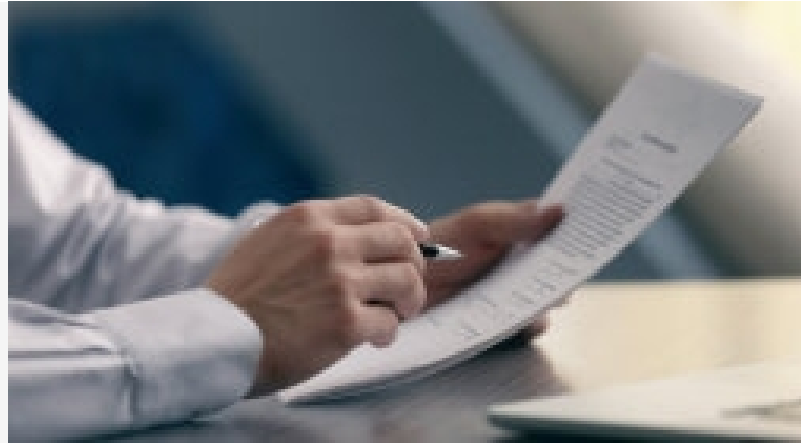


ITALY'S NEW EMPLOYMENT LAW "DIGNITY DECREE"

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THE "DIGNITY DECREE" IS CONVERTED INTO LAW

Following publication in the *Gazzetta Ufficiale* on 13 July 2018, the so-called "Dignity Decree" was converted by the Italian Parliament into ordinary law with no. 96/2018 (*Gazzetta Ufficiale* 11 August 2018). The "Dignity Decree" consists of 15 articles divided across five chapters. Articles 1-3 and 5-6 cover the principle new measures which will impact on employment law.

The new regulation applies to all fixed term employment contracts signed after the "Dignity Decree" came into force on 14 July 2018. It also applies to fixed term employment contracts signed prior to the "Dignity Decree" coming into force, but which are renewed or extended after 31 October 2018. The first chapter of the "Dignity Decree" (Articles 1-3) introduces a new regulation aimed at discouraging the use of fixed term employment contracts by companies, amending a previous related regulation, under the Job's Act (Legislative Decree no. 81/2015, Articles 19 to 21). Articles 5 and 6 of the second title place restrictions on the ability of companies in receipt of state aid to relocate their business activities and/or dismiss employees.

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The main changes envisaged by the "Dignity Decree"

ARTICLE 1

According to the new Article 19, para. 1, a fixed term employment contract may also have a duration period longer than 12 months (but never more than 24 months), provided it can be justified for the following reasons that must be stated in the contract in writing: Article 1 of the "Dignity Decree" modifies Articles 19 and 21 of Legislative Decree no. 81/2015 by allowing parties to freely execute fixed-term employment contracts without having to provide a reason for a maximum duration period of 12 months.

- temporary and objective needs unrelated to the employer's ordinary business such as the need for replacements (e.g. of employees during maternity, paternity or sick leave); and
- needs relating to temporary, significant and unforeseeable increases in the employer's ordinary business.

Should an employer draft a fixed term contract for a period longer than 12 months in the absence of one of the above mentioned conditions, said contract will be automatically transformed by law into an open-ended employment contract from the day after the 12 month-period has elapsed.

Where the fixed term employment contract has a duration of more than 12 days, the terms of said employment must be fully outlined in writing.

Through this mechanism, an employer has the option to hire an employee for a short period (maximum 12 months) without specifying any reason for the fixed term. During this period, the employer can assess the benefits of keeping the employee on full time by: (i) executing a subsequent open-ended employment contract, or (ii) renewing the fixed-term contract for up to 24 months on the occurrence of one of the circumstances listed in the new Article 19, para. 1. At the same time, should an employer fall within one of the above mentioned categories at the time of signing of a fixed term employment contract, they can extend said employee's contract for a longer period of up to 24 months, specifying the reason in writing as per the new Article 19, para.1.

The difference compared to the previous regulation implemented by the Jobs Act (Legislative Decree no. 81/2015) is clear. According to the latter, the maximum duration of a fixed term employment contract is 36 months with no reason specified. Employers were able to renew fixed term employment contracts sequentially with the same employee up to a maximum final term of 36 months without any reason given.

Regarding extending the duration of fixed-term employment contracts before the expiration of their final term ("*proroga*"), Article 1 of the "Dignity Decree", amending Article 21, para.1, of the Legislative Decree no. 81/2015, reduces the number of possible extensions to four (five under the Job's Act). Exceeding said number of extensions converts fixed-term employment contracts into open-ended ones.

Employers can extend fixed-term employment contracts for a maximum period of 24 months, regardless of the number of renewals made with the same employee.

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