The Italian Budget 2018 and changes to employment & social security provisions

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Italian law no. 205/2017 was published in the Italian Official Journal on 29 December 2017 and entered into force on 1 January 2018, providing the 2018 Budget and introducing substantial changes covering also employment and labour matters.

With reference to the employment and social security legal provisions, we describe below the main rules newly introduced through the aforesaid law.

Youth employment incentives

In order to encourage stable youth employment, with effect from 1 January 2018 private employers hiring youths under a special-purpose permanent employment contract, named “contratto a tutele crescenti” pursuant to legislative decree no. 23/2015, will benefit from a 50% of reduction of the employer social security contributions for a maximum period of thirty-six months, with the exclusion of the INAIL (Italian Workers’ Compensation Authority)’s premiums and contributions, up to a maximum of €3,000 per annum or the corresponding amount per month.

The incentive applies with respect to young workers who, at the date of the first employment under the beneficial conditions, have not yet turned thirty (or thirty-five for 2018 only) and were not hired under a permanent agreement with the same or another employer.

The incentive is granted even if the worker started under an apprenticeship contract with another employer which did not change it into an open term employment contract, solely to employers who, in the six months prior to hiring, did not make individual dismissals for objective justified reasons or implemented collective redundancy procedures pursuant to Italian Law 223/1991 in the same productive unit.

Increase in the threshold of income for entitlement to the € 80 bonus

The thresholds of income for entitlement to the “Renzi Bonus” have been raised up to a minimum of Euro 24,600 and to a maximum of Euro26,600.

Extension of the extraordinary wage guarantee fund (CIGS) benefits due to corporate reorganization or crisis

In 2018 and 2019 companies with strategic economic significance and a headcount of more than 100 may obtain an extension of the extraordinary wage guarantee fund benefits for a maximum of twelve months under specific conditions to be met.

Outplacement arrangements
In order to reduce redundancies on completion of the period covered by extraordinary wage guarantee fund benefits in cases of corporate reorganization or crisis when not all employees are expected to be hired back, an outplacement arrangement may be reached in the negotiation stages of the agreement, specifying the company segments and the positions at risk of redundancy.

The affected workers may ask the Italian National Agency for Active Employment Policies for early allocation of the "outplacement indemnity" (assegno di ricollocazione) referred to in article 23 of Italian legislative decree no. 150 of 14 September 2015, within thirty days from the execution of the agreement.

Increase of the employer contribution in case of dismissal
Starting from 1 January 2018, for each collective dismissal eligible for the extraordinary wage guarantee fund (CIGS) benefits, the employer's contribution is doubled, from 41% to 82% of the maximum monthly unemployment benefit (NASPI).

If the collective dismissal procedure is implemented without prior agreement with the relevant trade union organization, the contribution is tripled. The aforesaid provisions does not apply to dismissals implemented as a result of collective dismissal procedures started by 20 October 2017.

State-funded income support programs for employees of companies engaged in areas with complex industrial crisis
Companies engaged in an area characterized by complex industrial crisis recognized in the period between 8 October 2016 and 30 November 2017, which no longer qualify for the extraordinary wage guarantee fund (CIGS) benefits, may qualify for an additional income-support scheme in the period between 1 January and 30 June 2018.

The aforesaid support is granted up to a maximum of twelve months and in any case not beyond 31 December 2018.

Extension of special wage guarantee fund (CIG) benefits
In order to implement new industrialization plans or schemes for the recovery or preservation of jobs submitted to the "crisis units" of the Ministry for economic development or of the Regions, the latter may authorize extensions of the special wage guarantee fund (CIG) benefits granted by 31 December 2016 with effect for 2017.

The mentioned extension of the fund will be covered by up to 50% with of the financial resources made available to Regions and pursuant to specific agreements entered into between the parties, for a maximum period of 12 months.

Exclusions from the extension of pensionable age

Starting from 1 January 2019, the pensionable age will increase 5 years, reaching 67 years, except for employees who in seven out of the ten prior years were engaged in one of the activities listed in Annex B to the law – such as workers in the extraction, building, farming businesses, waste collectors and street cleaners and others - and have accrued at least 30 years of social security payments, as well as workers engaged in specially arduous and hazardous jobs.

Voluntary early retirement (“Ape Volontaria”), early retirement for social reasons (“APE sociale”) and workers who started working early (“lavoratori precoci”)

The trial period of application for the early retirement program (APE) has been extended to 31 December 2019, and for women, the conditions for eligibility are reduced by 12 months for each child for a maximum of two years.

Payment of remuneration and fees to workers

Starting from 1 July 2018, employers will be required to pay any remuneration and advances due to their employees through a bank or post office only, using one of the following means of payment: (i) bank transfer to an account identified by the IBAN specified by the employee; (ii) e-payment instruments; (iii) payment order; (iv) check directly delivered to the employee or, if he/she were proven to be unable to receive it, to his/her appointed delegate.

This provision does not apply to public authorities and to domestic workers.

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