

**T**he so-called Jobs Act was a major labour market reform in Italy, pushed for by the then prime minister Matteo Renzi and approved by parliament in December 2014 after heated public debate. Apart from smaller measures, it is fair to say that the thrust of the reform consisted of [three elements](#): (1) it lowered dismissal protection for open-ended contracts by introducing a new contract type with lower protections that is applied to all new hires on open-ended contracts; (2) it improved unemployment benefits, in particular by making them more accessible to employees with unstable or “atypical” work histories; (3) it aimed at restructuring the public employment services (PES) in order to provide the administrative basis for modern active labour market policies (ALMPs). The law adopted in 2014 was a legislative delegation (*legge delega*) by which parliament authorises the government to legislate within the guidelines defined by the law. Since then the main elements of the reform have been implemented, except for some uncertainty over the restructuring of PES, which is hampered by the constitutional protection of regional jurisdictions.

In the following, I will put the Italian Jobs Act into comparative perspective. In particular, I will compare it to recent major labour market reforms in Germany, Spain, and France. Accordingly, I will proceed in three steps. First, the comparison to the Germany Hartz reforms has been invoked publicly and hence deserves to be considered. Second, the Jobs Act can be seen in the context of labour market reforms in the shadow of the euro crisis, which motivates the comparison with Spain. Third, France is the most recent example of a large European labour market reform that is less directly affected by the euro crisis and thus lends itself to being used as a yet another comparative case.

## Italy's Jobs Act and the German Hartz reforms

When talking about the Jobs Act in September 2014, [Matteo Renzi invoked Germany as a model](#). The German labour market today is strongly shaped by the last major reform package, the so-called Hartz reforms (named after the chair of an expert commission), adopted in 2002-2004. The social-democratic led government at the time reacted to persisting high unemployment. The reforms deregulated non-standard employment (especially, fixed-term employment, temporary agency work, and marginal part-time employment), they cut unemployment benefits (both by restricting duration of unemployment insurance and by fundamentally restructuring unemployment assistance), they tightened labour market activation (through sanctions and broader definitions of suitable work), they rearranged ALMPs (introducing new measures while cutting some that were seen as ineffective), and they reorganized the governance of PES. Economically, the

major consequence of the Hartz reforms was a downward pressure on labour costs. Expanded non-standard employment, subsidisation of low wages (through the new unemployment assistance scheme), reduced unemployment benefits, and a more severe activation regime—all these measures increased the supply of low-cost work in the labour market and hence also put workers in standard (full-time, open-ended) employment under pressure to agree to less favourable employment terms.

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By comparison, the Jobs Act also increased the pressure on standard workers, but it did so much more directly by deregulating dismissal protection, which the Hartz reforms did not touch, as well as by returning short-time work benefits (Cassa Integrazione) to their original function instead of being generous de facto unemployment benefits. More significantly, the Jobs Act improved the safety nets for workers on the periphery of the labour market, in particular by improving the access of non-standard workers to unemployment benefits. The Hartz reforms affected unemployment compensation for labour market outsiders in various and complex ways, but their restrictive side prevails, especially through the austere activation regime that the new unemployment assistance is part of. Although both the German and the Italian reform reorganized PES, the starting points are so different that the reforms are incomparable. Germany had a highly institutionalized and centralized PES already, which was reformed by reducing the power of social partners in its governance, by increasing the role of private employment services, by adopting management by objectives, and by increasing cooperation with local social services. Therefore, none of the three main elements of the Jobs Act can in any concrete way be seen as inspired by the Hartz reforms.

## **The Jobs Act and labour market reforms in the euro**

## crisis

Since the president of the European Central Bank announced in 2012 that his institution would do “whatever it takes” to save the euro”, the more dramatic pressure on bond markets in the periphery of the Eurozone has subsided. Yet, fiscal and economic policy in Italy and other southern European countries continues to be closely watched by EU institutions and financial markets. Especially in 2014, when the Jobs Act was adopted, the memory of the height of the euro crisis was still fresh. Italy itself had adopted a major labour market reform already in 2012, the so-called Fornero reform, named after the then labour minister Elsa Fornero and adopted by the technocratic government led by Mario Monti. In several ways, the Jobs Act remarkably resembles the Fornero reform, which also deregulated dismissal protection of unlimited contracts and improved eligibility conditions of unemployment benefits to make them more accessible to non-standard workers. Besides, the Fornero reform re-regulated some non-standard forms of employment, which was not a notable part of the Jobs Act.

