Italy specific information concerning the key legal and commercial issues to be considered when drafting terms of employment for use internationally.

This Q&A provides country-specific commentary on Practice note, Terms of employment: International, and forms part of Cross-border employment.

See also Standard document, Terms of employment: International, with country specific drafting notes.

REGULATION OF THE EMPLOYMENT RELATIONSHIP

1. How is the employment relationship governed and regulated?

Employers usually set out the key terms and conditions of employment in the contract of employment. It could be in the form of a letter or an email.

While the parties to an employment contract are entitled to agree to specific terms and conditions, terms may be incorporated into the contract through the Italian Civil Code, other statutes and, where relevant, collective bargaining agreements (CBA).

The parties may agree to terms different to those contained within statutes and the Civil Code, CBAs and so on, but any terms that are detrimental are void and unenforceable and automatically substituted by the CBA.

Written employment terms

The below terms are usually contained within the employment agreement:

- Parties.
- Place of work.
- Commencement date.
- Duration of employment.
- Job title.
- Salary.

- Working hours.
- Probationary period, if any (this must always be specifically outlined).
- Fixed term.
- Fringe benefits.
- Bonus plans.
- If required to work abroad, any additional terms such as the currency in which salary will be paid.
- Other terms are usually covered by applicable CBAs but in the absence of a CBA, or when the employment contract makes no specific reference to a CBA, other terms must be set out within the employment contract.

Implied terms

There is a huge number of statutory laws that apply whether mentioned or not in the contract. For example, in relation to period of notice, holidays, sick leave (Article 2110 of the Italian Civil Code), maternity leave (Italian Legislative Decree No. 151/2001) and so on.

Collective agreements

Most terms of employment relationships are set out in the applicable CBA, which provides for amendments in terms of pay and conditions of work for the employees.

2. What are the terms in the employment agreement called in your jurisdiction?

Clauses (for example, clause 1 or clause 1.1)
EMPLOYMENT STATUS

3. Does the law distinguish between different categories of worker? If so, what are the requirements to fall into each category, the material differences in entitlement to statutory employment rights and are there any maximum time periods for which each category of worker can be engaged?

Categories of worker

There are different categories of employees:

• Normal employees (clerical employees, Impiegato or workers, Operaio).
• Managers (Quadro level).
• Executives (Dirigenti).

Entitlement to statutory employment rights

The Quadro level employee is a manager who is usually in charge of a small part of the company. The regulation on work hours does not apply to Quadro level employees and therefore they are not entitled to overtime.

Generally speaking, executives (Dirigenti) are at the highest management level of the company and are not entitled to overtime either, as they are not subject to work time limitations.

Executives are granted several more favourable treatments, such as:

• Longer holiday entitlement.
• A longer notice period.
• Supplementary pension funds.
• Medical insurance.

Some National Collective Labour Agreements also provide coverage for all civil and criminal liabilities linked to the activity performed as an executive in the company.

Executives may not receive the same protection for unfair dismissal as employees do, however, the relevant CBA governs the fairness of their dismissal. For example, they are entitled to an additional indemnity if a local court or a special arbitration panel find their dismissal to be unjustified. This additional indemnity is not subject to the payment of social security charges and its amount depends on the Dirigente’s seniority and age. In addition, Dirigenti are never entitled to reinstatement, unless they are dismissed for discriminatory reasons.

Time periods

Any category of employee can be employed on a fixed-term or permanent contract. The maximum duration of a fixed-term contract is 36 months (with the exception of seasonal activities) (Article 17, Legislative Decree No. 81/2015).

PART-TIME WORKERS

4. To what extent are part-time workers entitled to the same rights and benefits as full-time workers?

Part-time workers are entitled to the same rights and benefits as full-time workers in Italy.

REstrictions on managers and directors

5. Are there any restrictions on who can be a manager or company director in your jurisdiction?

Nationality restrictions

EU nationals must apply for a permit to work in Italy.

Non-EU nationals must also apply for a permit to stay, as well as a permit to work.

