

# Italy's Economic Suicide Movement

*Protests against Renzi's labor reforms illustrate Europe's jobs problem.*

An estimated one million people poured into the streets of Rome on Saturday to protest Prime Minister Matteo Renzi's modest efforts to reform Italy's notoriously labyrinthine labor laws. Led by the country's largest union, the Italian General Confederation of Labor, or CGIL, the activists want to preserve Italy's job guarantees as they are. Call it Italy's economic suicide movement.

Italy's labor-market rules have remained largely unreformed since the modern Italian state was established. Spread over some 2,700 pages, the labor code divides the labor force into two parts. Older workers benefit from the full weight of the law, including ironclad protections against being laid off, fired or disciplined, whether for performance or economic reasons. That leaves the remainder of the work force, predominately young, to make do with temporary, freelance and other forms of itinerant work. Then there is the Cassa Integrazione

Guadagni. Under this income-assistance scheme, businesses that need to downsize can put some workers on "standby," and the government will cover a significant share of the normal salary until the company can hire back the worker. The program strains the state's budget, discourages workers from seeking other jobs, and prevents struggling companies from downsizing to stay competitive.

Need to fire a worker for poor job performance? To do so, businesses must persuade a judge that no alternative short of termination was available— process of administrative hearings and litigation that can take months and drain company resources. The World Economic Forum in its 2014-15 assessment of labor-market efficiency ranked Italy 141 out of 144 countries for hiring and firing practices, just above Zimbabwe. Intractable national unions, which are quick to strike and slow to compromise, exacerbate all these problems. Italy has the largest number of small businesses in the European Union not because companies don't want to grow, but because they fear growth will mean having to negotiate with the militant national unions like CGIL.

The unsurprising result of all these barriers to firing and efficiency is that businesses are reluctant to hire. The official unemployment rate stands at 12%, and half of Italy's young people are unemployed. Given the scale of the problem, Mr. Renzi's proposed reforms are a start but far from enough.

The Prime Minister wants gradually to phase out the dual system with the introduction of a single contract that will eventually cover all workers; shift the employment protection from the workplace to the individual employee; and reduce the red tape required to form temporary employment contracts. For this, CGIL boss Susanna Camusso has accused Mr. Renzi of abandoning "social dialogue" to a degree "only seen once before, with Mrs. Thatcher."

Italy should be so lucky as to have an Iron Lady. The people protesting this weekend weren't marching for reasonable workplace protections. They were demanding guaranteed unemployment

for millions of their fellow citizens. For the sake of all those out-ofwork Italians, and especially the young, Mr. Renzi should stand firm for reform.

<http://online.wsj.com/articles/italys-economic-suicide-movement-1414348445>