



Interview: Italian labor market needs structural changes: experts

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MILAN, April 3 (Xinhua) -- Italy needs to ease its inflexible labor legislation in order to restart growth, and a new labor law carried out by Prime Minister Mario Monti's cabinet of technocrats will be only a first step, local experts said.

"The Italian labor market has many problems and slowness is one of them. The rules are very complex, thus I believe the main need is to simplify them," a labor law professor at Milan Bocconi University, Maurizio Del Conte, told Xinhua in an interview. The main point of contention in the bill to be voted in parliament was whether to ease Article 18, a law of 1970 Workers Statute that punishes employers who unfairly dismiss workers without "just cause or justified reason".

But Del Conte pointed out the key question should be another one: "Article 18 is a penalty for unfair dismissal, but the real problem would be defining what an unfair dismissal is," he said adding such definition - contained in a 1966 law - is extremely vague.

"Companies are allowed to dismiss workers due to economic reasons or disciplinary reasons but interpretation of this rule is delegated to judges, who see a lot of dismissals as unfair and ask the company to reallocate the dismissed worker," he said. The expert stressed that impeding compulsory reallocations by better defining what "just cause and justified reason" is would help simplify the labor market and significantly reduce law disputes.

"I believe for an employer it is more important to know when the dismissal is legitimate rather than what it will happen when it is unlawful. He needs to know that in case of serious economic motives the company is free to reduce staff with no additional cost," the professor said.

In an efficient labor market, the welfare system must also play a fundamental role in helping workers who have lost their job because of economic reasons, Del Conte pointed out.

"In north European countries, rules are very clear and the welfare system helps a lot of workers not to precipitate in a situation of unemployment with no income," he said adding, "This system, of course, has high costs which in Italy are presently unsustainable."

Michele Tiraboschi, a labor law professor at Modena and Reggio Emilia University, agreed that the review of Article 18 was inadequate "because it will increase uncertainty as well as the role of judges."

In his view, a good point of the bill was promoting apprenticeships and work experience attachments for young people, which is the strength of economies such as Germany.

Although labor reform alone will not be enough, Italy needs it in order to restart growth and compete in international markets, said Tiraboschi, who is also president of ADAPT, a non-profit organization with the aim of promoting research in the field of labor law and industrial relations.

"The regulatory framework of the Italian labor market is obsolete which explains the low productivity and, in part, the low foreign investments in the country," he said.

Tiraboschi added a similar reform process carried out in 2003 was only partially implemented and could not influence two central issues: protection against unlawful dismissal on the one hand and social safety nets on the other.

"Reform was therefore partial and largely opposed by unions, so results have not been fully satisfactory," he said.

Tiraboschi said Monti's bill can still be improved as it contains some rigid elements that penalize businesses such as an excessive reduction of flexible contracts which will raise labor costs and encourage black market work.

According to Carlo Dell'Aringa, a labor law professor at Milan Catholic University, the draft law aims to make it more expensive for companies to hire people on short-term contracts and make it easier for them to dismiss permanent contracts.

"The reform will also fight widespread forms of self-employment collaborations that hide permanent-type relations with employers who do not want to guarantee fundamental rights such as health protection," he added.

However, Dell'Aringa said the draft law may go through significant changes in parliament before being put to vote. This would be due to pressure by trade unions as well as other social and political forces which oppose the reform.

In his view, the reform will be important but not fundamental to restarting growth, as "Italy especially needs a better industrial policy and stronger competitiveness".

"Simplification and liberalization measures already passed by Monti's government go in the right direction, but much more can still be done starting, for example, from strengthening Italian industry," he said.

Improving infrastructures, reducing high tax burdens as well as capitalizing companies would be important but expensive moves, the expert said.

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