Other

Executives cannot have a conflict of interest or be in breach of a valid non-compete covenant in force. The Italian Civil Code rules on this matter.

CONTINUITY OF EMPLOYMENT

6. Does your jurisdiction recognise the concept of continuity of employment (see Standard document, Terms of employment: International: clause 1.3)?

Italian law recognises the concept of continuity of employment. For example, in a transfer of the employment contract, the parties can agree on continuity and extend the contract as per Standard document, Terms of employment: International: clause 1.3. Employees are entitled to preserve their seniority ("anzianità di servizio").
7. What statutory rights does an employee have on commencement of their employment? What employment rights does an employee acquire after a period of continuous employment?

Statutory rights on commencement
Employees are immediately entitled to all statutory rights unless a probationary period is provided for in the contract during which they are not granted any protection in terms of unfair dismissal. However, all other statutory rights apply on during this period.

Statutory rights acquired
Statutory rights are acquired from the beginning of the employment relationship, except as indicated above where there is a probationary period in relation to protection from unfair dismissal.

PERMISSION TO WORK

8. In your jurisdiction, is it permissible to make the employee’s employment subject to the requirements set out in Standard document, Terms of employment: International: clauses 1.5 and Standard document, Terms of employment: International: clause 1.6?

Yes, it is.

9. In your jurisdiction, is it possible for employees to provide the warranty as set out in Standard document, Terms of employment: International: clause 1.7 (that is, that they are not in breach of any other agreement, contract or arrangement that prevents them from lawfully fulfilling their employment obligations to the new employer)? If not, is there any other wording that would be used to give the same effect?

Yes, it is.

10. In your jurisdiction, are probationary periods recognised and what are the legal requirements in relation to them (see Standard document, Terms of employment: International: clause 1.4 and Practice note, Probationary period: International)?

Probationary periods are common in Italy and the length varies depending on the terms of the applicable CBA. The maximum term of probationary periods is six months.

JOB DUTIES

11. Will the duties listed in Standard document, Terms of employment: International: clause 2.2 be understood in your jurisdiction? Are there any other duties that would be standard practice to include within the agreement? Are any additional duties implied by national law?

Yes, the duties listed in Standard document, Terms of employment: International: clause 2.2 will be understood.

There are no other duties that would be standard practice to include within the agreement.

There are no additional duties implied by national law.

Implied duties
Italian law implies that employees:

• Cannot disclose any information regarding the company.
• Must act in good faith.
• Cannot carry on business in competition with the company.

(Article 2105, Italian Civil Code.)
WORKING OVERSEAS

12. In your jurisdiction, is there a legal requirement for employers to provide certain information to employees who will be working overseas (see Standard clause, Working overseas: International)?

Yes, employers must provide certain information to employees who will be working overseas, such as salary, place of work, applicable CBA and so on. This information must be provided at the time of hiring and before the employee carries out any activities.

RELOCATION EXPENSES

13. If an employer agrees to pay the employee's relocation expenses in accordance with Standard clause, Relocation expenses: International, what exemptions from tax, social security or other charges may be applicable under national law?

50% of the relocation fees are excluded from taxable income up to a maximum per year of:

- EUR1,549.37 for relocations on national territory.
- EUR4,648.11 for relocations to or from abroad.
- EUR6,197.48 if in the same year the employee undergoes a relocation in Italy and one abroad.

The exemption only applies for the first year from the date of the relocation, although allowances related to the same relocation fees are paid for additional years.

Reimbursement of travel and relocation expenses is not taxable. This includes the reimbursement of expenses which may be incurred by the employee when there is a termination of a lease as a result of the transfer.

14. In your jurisdiction, is it permissible for the employee to have to repay relocation expenses paid to them, as set out in Standard clause, Relocation expenses: International: clause 1.3?

Yes it is, as set out in the employment terms or policy.

SALARY AND BONUSES

15. Is it permissible in your jurisdiction for salary to be deducted as set out in Standard document, Terms of employment: International: clause 4.3?

Yes, bonus payments can be provided for in the individual employment contract. Employers may offer a discretionary bonus on the achievement of set objectives (productivity targets, quality standards, personal objectives).

