



Italy's Jobs Act Creates Significant Labor Reforms

Insights

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On February 20, 2015, Italy approved significant but controversial reforms to Article 18 of Italy's Workers' Statute of 1970 in an attempt to combat soaring unemployment, currently 42% among workers under the age of 29 and 12.8% overall, and facilitate growth in an otherwise stagnant economy. The reforms, referred to as the "Jobs Act" ("Jobs Act" or "reforms") were implemented by several Legislative Decrees and based upon the guidelines provided by Law no. 183 in December of 2014. The Jobs Act seeks to improve the economy by establishing a more flexible labor market by making dismissals less costly and burdensome to employers, by enticing employers to hire new employees and by providing more employment opportunities and benefits to unemployed workers. The reforms do not apply to public sector employees, religious institutions, non-entrepreneurial entities or employees hired before January 1, 2015. The significant reforms are as follows:

- Previously, Article 18 required that employers with at least 15 employees reinstate permanent employees who had been unlawfully terminated. Pursuant to the reforms, employers will only be required to reinstate employees who were unlawfully terminated for discriminatory or retaliatory reasons, those subject to terminations which are null and void pursuant to statute, such as the termination of an employee on maternity leave, and in the case of non-written terminations. Employees subject to other unlawful terminations, such as ones for economic reasons, will only be entitled to compensatory relief, not reinstatement.
- Monetary damages for unfair dismissal claims are now two months' salary for each year of service with a minimum cap of four months' salary and a maximum cap of twenty-four months.
- The reforms introduce a new type of open-ended employment contract that includes gradual protections for new employees which increase with the employee's length of service.
- There are now tax incentives for employers who hire new employees during 2015.
- Project-based employment contracts, which were often misused by employers, are now prohibited. Employees will have to be hired pursuant to either an open-ended or fixed-term contract or be treated as "self-employed" under the law.
- Maternity benefits are available to employees hired pursuant to open-ended contracts.
- The reforms create a new benefit for unemployed workers that can last for up to two years by extending the scope of funds to be utilized for such benefits.
- An employer can offer an employee who challenges a termination a settlement in order to prevent a formal lawsuit filed in an Italian labor court. However, the settlement offer must be

made within sixty days of the termination and the amount must be determined based upon the employee's tenure with the company. The employer's settlement offer and the employee's acceptance of the offer must also take place in an approved forum such as a labor office or trade union office.

- The reforms extend the information and consultation requirements of collective dismissal procedures to executives' trade unions. Failure of an employer to meet these requirements could result in damages to the executive in the amount of twelve to twenty-four months' salary.

Although not all of the reforms are favored by Italian employers, the reforms overall are likely to improve the job market by decreasing employers' overall exposure in cases of unlawful termination, simplifying dismissal procedures, and making it easier and less risky to hire new employees.