

## WORLD

## Italy Tackles Labor Laws That Divide Young and Old



Kathryn Ream Cook for The New York Times

Assunta Linza of Rome, who has a psychology degree, was furloughed from a job at a call center.

By RACHEL DONADIO

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**ROME** - Assunta Linza, a bright-eyed 33-year-old with a college degree in psychology, has been unemployed since June, after losing a temporary job as a call-center operator. Her father, who is 60 and has a fifth-grade education, took early retirement with full benefits at age 42 from a job as a workman at the Italian state railway company.

"Everyone said that kids should study to get ahead, but I graduated with highest honors, and the only thing my degree is good for is to hang on the wall," Ms. Linza said dryly.

The Linza family is emblematic of a yawning generational divide that experts say is crippling the Italian labor market. While older workers came of age with guaranteed jobs and ironclad contracts granting generous pensions and full benefits, younger Italians - the best-educated in the country's history - are now paying the price. They are lucky to find temporary work, which offers few benefits or stability.

It is precisely that two-tier labor market that Prime Minister Mario Monti is proposing to

correct with changes to Italian law that are the subject of intense, politically delicate negotiations. The government is proposing measures to make it easier for companies to hire and fire, and to create shorter-term contracts with greater pension and unemployment benefits, a middle ground in a divided market.

Labor unions are resisting some changes, but Mr. Monti has said he expects an accord as soon as this week on measures that would then require parliamentary approval.

Labor reform has long been a third rail in Italy, where unions, business groups and countless governments have invested in the status quo to protect their constituents, at the expense of economic growth. Without such changes, experts say, Italy is headed toward an economic and social implosion, with a rise in under-the-table work and a looming pension crunch, now that Italy bases pensions on years of social security contributions and not a worker's final salary at retirement age.

Economists say that Italy's employment rate and productivity have been stunted by high labor costs and that lowering the cost of firing workers and increasing protections for shorter-term contracts would encourage companies to hire, stimulating growth.

"Reforming contracts, unemployment benefits and salary levels would permit labor productivity to rise, which would in turn permit the country to grow," said Tito Boeri, an economist at Bocconi University in Milan. "It is a central theme for improving a country like Italy."

Italy is already in recession, and its economy is expected to contract by 2.2 percent this year, according to the International Monetary Fund. Mr. Monti, a technocrat appointed in November to turn around Italy's flagging economy, said from the outset that he intended to recalibrate the system.

"We have to get away from a dual labor market where some are overly protected, while others totally lack protection and benefits when unemployed," the prime minister said shortly after taking office. He said that "equity and growth" would be the watchwords of his government, and that he aimed to increase employment among young people and women.

Such changes would be welcomed by Ms. Linza, who, like so many in her generation, feels thwarted, overly reliant on her parents and uncertain of her future. She once dreamed of working with autistic children, but started at a call center when she could not find work in her field. She is currently on a semipaid furlough, which she went on after her company moved its operations outside Rome, where labor costs are lower.

"My father can't believe how his 30-year-old daughter, who got her degree at age 23" - young by Italian standards - "is unemployed, while he, with a fifth-grade education, in 1970 won a state competition and could choose between becoming a policeman or working for the state

railway," Ms. Linza said.

Her father took early retirement in the mid-1990s from his job as an electrical technician in the southern region of Calabria, where the family is from. The state railway company, Ferrovie dello Stato, offered early retirement with full pensions to many workers as a way of reducing its staff and cutting costs in the period before Italy joined the euro zone.

It is the prospect of having to pay for these golden parachutes - known as "buon uscite," or "good exits" - when they let workers go that makes employers afraid to hire them for full-time positions in the first place. Instead, Italian companies today are quick to hire younger workers on a range of temporary contracts and internships that the Italian government created nearly a decade ago to make the market more flexible. Those changes resulted in the two-tiered system.

The most delicate topic on Mr. Monti's agenda is the infamous Article 18 of the Italian labor statute of the 1970s, long a sticking point in labor talks. It states that workers cannot be fired without just cause and, if fired, can sue their companies to be reinstated - cases they generally win in Italy's employee-friendly courts. While such cases are pending in the notoriously slow legal system, companies are required to keep fired workers on the payroll, a system that critics say rewards the clever at the expense of a company's solvency.

Last week, Mr. Monti held talks with the party leaders supporting his coalition in an effort to reach a consensus on the issue before completing the measures to be put to a vote in Parliament. In a statement after the meeting, the government said it was working to simplify labor contracts and revise the norms governing layoffs, "distinguishing between firing for discriminatory reasons, for disciplinary and for exclusively economic reasons."

Mr. Boeri, the economist, said that some of the proposed changes to Article 18 appeared to be a compromise that would satisfy neither workers, because protections would be reduced, nor employers, because some laid-off workers could still sue to be reinstated. "This reform risks being" something "which changes everything in order not to change anything," he said.

Labor unions in particular have said that changes to labor laws would affect the entire economy and society. For instance, today, Italy's conservative banks will not approve mortgages for most middle-class borrowers unless they have a guaranteed contract, an issue that has not been resolved in talks.

Mr. Monti's labor overhaul is something of a make-or-break moment for Italian labor unions, which still hold sway over negotiating national labor contracts and have held a series of demonstrations against the changes. But today, the unions represent more retirees than workers, and younger Italians have come to see them as part of the problem.

"I am sorry that the unions are desperate, I am sorry that people in their 60s are desperate

because they raised the pension age," said Eleonora Voltolina, who edits the Web site Republic of Interns, which calls attention to young people's plight in the Italian labor market. "But we're a generation that won't even see a pension.

"They don't realize there's a system that's falling apart. I hope the government goes ahead like a tank and doesn't hold back on this."

The reason the system has not yet fallen apart is simple. "The Italian state took advantage of the fact that the family is the welfare state," Ms. Voltolina said. "There is no cultural barrier to an Italian family maintaining a kid of 20, 30 or 40 years old."

Ms. Linza and her husband, who works as a nurse, now have a mortgage to pay, which they got thanks to the help of their families. "For my generation there was the welfare of the parents," she said. "My kids won't have it because I don't save any money. That's when the revolution might start."

*Gaia Pianigiani contributed reporting.*

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