Share options are usually offered as incentives by multi-national employers. Shares awarded under such schemes are generally taxed in accordance with specific rules.

16. Is it common practice in your jurisdiction for performance and salary to be reviewed annually? Can the employer make any increase discretionary as set out in Standard document, Terms of employment: International: clause 4.5?

Yes, it is.

However, minimum wages are prescribed within the applicable CBA and increase annually. Most agreements provide for a graduated wage rate depending on the employee’s seniority, skills and qualifications.

Employers may agree to pay higher rates but they cannot pay at a lower rate than that specified in the CBA.

17. Is Standard document, Terms of employment: International: clause 4.2 sufficient to ensure that a discretionary, non-contractual bonus is being offered to the employee? Are there restrictions or guidelines on what bonuses can be awarded?

Standard document, Terms of employment: International: clause 4.2 is sufficient to ensure that a discretionary, non-contractual bonus is being offered to the employee.

There are no restrictions or guidelines on what bonuses can be awarded.
BENEFITS

18. What provision for retirement is required to be made in your jurisdiction (see Standard document, Terms of employment: International: clause 5.1)?

In Italy, private pension schemes are very unusual as pension is granted by the public social security authority.

19. Are the benefits set out in Standard document, Terms of employment: International: clause 5.3 recognised in your jurisdiction? Does the employer lawfully have the ability to delay participation in the benefits schemes for a period of time after commencement?

Yes, they are. Employers can lawfully delay participation in the benefits schemes for a period of time after commencement of the employment relationship (that is, during the probationary period) or to withdraw it if the benefits are discretionary.

ANNUAL LEAVE

20. Is there a minimum paid annual leave entitlement for employees in your jurisdiction (see Practice note, Annual leave: International)?

Yes, there is.

Minimum holiday entitlement
Employees are entitled to a minimum of four weeks’ paid holiday.

Public holidays
In addition to the minimum holiday entitlement, there are also 11 Italian public holidays each year.

21. In your jurisdiction, is it permissible for the employer to restrict the employee from carrying over untaken annual leave into the next holiday year (see Standard document, Terms of employment: International: clause 7.4)? Can employers take any steps to encourage employees to take their annual leave in the current holiday year?

Annual leave must be used within the year in which it is accrued but can be carried over into the first six months of the next holiday year with the approval of the employee’s manager.

The employer can take steps to encourage employees to take their annual leave in the current holiday year.

22. In your jurisdiction, is it permissible for the employer not to pay the employee for untaken annual leave? Would the employer have to pay the employee in the circumstances set out in Standard document, Terms of employment: International: clause 7.5?

In Italy, untaken annual leave can only be paid for in lieu on termination of employment.

The employer does not need to make a payment in lieu of any untaken holiday from the previous years to the year of termination.

23. On termination, is it permissible in your jurisdiction for the employer to deduct any excess holiday pay as set out in Standard document, Terms of employment: International: clause 7.6?

Yes, it is.

24. Is any additional payment required to be made to employees in respect of their salary and annual leave?

Yes, it is. It is common for employees to receive a 13 or 14 month pay, depending on the applicable CBA.

RESTRICTIONS ON WORKING TIME

25. What restrictions on working hours exist in your jurisdiction (see Practice note, Working hours: International)? Can the employer and employee agree to exceed the legal limits?

Full time working hours
Yes, the maximum is 40 hours per week.

The parties can agree to exceed this limit, but they cannot exceed 48 working hours as provided by law. The employer must pay an extra indemnity, the rate of which is set by the CBA.

Part time working hours
The maximum is 40 hours per week.

The discipline and restrictions are the same as abovementioned, also regarding the limit regarding working hours per day.

In a part-time contract the parties can change, with notice, the distribution of working hours and the amount of working days or hours agreed initially.

Part-time employees can also be asked to work overtime. In this case, their contract must set out the distribution of working hours, the amount of working days and hours, as well as the employee’s work schedule and specific responsibilities.
A copy of the employment agreement must be sent to the local Employment Office within 30 days of commencement of employment.

