

The Italian Jobs Act at a glance

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Main steps

- «Poletti Decree»: liberalization of fixed-term contracts. March 2014
- **Budget Law for 2015: exemption from social security contributions for the next three years (up to a yearly cap of 8,060 euros) on new open-ended contracts signed during 2015. Renewed for 2016 up to 3,250 euros.**
- Enforcing decrees (approved on December 24, 2014):
 1. New open-ended contracts with «increasing protection» → smaller firing costs and reduced judicial uncertainty (new hires only)
 2. Reform of unemployment benefits → increased duration and coverage. Reform of temporary lay-off schemes
 3. Simplification of contract types: elimination of atypical contracts
 4. Active labor market policies

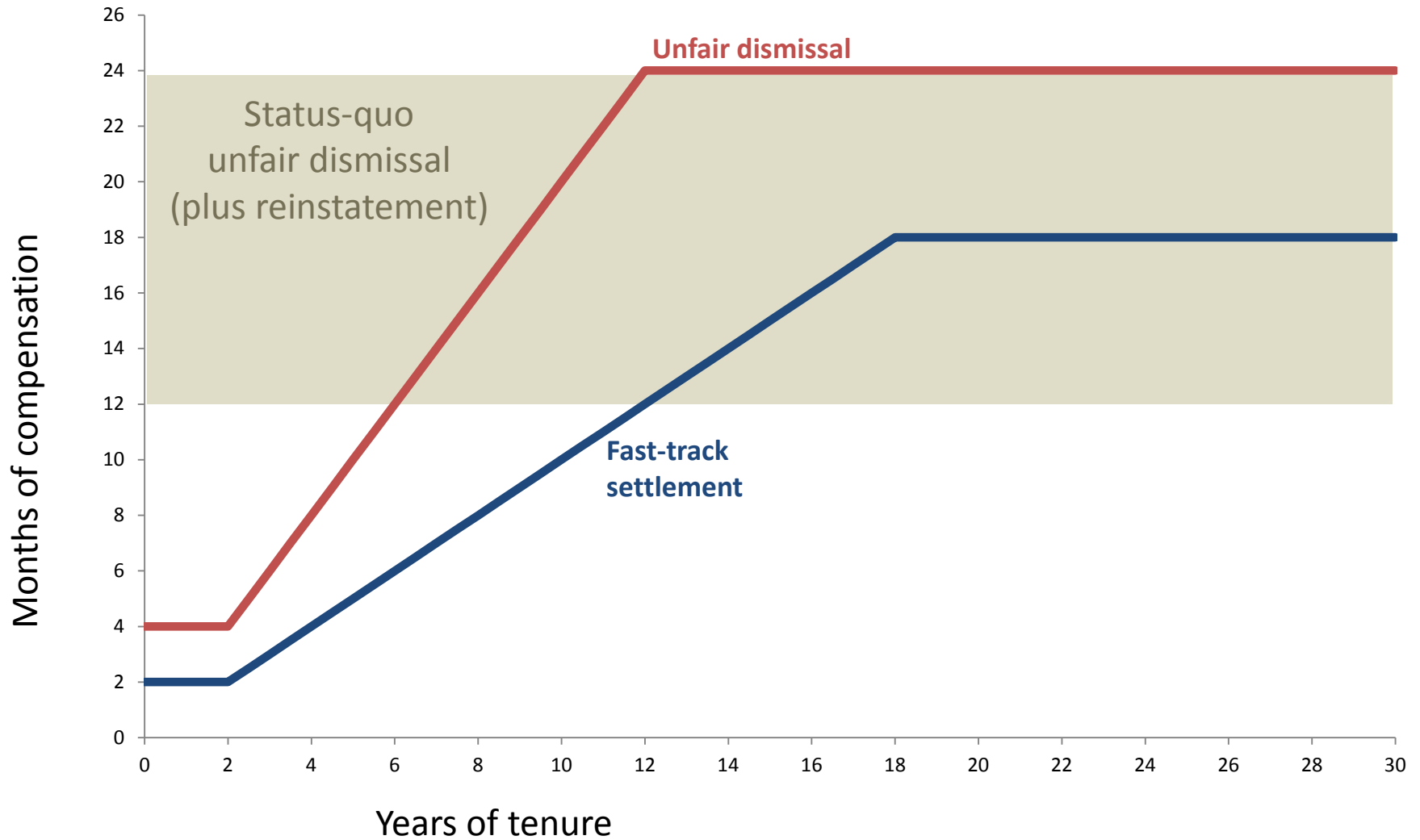
Main goals

- 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?)
- **Evaluation of the reform in the long run will be crucial**
 - **Share of new hires with open-ended contracts ↑**
 - **Duration of individual spells towards career stability ↓**
 - **Labor court litigation ↓**
- 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*»)

