

The Italian Jobs Act: Policy Design vs Political Perceptions

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Main (policy) steps

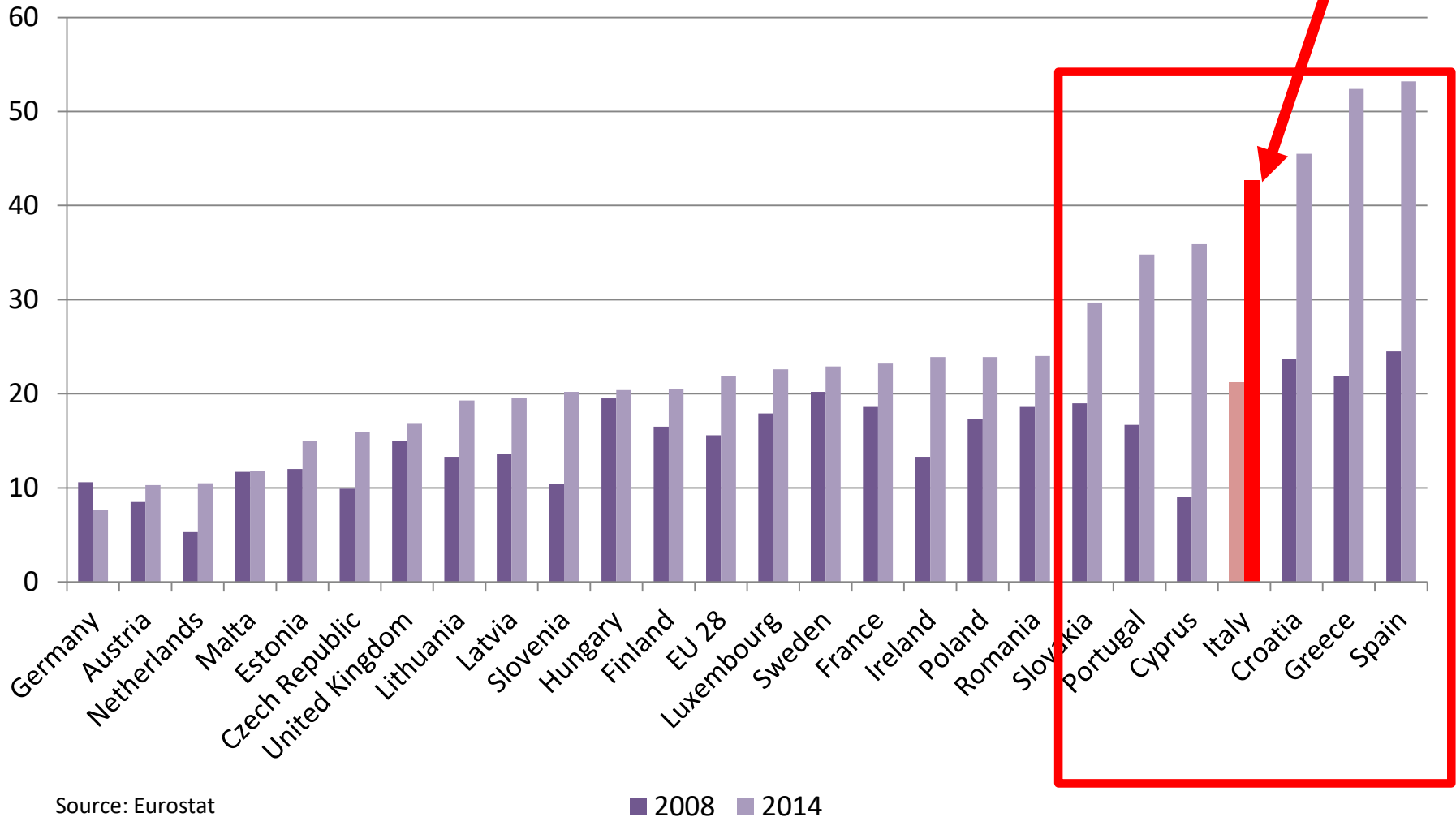
- «Poletti Decree» (Law 78/2014): liberalization of fixed-term contracts
- Budget law (Law 190/2014): elimination of social security contributions for the next three years (up to a yearly cap of 8,060 euros) on new hires during 2015
- «Jobs Act»: delegation law in December 2014 (Law 183/2014)
- First 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/coverage
- Second set of enforcing decrees (all by September 2015):
 - ✓ Simplification of contract types & labor code
 - ✓ Internal flexibility (tasks) & smart working
 - ✓ Active labor market policies
 - ✓ Reform of temporary lay-off / wage supplementation schemes (CIG)

Main (policy) goals

- **No jobs creation but reduction in labor market duality & increased productivity via human capital investment**
 - No more flexibility «at the margin» → reduced separation costs on standard contracts (for low seniority) & restraints on atypical contracts
 - 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 deemed to be crucial
- In the short run, also crucial to monitor:
 - Labor mobility from old to new permanent contracts
 - Balance between individual and collective dismissals

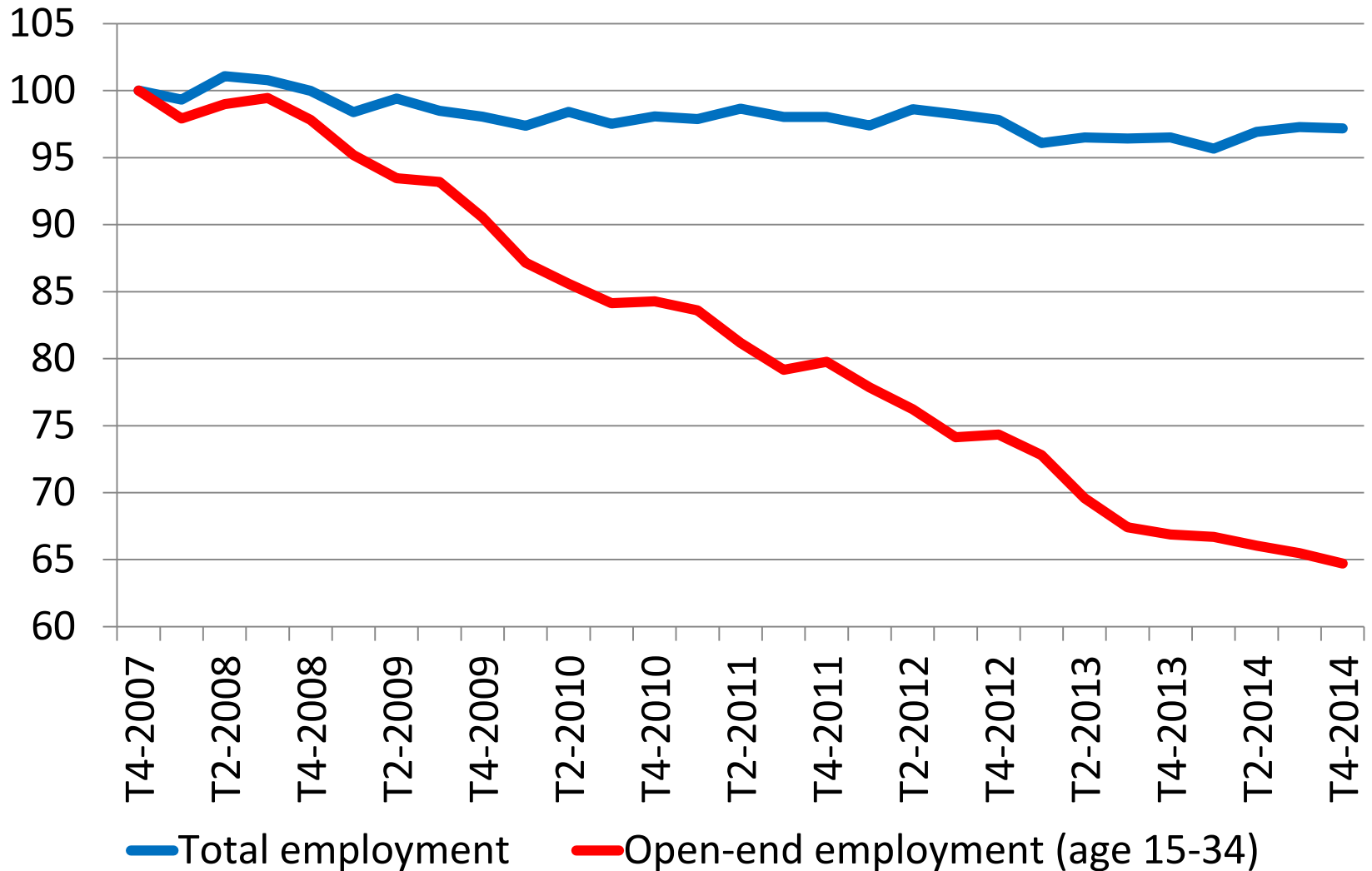
Youth unemployment

Youth Unemployment (age 15-24)