26. In what circumstances (if any) is mandatory overtime payable to employees in your jurisdiction? Can time off in lieu be given instead of overtime pay?

Overtime is regulated by the applicable CBA. Employers must pay overtime when an employee’s working hours exceed 40 hours per week.

Quadro and Dirigenti are not entitled to overtime, except if provided for in the CBA.

Working time is calculated over a four-month reference period. Overtime pay can be compensated with time off in lieu of - providing that the 40 hours average is respected in a four month time frame. Specific rules are provided by Legislative Decree no. 66/2003 and the applicable CBA.

ILLNESS AND INJURY OF EMPLOYEES

27. What rights do employees have to time off in the case of illness or injury (see Practice note, Sick leave entitlements: International)? Are they entitled to be paid during this time off?

Entitlement to time off

CBAs provide for a period during which employees are entitled to time off while retaining their job.

Entitlement to paid time off

Employees receive statutory sick pay during their time off as set out in any applicable CBA, which establishes the proportion and period for which the employees are paid their salary. To qualify for statutory sick pay, the employee must notify the employer of their absence.

Recovery of sick pay from the state

Employers are obliged to pay statutory sick pay for the first three days of absence; after which sick pay is paid by the INPS (Italian Social Security Agency) on a sliding scale of percentage of salary depending on the length of absence. In some circumstances the social security authority can reimburse the employer.

The employer can recover the amounts paid to the employee by adjusting accordingly the monthly social security contributions due in respect of that employee. However, the INPS will not reimburse employers in respect of some categories of employee, including Dirigenti (executives).

28. Under the laws of your jurisdiction, is the employer required to continue making payments to the employee’s pension or retirement scheme during any period of incapacity (see Standard document, Terms of employment: International: clause 8.4)?

The employer is required to continue making payments to the employee’s pension during any period of incapacity.

29. In your jurisdiction, is the employer able to require the employee to undergo a medical examination as set out in Standard document, Terms of employment: International: clause 8.5?

The employer is able to require the employee to undergo a medical examination, but can only use inspectors of the social security body.

TERMINATION OF EMPLOYMENT

30. In your jurisdiction, what needs to be included in the employment terms regarding termination (see Standard document, Terms of employment: International: clause 9)?

Notice periods

The Italian civil code does not specify minimum notice periods but this is usually outlined in the CBA. Therefore, the employment contract does not need to include terms regarding termination, unless it is not set out in the applicable CBA.

Procedural requirements for dismissal

If the employer doesn’t respect the procedure provided for dismissal by Italian laws, the dismissal will be unlawful.

In general, dismissals are strictly regulated by law and an employment relationship can only be lawfully terminated on the following grounds:

• Objective grounds relating to the employer, such as the need to restructure its workforce or production facilities.

• Just cause, based on the misconduct of the employee. Poor performance in itself is not considered lawful grounds for dismissing an employee unless the employer proves that it is consequence of negligent and wilful behaviour by the employee.
31. In your jurisdiction is the employer able to make a payment in lieu of notice on termination where it is clearly stated in the agreement as set out in Standard document, Terms of employment: International: clause 9.2?

The employer can make a payment in lieu of notice on termination but the payment must include fringe benefits, bonuses and commission as if the employee had worked.

32. In what circumstances can the employer terminate the employee’s employment immediately without notice in your jurisdiction?

The employer can terminate the employee’s employment immediately without notice only in the event of just cause, for example, where there is a serious breach of the employment contract (gross misconduct).

33. Is it a legal requirement in your jurisdiction for employers to follow a disciplinary procedure? Should the employment terms set out the procedure or can reference be made to the employer’s policy as set out in Standard document, Terms of employment: International: clause 9.3?

Disciplinary procedures are set out in the Italian Civil Code (Articles No 2104 and No 2105) in a general manner and are specifically governed by the Italian Workers’ Statute (Law No 300/70) and the applicable CBA.

The employer is entitled to take measures (disciplinary sanctions) against employees, but cannot apply them arbitrarily, as it is a legal requirement to follow a disciplinary procedure (set out in Article 7 of Law no. 300/1970).

