

Italy's Labor Reforms Are Serious and Will Be Effective

Allow me to thank The Wall Street Journal for the editorial of March 27 ("[Monti Pulls a Thatcher](#)") and the editorial of April 6 ("[Surrender, Italian Style](#)"). I have never sought to be the Thatcher of Italy. So I have no objection if you withdraw the title.

Regarding the points made in your editorial, starting with the additional social-security contribution on fixed-term contracts: This is fair and common practice internationally because fixed-term contracts cost more to society—a person on a fixed contract is more likely to find himself unemployed and to require benefits than one on a permanent contract. This increased levy was also in the original draft you praised on March 27. As for the now famous Article 18, the reform introduces a more predictable and speedier procedure to handle dismissals for economic or other objective reasons. First, a fast, compulsory, out-of-court settlement procedure at local level; then, if conciliation fails, the worker can take the case to a judge as happens in other countries. In extreme cases, where the economic or other objective reasons for dismissal were found to be "manifestly inexistent" ("*manifestamente insussistenti*"), the judge may decide for reinstatement instead of compensation. In all other cases where the judge ascertains that the economic dismissal is simply not justified, the compensation will be capped at 24 months of wages.

This is a complex reform that will have a major and positive impact on the Italian economy. It deserves serious analysis rather than snap judgments. I would suggest that perhaps the fact that it has been attacked by both the main employers association and the metalworkers union, part of the leading trade union confederation, indicates that we have got the balance right. The reform will make the Italian labor market more flexible overall while significantly reducing the present duality in the market, including introducing a universal safety net. It lays the foundation for increased productivity, economic growth and employment.

Mario Monti

Prime Minister of Italy

Rome