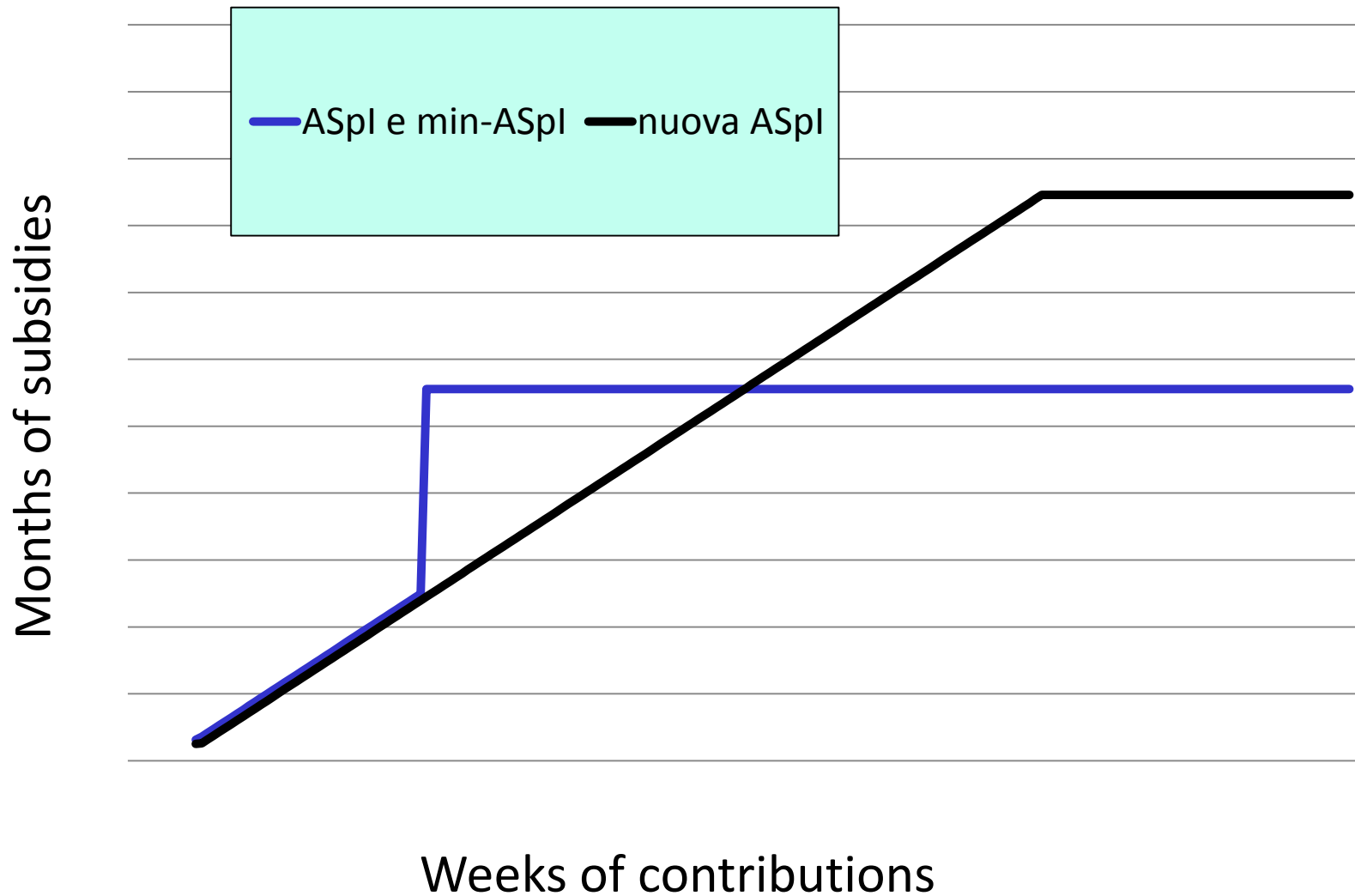
Fig.1: Monetary compensation



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: extension to workers with short temporary contracts
 - 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
- Interplay between active and passive policies:
 - **All unemployed after 4 months of subsidies receive a voucher to be spent only in active policies**
 - **Payment of (public or private) agency services only upon re-employment of workers**
 - **Conditionality on receiving passive help**

First results: flows

	2013	2014	2015
Net change of permanent jobs	34.163	-52.137	764.129
Net change of temporary jobs	-134.154	-2.338	-117.344