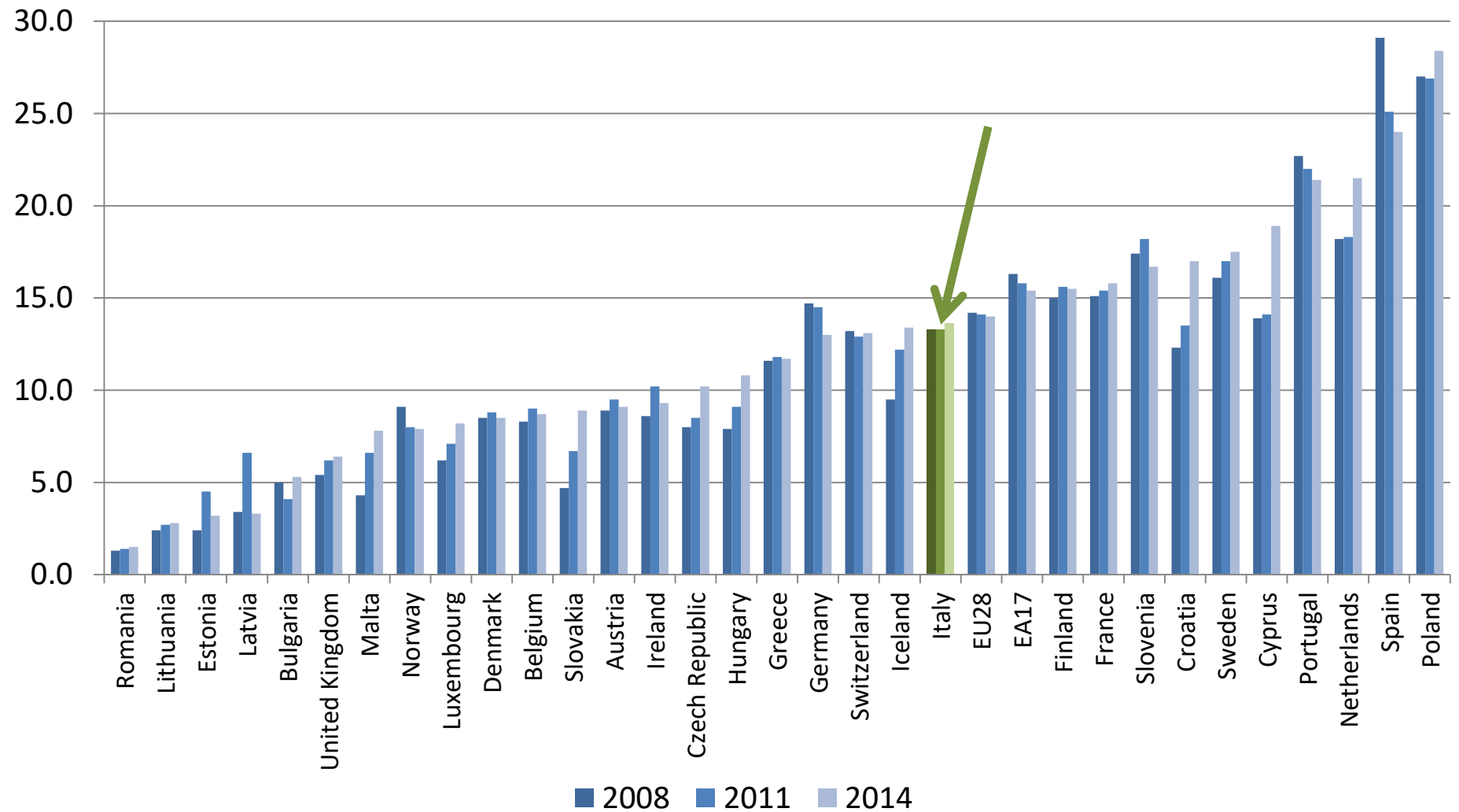


Source: Eurostat

Disproportionate drop in open-ended contracts among the youth during the crisis



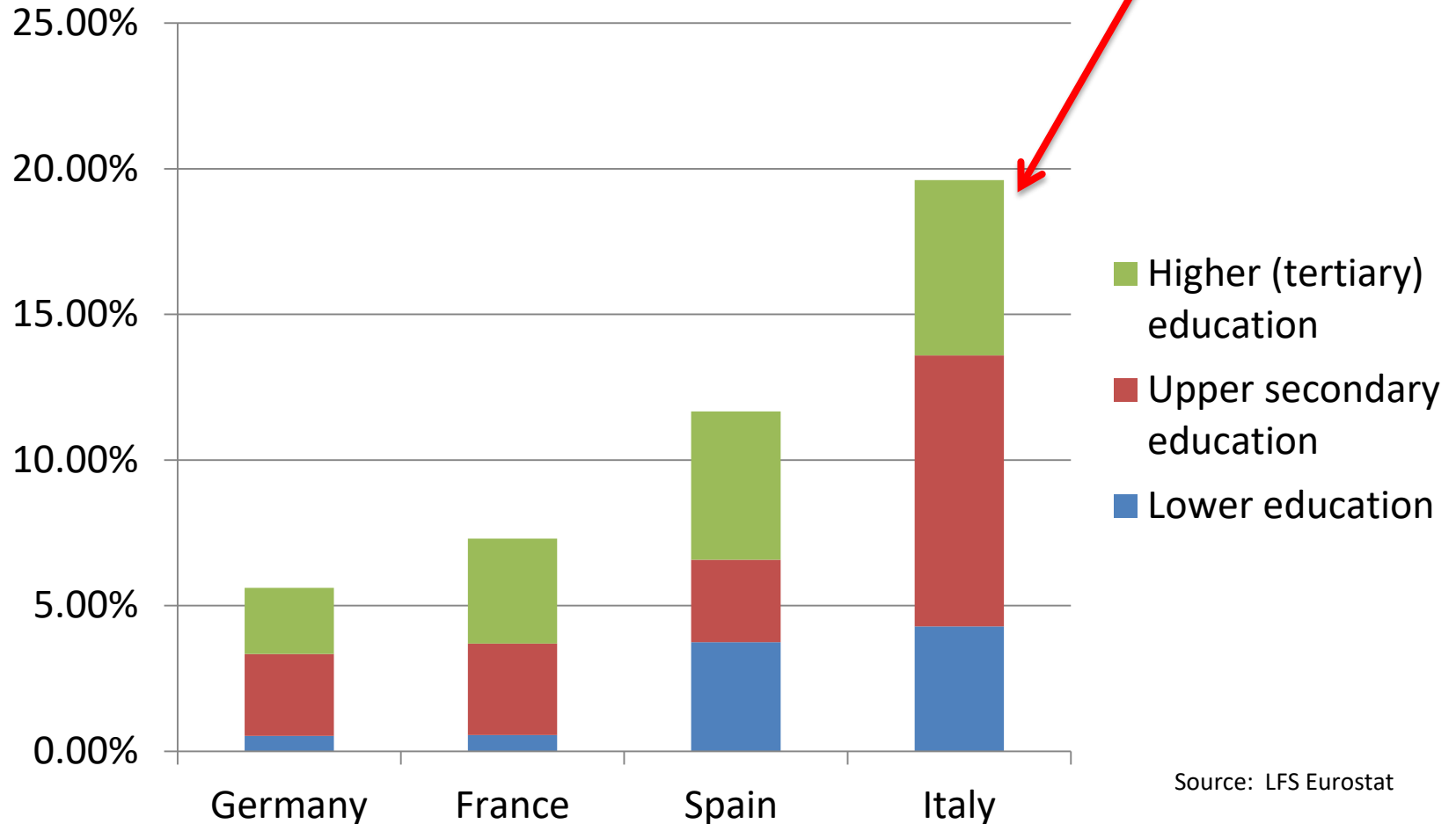
Dual labor market correctly assessed: % temp workers in Italy is misleading...



