

COVID-19: Italy sets up a wage compensation fund to help employers overcome the crisis

March 2020

Introduction

The Italian Government has adopted a number of measures aimed at protecting the health and welfare of the people and ensuring the survival of businesses in Italy.

One such measure regards the rules applicable for accessing wage compensation funds already provided for by law (the Funds). The decree also provides for a supplementary fund (the Supplementary Fund) for those employers who are not entitled to benefit from the Funds under the ordinary rules.

This short briefing is focused on these urgent and innovative measures, which are part of the “*Cura Italia*” (Cure Italy) Decree signed on March 17, 2020.

The approved measures are aimed at helping companies established in Italy survive the economic crisis that has been created by the outbreak of Covid-19. The Funds will provide monetary support to supplement workers’ incomes during the business downturn as a result of the Covid-19 epidemic.

In particular, the Funds and the Supplementary Fund will fund a percentage of the remuneration due to an employee whose employment is suspended or their working time is reduced as a result of the temporary interruption or reduction of the employer’s business activity for reasons beyond each party’s control. These measures will temporarily ease the burden on employers to meet their salary obligations and will provide workers with a livelihood and sustenance.

Amount of support

The Funds and the Supplementary Fund will cover 80 percent of the total remuneration that would have been payable to an employee for hours not worked as a consequence of the Covid-19 crisis.

For the year 2020,

- if an employee’s salary is €2,159.48/month, or less, then the maximum contribution from the fund is €998,18/month.
- if an employee’s salary is over €2,159.48/month then the maximum contribution from the fund is €1,199,72.

Some key Q&As on the relief measures under the *Cura Italia* Decree

Which companies/employers are entitled to benefit from the new rules regarding the funds?

- Employers who suspend or reduce their business activities in 2020 as a result of the Covid-19 epidemic, including those enrolled in the Wage Integration Fund (FIS) that employ on average more than five employees.
- Companies which, on the date of entry into force of Decree Law No. 6 of February 23, 2020, are in the process of receiving extraordinary wage integration treatment (the granting of ordinary treatment suspends and replaces the extraordinary integration treatment already underway).

- Employers who are members of the Wage Supplementary Fund and who, on the date of entry into force of Decree Law No 6 of February 23, 2020, are in the process of drawing funding under the existing fund (the granting of ordinary treatment suspends and replaces the cheque already in place).

Is there a maximum period for relief?

- Yes. For contributions starting on February 23, 2020, the maximum duration is nine weeks with a final end date of August 2020.

Is there a requirement relating to the length of employment of the employees?

- Yes. The support is available only for employees hired before February 23, 2020. No length of service requirement is applied.

Is trade union agreement necessary?

- No. Information, consultation and joint examination, which can be carried out electronically within three days following the request, is sufficient.

What about the Supplementary fund?

The Regions and Autonomous provinces may, as a result of the Covid-19 epidemic, assist in funding redundancy payments.

The maximum limit is €3,293.2m for the year 2020, starting from February 23, 2020 and is limited to employees already employed at that date.

These resources will be distributed among the Regions and Autonomous Provinces by one or more decrees of the Minister of Labour and Social Policy in agreement with the Minister of Economy and Finance.

These resources are available for the duration of the suspension of the employment relationship, but only for a period of up to nine weeks.

Beneficiaries of this payment are up to five employees only in the case of private sector employers, including agricultural, fisheries and some other sector employers, and including civilly recognised religious bodies, for whom the safeguards provided for in the current provisions on suspension or reduction of working hours do not apply.

What should a company/ employer do to access employees relief from the Funds and the Supplementary fund?

Employers who must suspend or reduce working hours in 2020 due to the Covid-19 epidemic must submit an application to the National Social Security Authority (INPS) for the grant of ordinary salary supplement treatment or access to ordinary allowance establishing the reason as "COVID-19 emergency."

For the Supplementary Fund, applications must be submitted to the Regions and Autonomous Provinces, which considers them in the chronological order in which they are submitted. The Regions and Autonomous Provinces pass requests to INPS electronically within 48 hours of the application being made together with the list of beneficiaries. INPS will verify the requests as to compliance with the conditions and the limits which apply. Once the expenditure ceiling has been reached, the Regions and Autonomous Provinces will not be able to satisfy further requests.

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