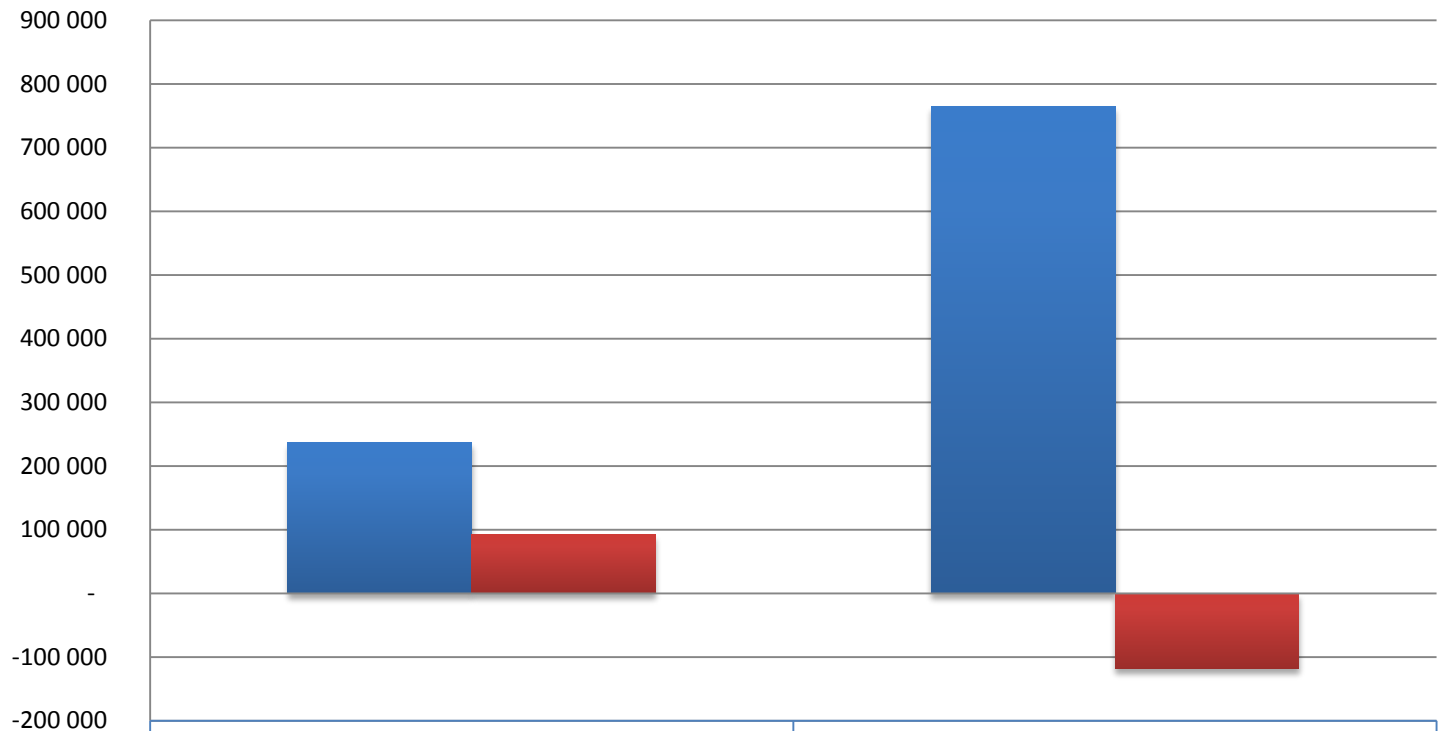
Yearly administrative data.

The net change of permanent jobs is calculated as: "*New permanent jobs + Trasformations of permanent jobs from temporary jobs + Trasformations of permanent jobs from apprentice jobs - Permanent jobs terminations*".

The net change of temporary jobs is calculated as: "*New temporary jobs - Trasformations of permanent jobs from temporary - Temporary jobs terminations*".

Rules or money incentives?