Source: Eurostat

... because of large share of self employed in total workforce

2014



Source: LFS Eurostat

The policy design at a glance

- ***Job property***

- Employment protection

- ***Dual labor market***

- Flexibility at the margin: temporary contracts and self-employment as entry gate to job market
- Unemployment support segmented and biased
- Training *on-the-job* only

- ***Liability rule***

- Workers' protection

- ***Protected flexibility***

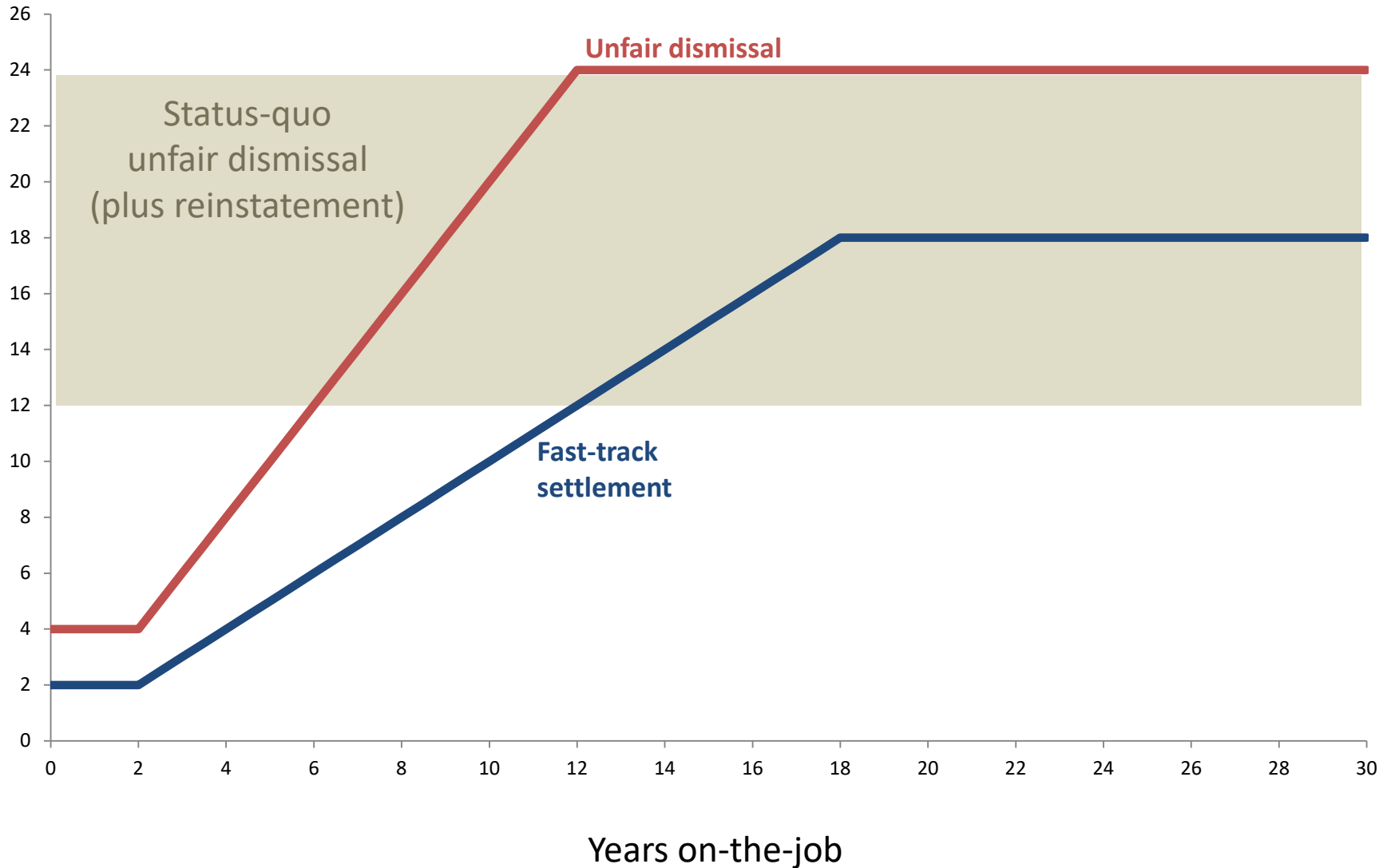
- Permanent contract with increasing protection + restraints on atypical work
- Larger unemployment benefits + minimum income
- Enhance training *off* and *on-the-job*

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*»)

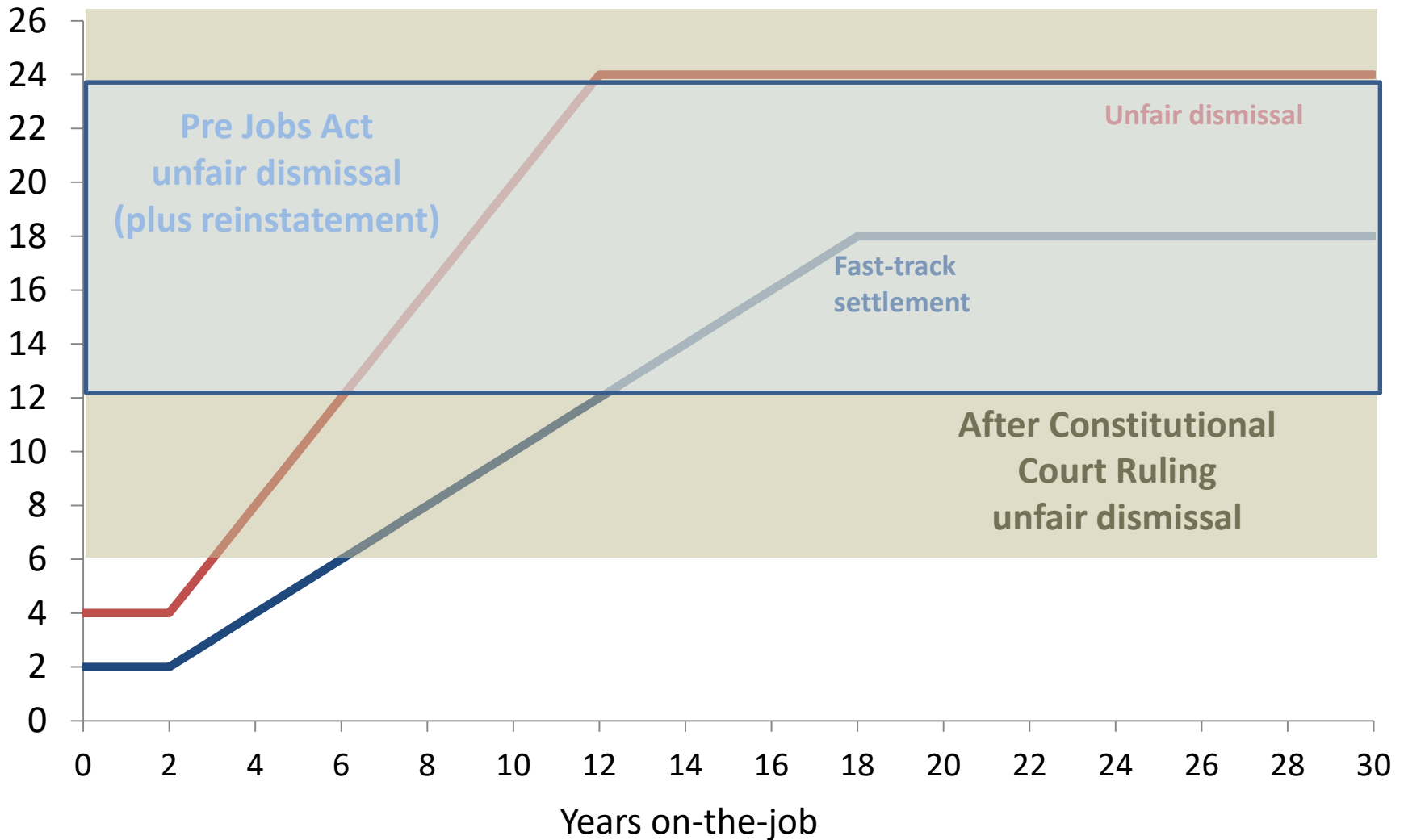
Permanent contract with increasing protection /1

