximum saving of Eur650 per month.

In addition, the same benefit under the same conditions, lasting 12 months, is provided for employers who convert a fixed-term contract into a permanent one, but only if this conversion is combined with a new hire. The latter condition is aimed at increasing the employee headcount of the company.

Moreover, the Decree-Law provides that, in cases of the hiring of unemployed individuals who are in receipt of unemployment indemnity (the so-called ASPI), regardless their age, the employer will save on its social security contribution equal to 50% (i.e. around Eur650) of the unclaimed portion of the ASPI.

More favorable provisions on certain contracts

Fixed-Term Contracts

An important change concerns the reduction of the period (known as “*periodo cuscinetto*”) which must elapse between two fixed-term contracts in order for the second not to be deemed a permanent contract. While the Labour Reform of 2012 extended this period, the Italian Government has reintroduced the previous timescale. Now, where an employee has been previously employed on a fixed-term contract of up to six months, at least 10 days must elapse before he or she is rehired on a fixed-term contract – the previous minimum gap was 60 days. Where the previous fixed-term contract was for more than six months, 20 days must elapse – the previous minimum gap was 90 days.

A second change regarding fixed term contracts concerns so-called “fixed term contracts without reason” (or “*contratti a tempo determinato acausali*”) which do not require the usual preconditions for entering into a fixed term contract, i.e. (i) an expressed technical, organizational or production-related reason, or (ii) the need for replacements. Thanks to this Decree-Law, collective agreements, including those at a company level, signed by the more representative, national level trade unions of employees and employers, may provide other circumstances in which these temporary contracts can be used without restrictions. (Please see also ["Reform of the italian labor market"](#))

Job-on-call agreements

The Decree-Law sets out a quantitative limit to the amount of days of ‘job-on-call’ work. Specifically, an individual may perform occasional work for an employer in response to specific, occasional requests, for a maximum of 400 days over a three-year period. Once this limit is exceeded, the contract will be considered as permanent..

The previous reform provides that an employer who wishes to use this flexible type of contract must communicate his intention in advance to the local labour office – the *direzione territoriale del lavoro (DTL)* - each time he uses the employee. The violation of this obligation is punished with a sanction ranging from Eur400 to Eur2400. The new reform states that if the employer has paid social security contribution regularly, the sanction will not be applied (this is to say that no sanction will be applied when fraudulent behavior has not occurred).

Project work contracts

The Labour Reform of 2012 provided that project work does not need to consist merely of carrying out ordinary OR repetitive duties in order for the project-worker not to be deemed a permanent employee. The Decree-Law changes “OR” to “AND” in this stipulation: work may now consist of ordinary duties or repetitive duties, but the duties must not have both characteristics.

Moreover, the Italian Government extended to project contracts the special procedure, introduced by the Labour Reform of 2012, regarding validation in cases of resignation and termination by mutual consent, in order to end the requirement for “blanket resignation” letters. (For a detailed explanation, please see ["Italian labor reform: new provisions on regulating and termination by mutual consent"](#))

Clarification of the preliminary procedure for dismissal for objective justified reasons

The Italian Government has identified two circumstances in which the specific two-step procedure for dismissal for objectively justified reasons provided by the Labour Reform of 2012 is not applicable (for more information on this procedure, please see: ["Reform of the italian labor market"](#))

Firstly, the procedure may not be implemented when the dismissal is due to the exceeding of the maximum duration of sick leave provided for the employee by national collective agreements. Second, it may not be used when a service agreement is terminated in favor of a new service agreement between the same client and a new contractor. In certain cases, provided by several national collective agreements, the employees of the first contractor must be hired by the new one, while a process of dismissal takes place in the meantime. The Decree-Law clarifies that in this type of dismissal the preliminary procedure is not necessary.

Extension of joint liability in service contracts

Concerning service contracts, Italian law provides for a joint liability between the contractor and the client regarding the payments due to the contractor's employees involved in the contract.

The Decree-Law extends to **the project-workers** involved by the contractor in the service contract the possibility of claiming potential unpaid remuneration, social security contributions and insurance fees. This possibility is extended even to the client (who has a subsidiary liability with the contractor).

A similar extension is provided for the **freelancers** (or "*partita IVA*" workers) involved by the contractor in the service contract, but is limited to potential unpaid remuneration.

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