



Renzi takes his time to tackle deeper labour woes

Politics

Jobs Act proposal could take a year before legislation is passed, write
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With Italy losing jobs at the rate of about 1,000 a day over the past year, radically reforming its inefficient labour market is a constant concern for prime minister Matteo Renzi and a burning issue for investors.

So it has come as a surprise to even his supporters that he decided to let parliament deal with mapping out his "Jobs Act", a process that could take a year before legislation is passed.

The government on Friday submitted a draft of its proposal for the senate labour commission to start its work. The document lays out broad intentions to reform unemployment welfare, improve job agencies and establish a new form of contract that gives workers progressive job security.

But the guidelines are still vague, lacking a clear intention to move towards a

single, more universal labour contract from the current confused system that leaves the majority of Italy's workforce on protected life-long contracts and a sizeable minority on fixed short-term contracts with few or no rights.

"It seems like there are lots of details but, looking closely, the details are quite loose," said Irene Tinagli, an MP for the centrist Civic Choice party, which supports Mr Renzi's left-right coalition.

The depths of Italy's labour market woes were highlighted by data last week showing unemployment in the eurozone's third-largest economy rising to 13 per cent in February, the highest for at least 37 years, compared with 5.1 per cent in Germany and 10.4 per cent in France.

Italy's jobless rate has more than doubled in seven years, while its proportion of Neets (15- to 24-year olds "neither in education, employment or training") has risen to 21.1 per cent, against an EU average of 13.1 per cent. The employment rate is also low: only a handful of eurozone economies have a worse record than Italy's 55.2 per cent.

Giuliano Poletti, labour minister, admits the reality is even worse than the data suggest. The jobless numbers exclude several hundred thousand workers on government-backed, corporate lay-off schemes who hope to be reinstated when conditions improve but, according to the minister, "are tied to companies that are already dead".

"The day will arrive when statistically these will count among the jobless," he says.



For obvious reasons, Mr Renzi does not want that day to come too soon, and is left looking to cover a €1bn hole in the budget to keep these schemes funded.

For the 39-year-old who came to office unelected in February by shunting aside his predecessor Enrico Letta in an old-fashioned party manoeuvre, the first test at the polls comes with European parliamentary elections in late May.

With that date in mind, Mr Renzi last month issued a decree to help entry into the labour market. Employers will be able to take on a fifth of their workforce on short-term contracts for up to three years, rather than 12 months. Changes to a separate apprenticeship scheme, which will allow companies to hire apprentices without having to give full-time jobs to those who have completed training, will also give business more leeway to hire and fire.

Trade unions, although mollified by promised tax cuts for low-income workers, have vowed to resist the decree, which leftwing members of Mr Renzi's own Democratic party are also trying to dilute. Nonetheless the immediate reaction of the business community has been positive.

"Labour market flexibility is key. It is not only key for economic performance but is also crucial to bring young people in the workplace. So it is also about a social issue," says Rodolfo De Benedetti, chairman of industrial group CIR.

Other chief executives consider the decree a sign Mr Renzi is listening to their concerns, a significant shift from past years when

Silvio Berlusconi was considered deaf to the wider interests of the business community.

"It is very easy to talk about practical matters with this government," said the chief executive of one of Italy's largest companies who asked not to be named.

Marco Tronchetti Provera, chairman and chief executive of Pirelli, said: "Italy needed discontinuity, Renzi represents it."

A government official who preferred to remain anonymous said Mr Renzi was politically savvy in issuing the decree on short-term hires, while allowing for a longer parliamentary process to fix deeper reforms. "You cannot fight all the battles at the same time," he said, with Mr Renzi staking his political capital ahead of European polls by boosting wage packets €80 a month for the low paid and launching big electoral and constitutional changes. "Long-term labour reforms need a strong electoral mandate, which Renzi does not have yet."

Guido Rosa, head of the association of foreign banks in Italy, said: "The left wants to weaken the Jobs Act. This is the mentality of 100 years ago. The world has changed and Italy must change too."

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'Long-term labour reforms need a strong electoral mandate'

Government official



Deliberate: Matteo Renzi has decided upon a considered parliamentary process to cement his reforms into law

Charlie Bibby