Compensation in Monthly Salary



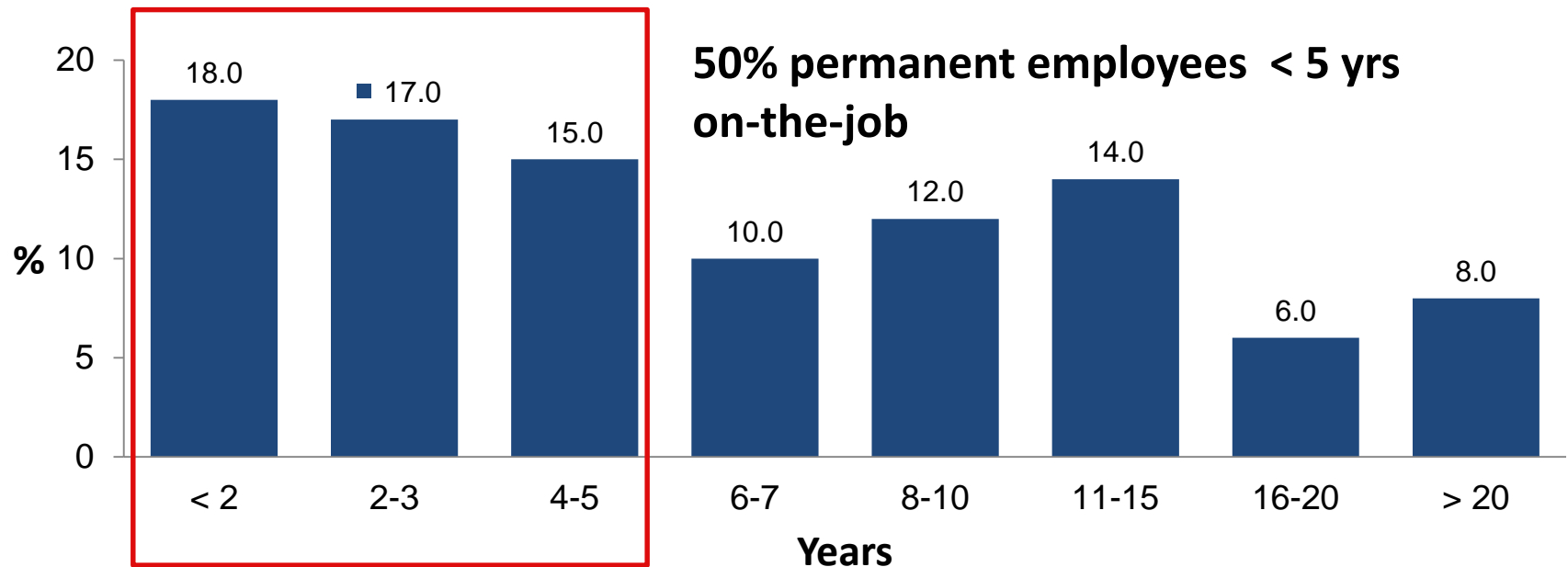
Permanent contract with increasing protection /2

Compensation in Monthly Salary



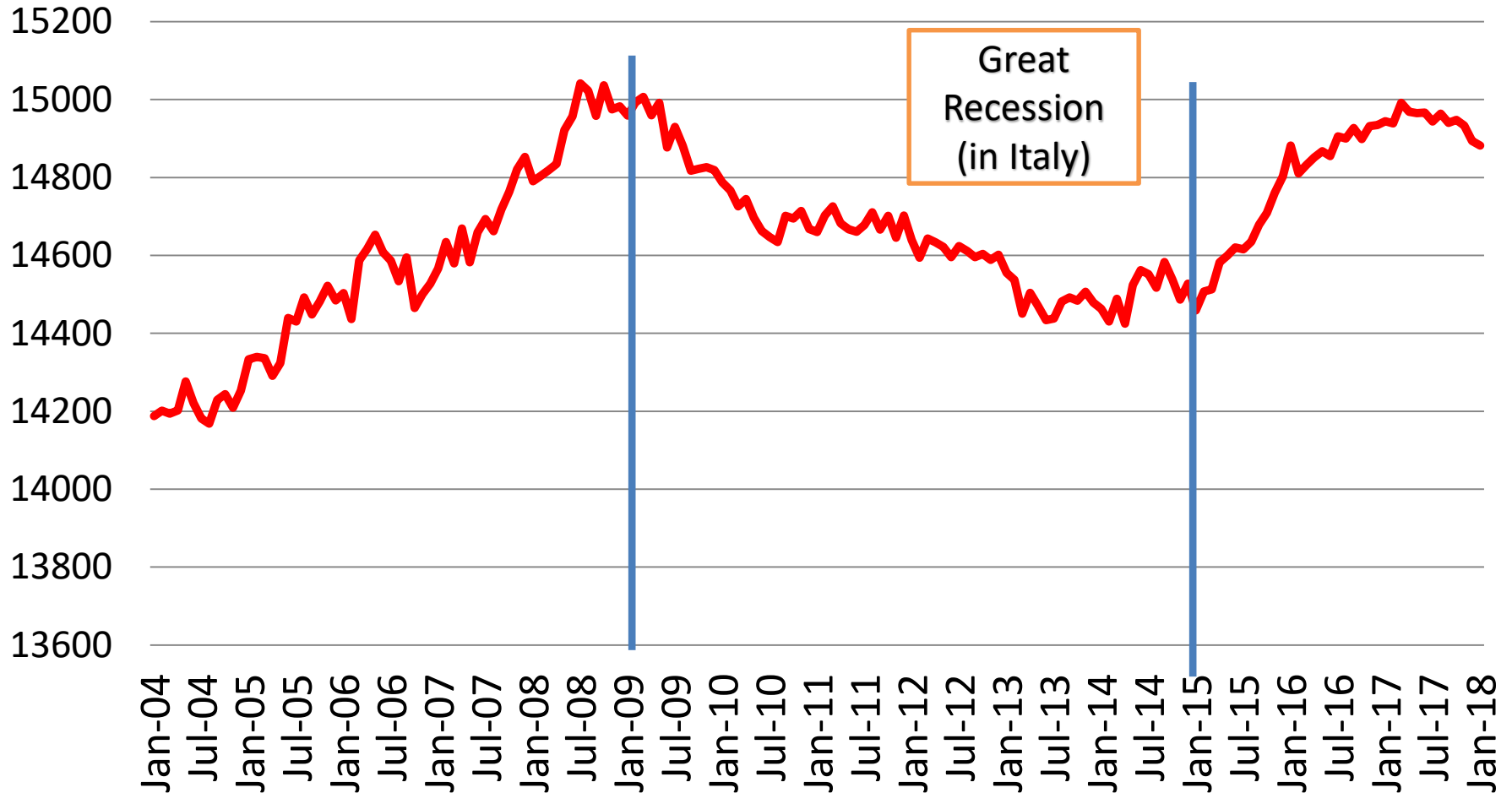
Why applying the new dismissal rules to new hires only?

- **Critique:** transition may be slow, risk new dualism?
- **Slow transition:** unlikely
- **Fact:** *seniority on-the-job* in firms >15 employees before reform?



