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Italian economy

Italy unveils measures to boost flexibility in labour market

Social welfare reforms aim 'to distinguish those who can work from those who cannot', says PM Giorgia Meloni



Italians during May Day rallies in Turin on Monday. Unions have criticised the labour market reforms © Marco Bertorello/AFP/Getty Images

Amy Kazmin in Rome MAY 1 2023



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Italy is scaling back a poverty relief scheme and making it easier to hire workers on a short-term basis, as the rightwing government addresses complaints from employers about the difficulty and costs of recruitment.

In a special May Day cabinet meeting, Prime Minister Giorgia Meloni's [government](#) approved the decree aimed at reducing the number of people dependent on state benefits and giving more flexibility to the labour market.

The government will also spend €4bn on a six-month cut in payroll taxes for low-income earners, and is cutting taxes on fringe benefits for workers with children, reflecting policymakers' growing preoccupation with Italy's [low birth rate](#). "We are investing in workers and families. It is a real help against the high cost of living," said Giancarlo Giorgetti, finance minister, after the decree.

Meloni touted the tax cuts as a big boon to salaried workers. "This is the most important job tax cut in decades," she said in a video message. "It is a choice of which I am deeply proud. I really can't understand those who argue with this choice."

But the labour day decree, which has already been criticised by unions, also contains measures sought after by businesses, including making it easier to hire workers on short-term contracts and a further scaling-back of the controversial basic income scheme launched by the populist Five Star Movement when it led a coalition government in 2019.

"Meloni's idea is that companies create the wealth of the nation," said Francesco Seghezzi, president of Adapt Foundation, which researches workers' rights and industrial relations. "Companies say one of their problems is not enough flexibility in the labour market, and not enough [labourers](#)."

Employers have long [griped](#) that the citizens income scheme — a monthly stipend to all unemployed Italians — makes it tough for them to find willing workers. It is also a cause of [resentment](#) among salaried workers.

"It was a big disincentive for people who are able to work to search for [a job](#), especially in the south, where wages are not so high," said labour market economist Pietro Reichlin.

From next year, though, Italy will have two separate welfare programmes. The first, more generous scheme, expected to cost about €5.6bn, will be for those deemed unable to work as a result of disability or family responsibilities. In a separate scheme, lower benefits will be given to individuals deemed employable, who will be required to attend skills training programmes to receive state support.

Meloni defended the overhaul, saying it fulfilled the government's promise to "distinguish those who can work from those who cannot".

However, Seghezzi warned that a lack of training programmes and the difficulty of assessing who is employable could leave many Italians without sufficient support.

“The idea of this government is people with no jobs have to be punished . . . that if you have no job, it’s your fault . . . and that I’m going to give you less than other people so that you activate yourself and look for a job.”

The government has also earmarked €4bn to reduce the “tax wedge”, the difference between the cost to a business of hiring a worker and employees’ take-home pay. The measure will benefit individuals earning less than €35,000 a year, and will be in force from July to December.

Rome is also eliminating taxes on up to €3,000 of annual fringe benefits for workers with children.

“The typical Italian firm feels a lot pain from the cost of labour,” said Reichlin. “Meloni is trying to lower the payroll taxes . . . But the government has limited space.”

Additional reporting by Giuliana Ricozzi