Before/After the JOBS ACT



■ Net change of permanent jobs

■ Net change of temporary jobs

January - March

January - December

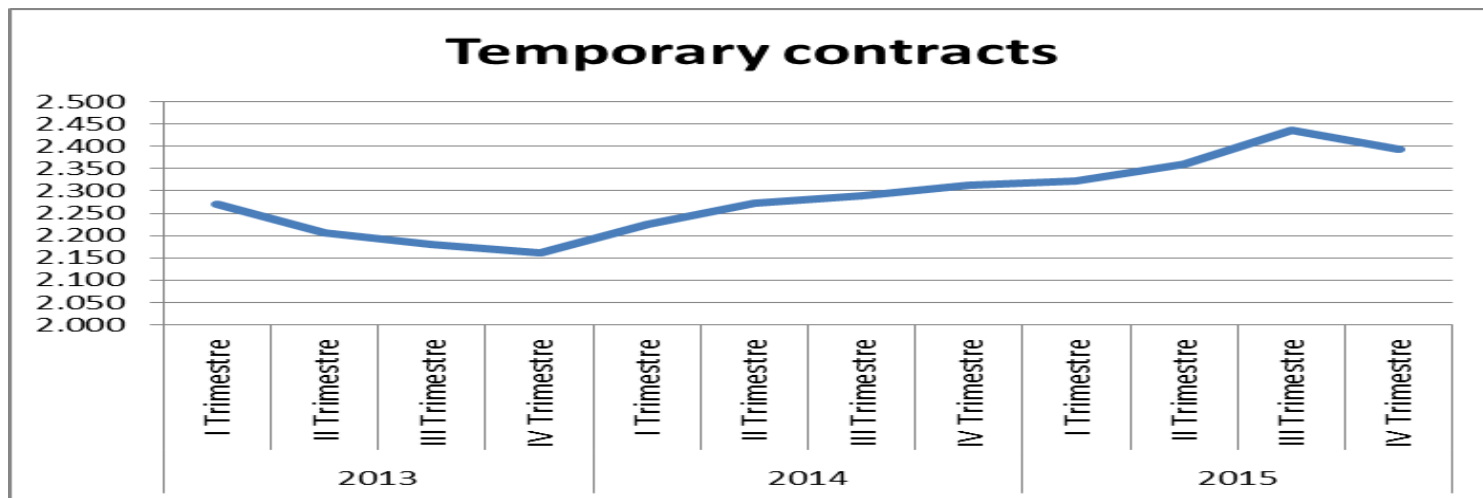
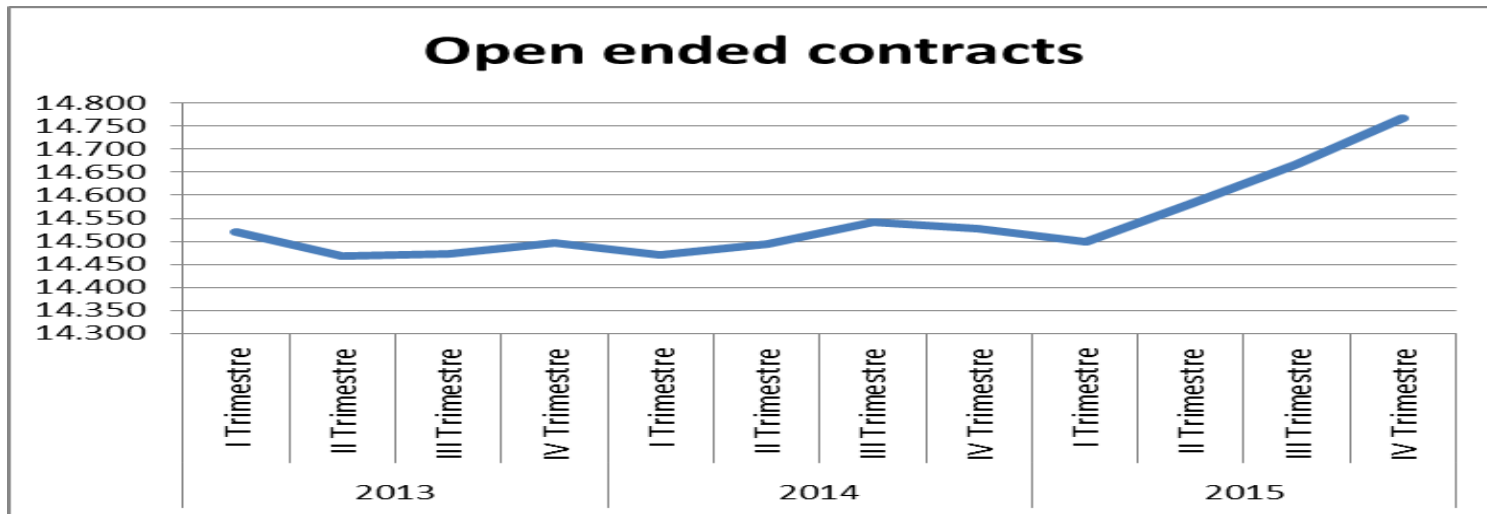
237 669

764 129

92 738

-117 344

First results: stocks



Unemployment