Employment trends

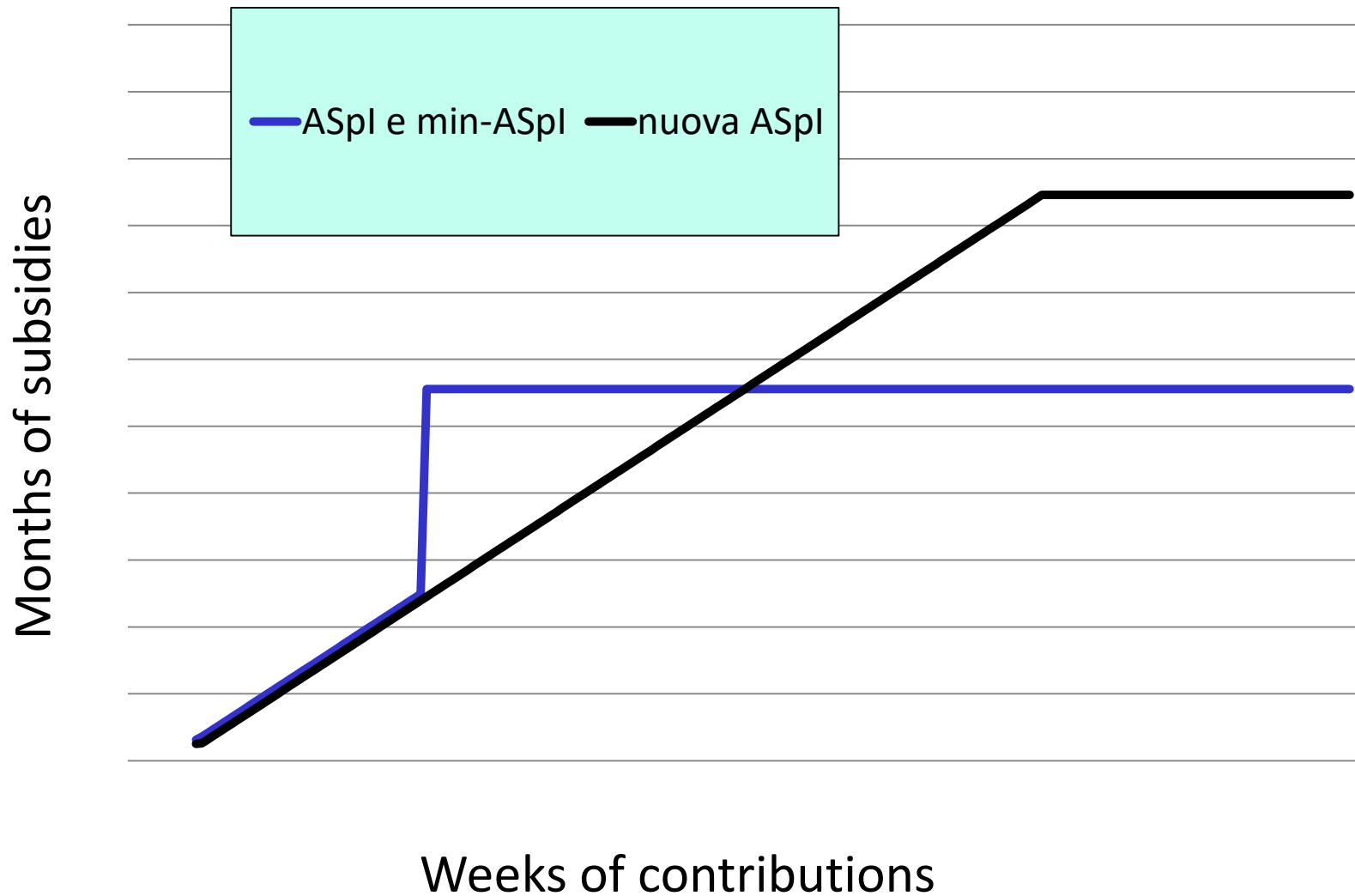
Open-ended employment (Thousands)



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 (new funds for small firms)
- Widening the **unemployment benefits** and making them proportional to contributions: NASPI (2.2 billions of euros)
 - 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
- **Minimum income scheme** (ASDI and then REI – *Reddito di Inclusione*): means-tested and conditional anti-poverty measure (2.7 billions of euros)

Unemployment benefits



Unemployment benefits: an international comparison

	Italy	Germany		Spain	DK	France
Duration rule (weeks of duration:weeks of contribution)	1:2	1:2		1:3	-	1:1
Maximum duration (months)	24	Depends upon age		24	24	Depends upon age
		<50	12			24
		50-55	15			36
		55-58	18			36
		>58	24			36
Replacement rate (first month)	75% gross wage up to 1195€, then 25%	60% net wage		70% gross wage	90% gross wage	40% of wage + €11,76 a day; or 57% of wage within 75% of wage

Active labor market policies

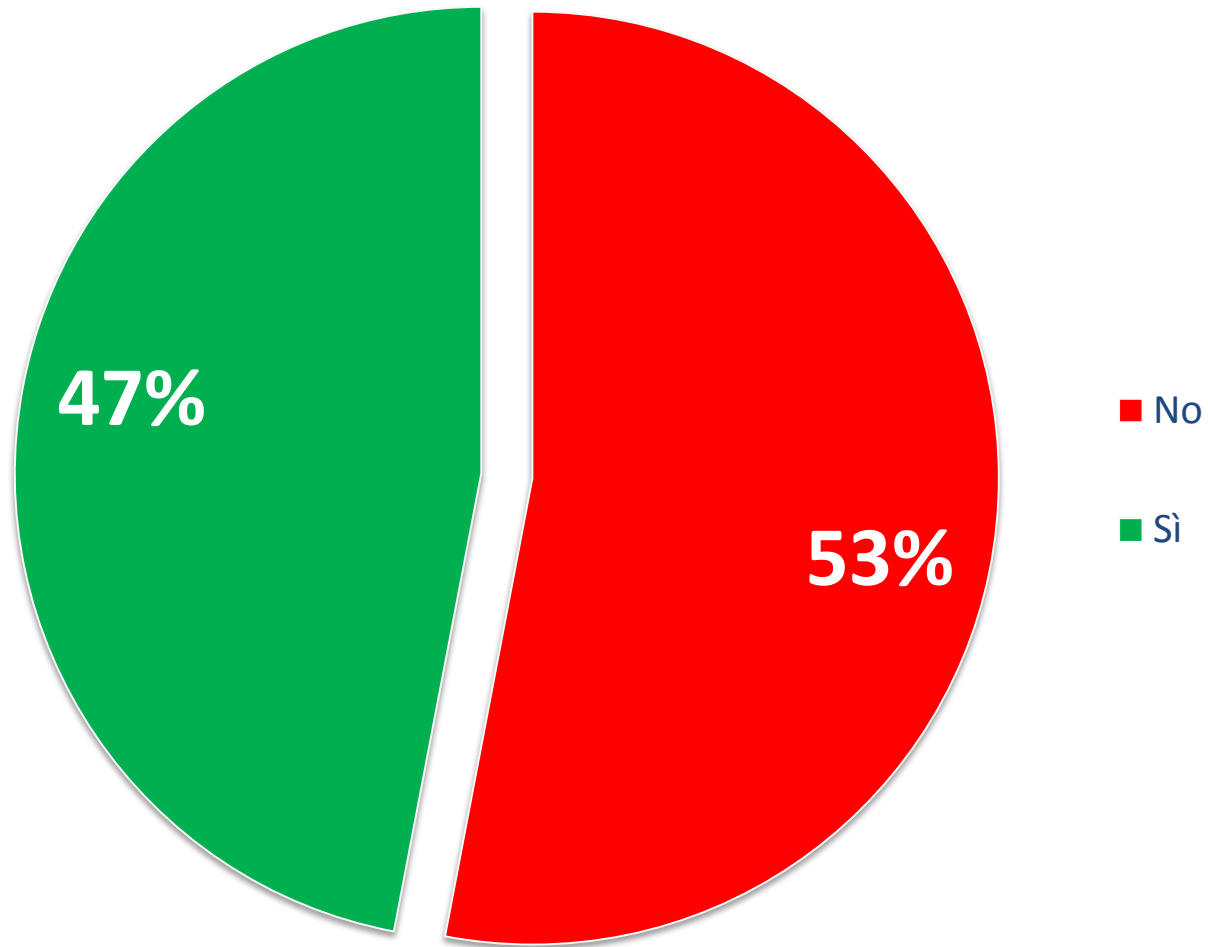
- **National agency** in charge of:
 - Setting the rules of the game for all areas of the country
 - Defining employment services standards
 - Checking on compliance with the standards
- **Public and private services** need to be complementary, and actually to compete between them
- **Quasi-market:**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

