Italy's new Labour reform, at a glance

A new Labour reform has been approved by the Italian Government and it entered into force starting from July 14, 2018 (the so-called *"Decreto Dignità"*, Law Decree no. 87/2018).

Significant changes have been introduced on fixed-term employment agreements, temporary agreements, protection against unlawful dismissal and relocation of business' activities. The Law Decree must be converted into law, with possible modifications by the Parliament, within 60 days from its effectiveness, otherwise it will no longer be effective.

The following commentary provides a brief overview of the essential parts of this new Labour reform.

1. Fixed-term employment agreements

With a view to reduce massive recourse to fixed-term employment agreements, the new Italian Government introduced stronger restrictions compared to previous regulations. In addition to the numerical and duration limits currently in force, the new Labour reform re-introduces the need of specific reasons to execute a fixed-term employment agreement.

The maximum duration of the fixed-term employment relationships, including renewals and extensions (which have been reduced from 5 to 4) is now of 24 months (previously 36), while the numerical limit remains equal to 20% of the open-term employees in force.

The employer does not have to provide specific reasons to hire on a fixed-term basis only if its duration is no longer than 12 months; on the contrary, specific reasons are required in the following cases:

a. fixed-term employment agreements longer than 12 months (up to a maximum of 24 months);

b. extensions of fixed-term employment agreement (up to a maximum of 4 over a period of 24 months), exceeding the aforementioned 12-month threshold;

c. renewals of fixed-term employment agreement, provided that "stop & go" interruptions of 10 or 20 days between a fixed-term employment agreement and another one remain applicable, based on the duration of the first agreement (respectively less or more than 6 months).

The above changes do not apply to fixed-term agreements for seasonal activities, which continue to be renewable and extendable without any particular reason.

If applicable, the specific reasons required are the following:

a. temporary and objective needs, unrelated to ordinary activities, or temporary need to replace employees;

b. requirements connected to temporary and significant increases in ordinary activities, which could not be planned in advance.

Significant changes are also introduced on the costs of fixed-term employment agreements, increasing the currently in place additional contributions of 1.4% by a further 0.5% on each renewal; this does not apply to fixed-term agreements for seasonal activities or substitutive reasons.

With reference to the conversion of fixed-term employment relationships into open-term ones, the deadline for any extrajudicial challenge is extended from 120 to 180 days from the expiry date, while the

following judicial deadline remains equal to 180 days. If the fixed-term agreement is deemed to be unlawful, the employee continues to be entitled to the conversion of its employment relationship into an open-term one, and the payment of an indemnity between 2,5 and 12 monthly salaries.

Nothing changed with reference to the scope of the above provisions, which still do not include fixed-term employment agreements with executives, remaining subjected to previous regulations.

At last, it is worth noting that this Labour reform immediately applies to each new hiring, extension or renewal following its entry into force, without any transitional discipline; yet, all of these new provisions may become "definitive" only after the conversion of the Law Decree into law, as above indicated.

2. Temporary agreements

This new Labour reform introduces significant changes even on temporary agreements between the Labour Agency and the temporary worker which, compared to the previous regulations, are now subject to all of the same provisions applied to "ordinary" fixed-term employment agreements, with the only exceptions of maximum percentages of fixed-term employees and the right of precedence in case of open-term hirings, without prejudice to different collective provisions.

As a consequence, temporary agreements with a duration exceeding 12 months overall (including extensions and renewals in compliance with the stop and go provisions) have to be based on one of the above mentioned specific reasons within, in any case, a maximum duration of 24 months.

3. Changes to protection in case of unlawful dismissal

Further changes are introduced with reference to the "floor" and "cap" of indemnities in case of unlawful dismissal for open-term employees hired after March 7, 2015, provided that discriminatory dismissals and dismissals for just cause based on non-existing facts are still sanctioned with reinstatement and damage compensation.

For employers with more than 15 employees, the indemnity for unlawful dismissal is still equal to 2 monthly salaries for each year of service, with a minimum of 6 monthly salaries (compared to the previous 4) and a maximum of 36 (compared to the previous 24). Which means that, regardless of the employee's seniority, in case of unfair dismissal, the latter will be entitled to a minimum indemnity equal to 6 monthly salaries, while the maximum one (equal to 36 monthly salaries) will be granted with a seniority of at least 18 years (*i.e.* in 2033!).

For smaller employers, the indemnity in case of unlawful dismissal remains equal to 1 monthly salary for each year of service, but with a minimum of 3 monthly salaries (compared to the previous 2) and a maximum of 6 monthly salaries.

On the other hand, the so-called "conciliation offer" in case of dismissal - still poorly used - does not change: as in the past, it is equal to 1 monthly salary for each year of service, in a range between 2 and 18 monthly salaries, for companies with more than 15 employees; while it is equal to 0.5 monthly salary for each year of service, in a range between 1 and 6, for smaller employers.

Thus becoming even less attractive than in the past.

4. Relocation of business activities

The Law Decree aims also at reducing relocation of business activities, i.e. the transfer abroad of an economic activity or of part of a production site to another one of the same entity or another affiliate or controlling (or controlled) entity.

In order to convince companies which have received public aids not to relocate abroad their processes or production phases of their business, specific mechanics of repayment and sanctions have been provided.

In particular, companies that have received public aids related to productive investments – and relocate their activities in non-EU countries before 5 years since the investment completion – are sanctioned with amounts in the range between 2 and 4 times the amount paid to them, plus 5% interests on the amount to be repaid.

Furthermore, companies that have received public aids related to productive investments to be completed in specific territories cannot relocate them even in Italy for 5 years from their payment; in case of breach, public aids shall be repaid, plus 5% interests.

Similar provisions are also introduced with reference to occupational obligations connected to the granting of public aids: if, within 5 years from the completion of the investment, the relevant personnel is reduced by more than 10%, the employer shall repay part of the public aids, proportionally with the employment reduction, with full re-payment in case of personnel reduction exceeding 50%.

However, all the above provisions will apply only to investments made after July 14, 2018, while previous investments will continue being subject to previous rules.

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