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The last major labour market reform in Spain took place almost at the same time as the Fornero reform in Italy. It was put forward by the conservative government under prime minister Mariano Rajoy. What it has in common with both the Fornero reform and the Jobs Act is that it deregulated dismissal protection. However, [the similarities end there](#). Otherwise, the Rajoy reform emphasised decentralization of collective bargaining and other measures that increase employer power over employment conditions (it should be noted though that decentralization of collective bargaining has been pursued in Italy as well, but already in 2011 under the centre-right government). Further, the Spanish reform introduced a new contract type with almost no dismissal protection in the first 12 months. Therefore, while the Italian and Spanish reforms share an emphasis on deregulating dismissal protection, the

important difference is that the Fornero reform as well as the Jobs Act at the same time included measures that improve protection of those at the margins of the labour market. This was not the case in Spain where the conservative government pursued deregulation tout court. The picture tends to be even bleaker if we look at other countries that were more directly hit by the euro crisis, such as Greece, Portugal, and Ireland. Yet, Spain is the more pertinent point of comparison as, similar to Italy, it was not subjected to a financial bailout and accompanying direct reform requirements. In sum, the Jobs Act resembles the reform that Italy adopted at the height of the euro crisis but less those in other countries.

## **The Jobs Act and the 2016 French reform**

As similarities to major reforms before the Jobs Act are limited, what about those that followed? The most notable case here is the French labour market reform in 2016, adopted under the Socialist government and president Francois Hollande. This reform had two main elements. First, it increased the scope for company-level collective bargaining, especially over working time. This has the potential to increase working-time flexibility and to reduce the wage rates of overtime work. Second, integrating a few previous provisions, it introduced “individual activity accounts”, through which workers can accumulate entitlements for training, reduced working time, or leave from work.

To some extent, this reform can be regarded as similar to the Jobs Act as it combines elements of deregulation with elements of improved protection. Yet, the specific measures taken are completely different. In particular, they do not affect unemployment benefits, ALMPs, or dismissal protection. The original proposal of the French reform included deregulation of dismissal protection, but this was retracted in the face of union resistance—in contrast to the Jobs Act, where such a measure was pushed through in spite of union opposition.

## **In conclusion**

Although all major European labour market reforms in recent years included elements of liberalization, their diversity is striking. The provisions of the Jobs Act have most similarities with another Italian reform, the Fornero reform of 2012, but they are distinct from other major European reforms. The feature that most sets the Jobs Act apart is the improvement of unemployment benefits for marginalized workers. Certainly, Italy had a clearer need to enhance its system of unemployment compensation. Yet, also unemployment benefits in

Spain are strongly biased against young people who just entered the labour market and who have to hop from one temporary job to another often interrupted by unemployment. Besides, the rise of non-standard work constitutes a challenge for all unemployment benefit systems in Europe that were built in an era of more stable and standardised work careers.

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To be sure, this assessment is only based on comparing the content of major European labour market reform. The enhanced unemployment protection for precarious workers that the Jobs Act delivered is certainly laudable. Yet, in four respects there is reason to be sceptical, at least while we wait and see how the effects of the reform pan out in practice. First, it is unclear whether the drastic reduction of dismissal protection through the Jobs Act was necessary and justified, especially taking into account the previous, more measured deregulation by the Fornero reform. Second, it is questionable how much reduction in unemployment a structural reform can achieve when the underlying problems of deficient economic demand are not resolved. Third, the commendable reorganization of PES that the Jobs Act aimed for is still hampered by fragmented institutional capacities. Fourth, the new open-ended contract with lower dismissal protection was supposed to combat the segmentation of the Italian labour market. Yet, the Jobs Act did little to re-regulate non-standard employment, and it seems that the relative success of the new open-ended contract was largely driven by fiscal incentives that are temporary and depend on each year's budget law.

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