A “Gorbachev” reform



- Loved abroad, not so much within the country
- Deliberate choice of political strategy (at some point...) to convince:
 - EU partners
 - Foreign investors
- But also moderate voters...
 - “New Left” and struggle with trade unions
 - The importance of political “symbols” (Article 18)
- Political capital depreciation
- What happened to the reform?
 - Fierce critique but no big changes by new populist government
 - Constitutional Court ruling

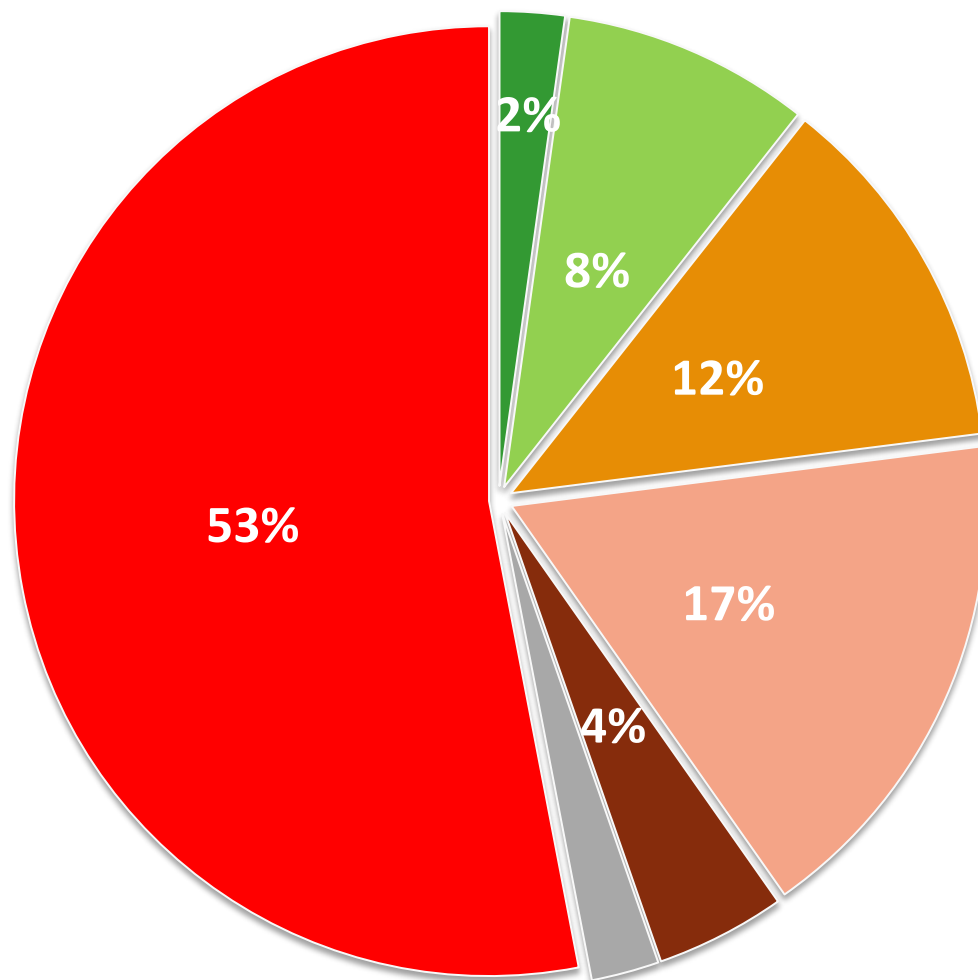
Quando si parla di riforma del lavoro si cita spesso l'articolo 18? Lei sa cosa prevede questo articolo di legge?



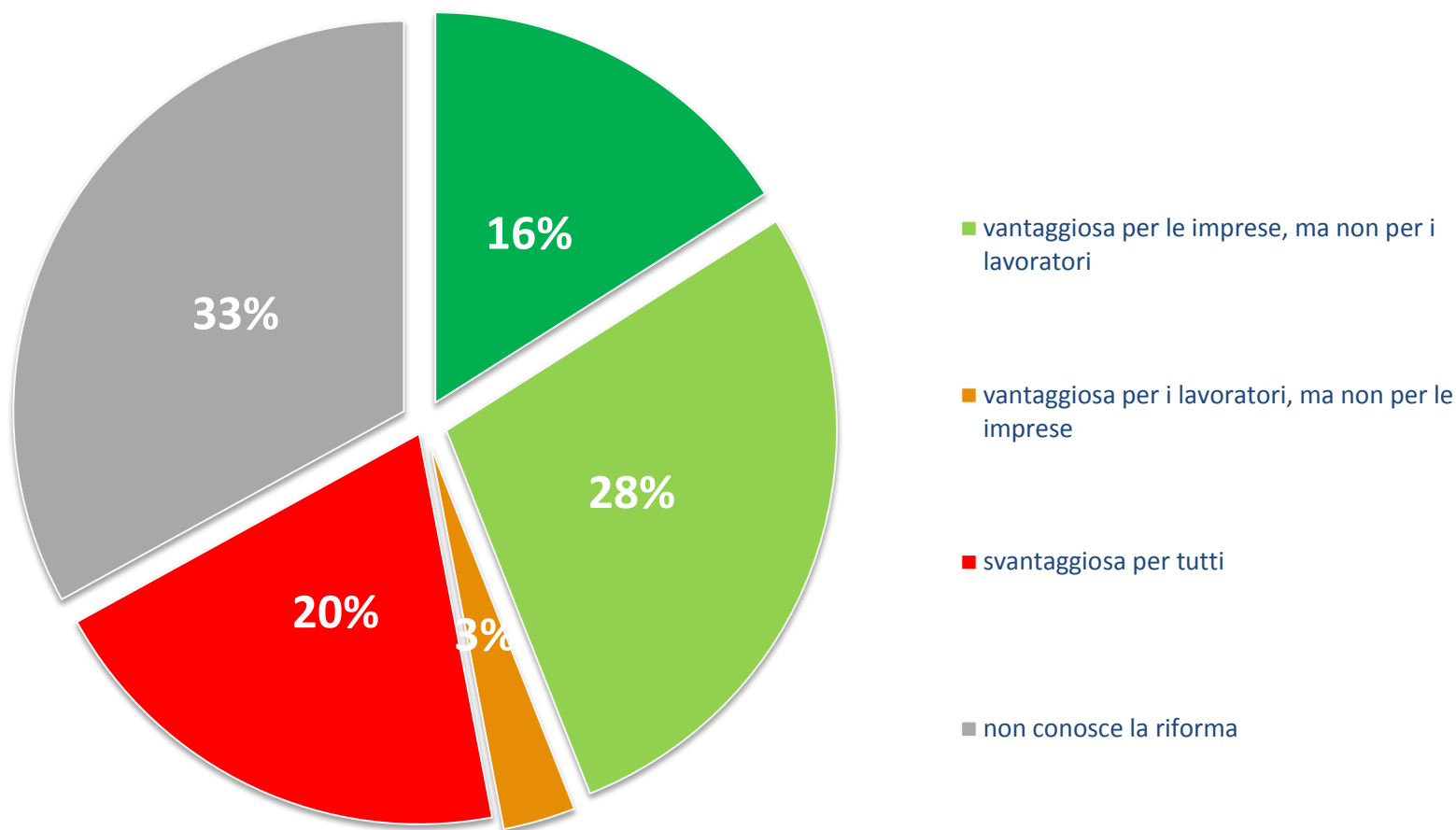
Secondo lei oggi quanti lavoratori sono tutelati dall'articolo 18 in Italia?

(Base: totale intervistati)

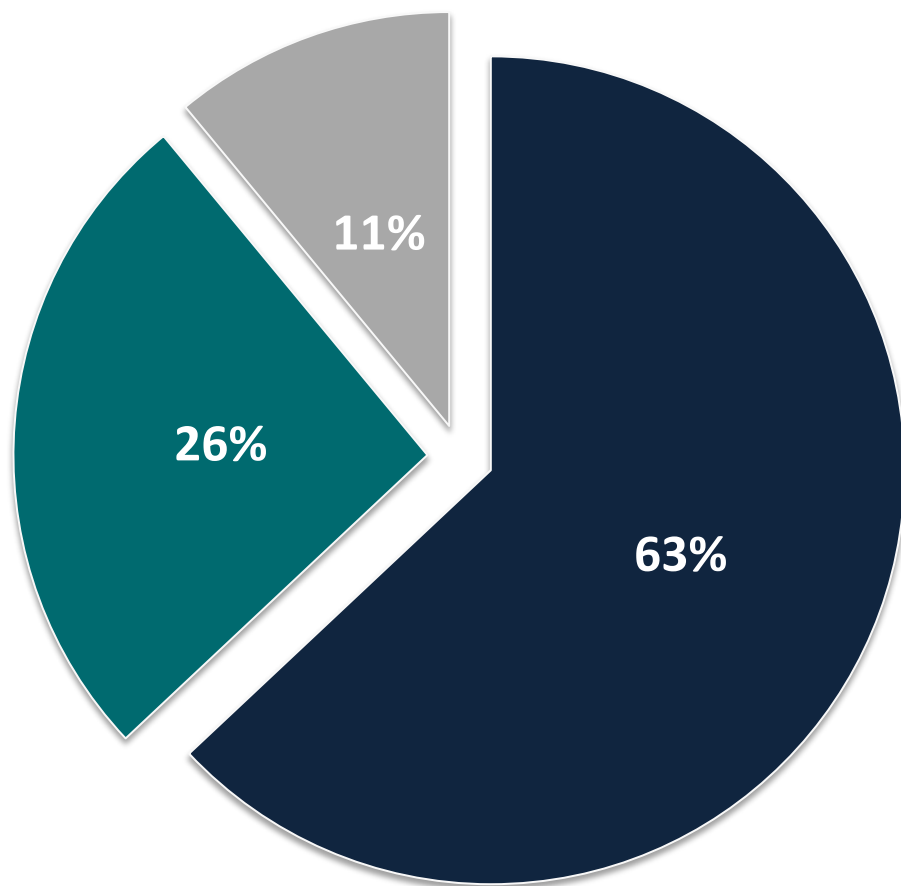
- Tutti
- Circa la metà
- Nessuno di fatto
- Non conosce i contenuti dell'articolo 18
- La maggior parte
- Una parte minoritaria
- Non sa



Nel complesso lei definirebbe questa riforma del lavoro...?



E' meglio che alla fine nei casi di licenziamento per motivi disciplinari...

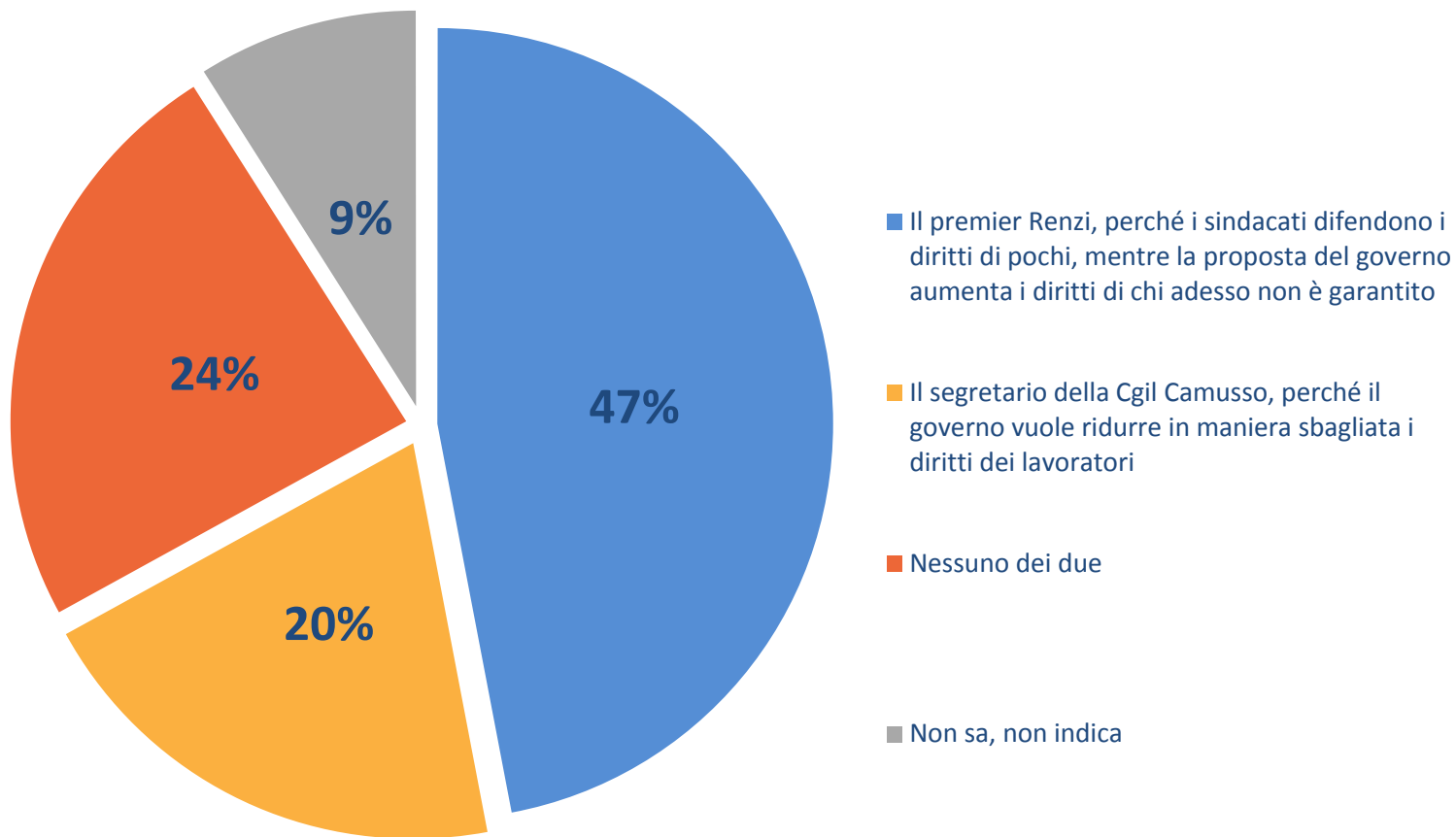


■ resti un obbligo di reintegro del lavoratore, se non vi è stata una giusta causa

■ si prevedano forme di indennizzo economico

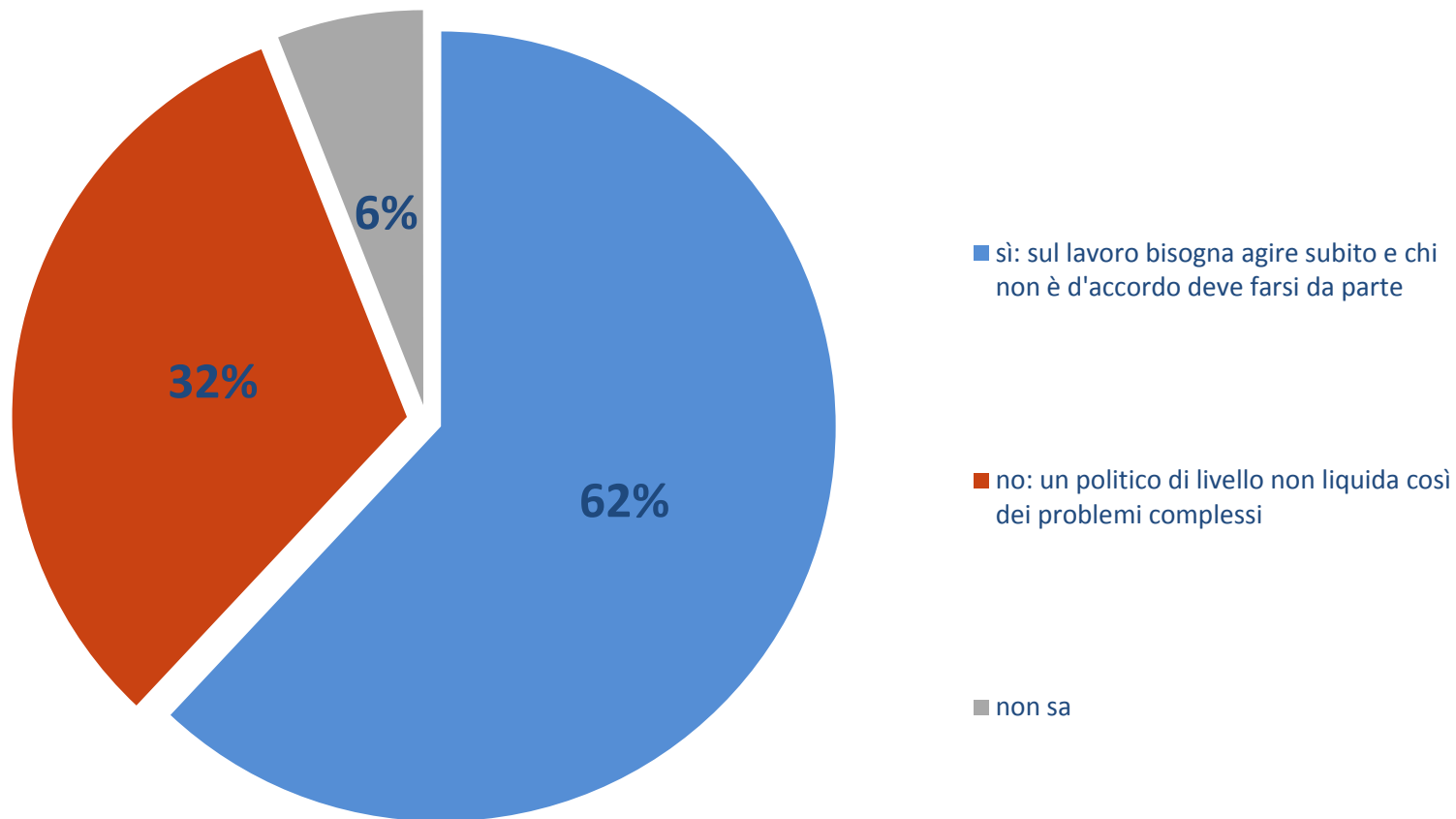
■ non sa

Nei giorni scorsi c'è stato un botta e risposta fra Renzi e Camusso sui diritti dei lavoratori. In generale chi ha più ragione?

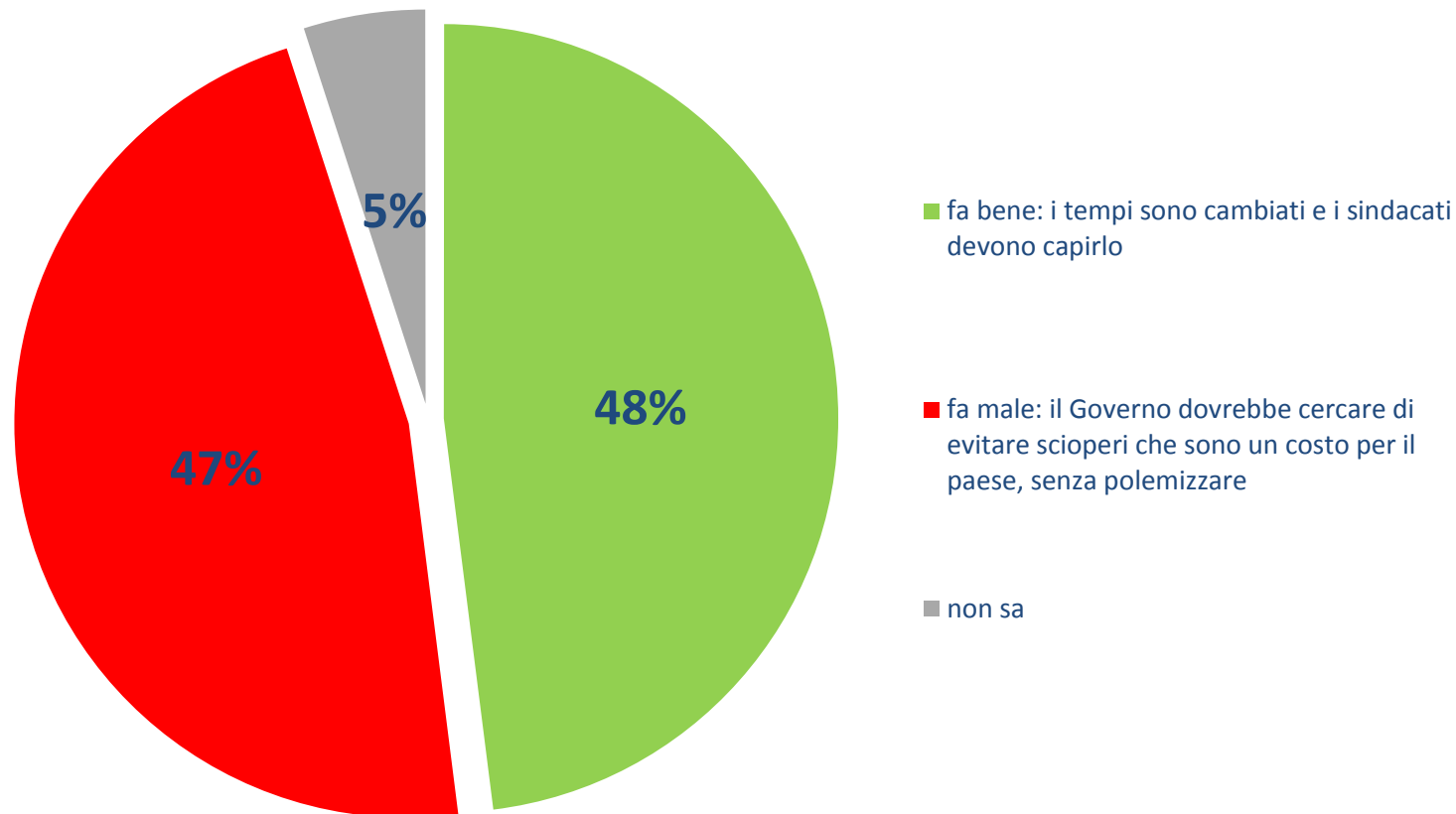


- Il premier Renzi, perché i sindacati difendono i diritti di pochi, mentre la proposta del governo aumenta i diritti di chi adesso non è garantito
- Il segretario della Cgil Camusso, perché il governo vuole ridurre in maniera sbagliata i diritti dei lavoratori
- Nessuno dei due
- Non sa, non indica

Riferendosi alla rottura interna al PD sui temi del lavoro, Renzi ha dichiarato: «Se qualcuno dei nostri vuole andare con la sinistra radicale, in nome della purezza delle origini, faccia pure». Lei condivide questa dichiarazione?



Riguardo invece agli scioperi contro la politica del Governo in tema di economia e lavoro, Renzi ha dichiarato: “Sono finiti i tempi in cui un corteo faceva cadere un Governo”. Secondo lei Renzi....



Di fronte alle tensioni di piazza, secondo lei Renzi dovrebbe...

■ aprire un dialogo con chi manifesta ■ andare avanti senza preoccuparsene ■ non sa