The disciplinary procedure is triggered by a notification letter and employees have five days to present their justification before any sanctions are taken.

A policy may be useful for specifying the forbidden behaviours and can be referred to in the employment contract, which does not have to set out the procedure.

DATA PROTECTION

34. Are there any requirements protecting employee privacy or personal data that need to be addressed in the employment agreement? If so, what are they? Is Standard document, Terms of employment: International: clause 11.1 sufficient to address the legal requirements?

Employees’ data protection rights

The processing of employees’ data is governed by the Data Protection Code (Legislative Decree No 196/2003).

According to the Data Protection Code, everyone has the right to protection of the personal data concerning them. Personal data means any information relating to natural persons that are or can be identified, even indirectly, by reference to any other information including a personal identification number.

Employers’ data protection obligations

In order to process employees’ sensitive and personal data in full compliance with the Data Protection Code, employers must:

- Give employees advance notice, either orally or in writing. The notice must contain: the reasons for and the means of the data processing; the entities or categories of entities to whom the data can be communicated; the identification of the data controller and, where appropriate, the data processor.
- Obtain employee consent before processing personal data.
- Adopt a minimum level of security and employ specific security measures.

In these cases, it is more advisable to draw up a specific policy on data protection.

35. In your jurisdiction, are employers able to monitor and record the electronic communication equipment used by employees as set out in Standard document, Terms of employment: International: clause 11.2?

Employees can be monitored remotely. Only devices which are strictly necessary to carry out the activity are allowed and employees must be informed of how, when and why the monitoring is carried out. The monitoring must not affect the employees’ dignity and privacy. The devices can must be approved by the work council or the Ministry of Labour.
As a general rule, devices which allow the remote control of employees cannot be used. Monitoring is possible only using devices which are strictly necessary to carry out the activity, providing that employees are duly informed of how, when and why the monitoring is carried out. It does not affect employees’ dignity and privacy.

Upon the approval of either the work council or the Ministry of Labour, the devices which can monitor the activity remotely can be introduced providing that they are necessary for technical reasons, to protect the company’s assets, for safety and security reasons. Employees must be informed that the recording can be used for disciplinary purposes. The discipline is also provided by Law no. 300/1970, art. 4.

Monitoring and inspections can be carried out through electronic devices which are given to the employees by the employer for working purposes, such as PCs, mobile phones, tablets, tele passes, badges, and so on.

Employees cannot be monitored or have their devices inspected, unless the company has implemented a specific policy and duly informed the employees.

Monitoring is allowed only and exclusively providing that the devices are necessary to carry out the working activity (for instance a company car assigned to a salesman), the employee is duly and correctly informed regarding the use of the devices and therefore the policy regarding the inspections and the monitoring has been communicated to the workforce, and monitoring is carried out in compliance with data protection law.

**intellectual property (ip)**

37. If an employee creates IP rights in the course of their employment, in the absence of a provision in the employment agreement, who owns those IP rights?

An employee is entitled to be recognised as the author of any invention created during the employment relationship (paragraph 2590, Civil Code).

According to Italian law (paragraph 64, Legislative Decree No 30/2005), there are three kinds of situation:

- When an industrial invention is made in the performance of a contract and is remunerated, the rights deriving from the invention belong to the employer, without prejudice to the right for the inventor to be acknowledged as the author (invenzioni di servizio).
- If remuneration is not provided for and the invention is made in the performance of a contract, the rights deriving from the invention belong to the employer, but the inventor has the right to a reasonable reward if the employer obtains the patent or uses the invention under industrial confidentiality (invenzioni di azienda).
- If the conditions set above are not present and the industrial invention falls within the employer’s field of activity, the employer has:
  - the option for exclusive or non-exclusive use of the invention;
  - the option to buy the invention;
  - the right to request or acquire patents abroad for the same invention, on payment of a fee. The employer may exercise that option within three months of the date of receipt of the notification of the patent application being filed. (invenzioni di occasionali).

**anti-bribery and corruption**

36. What national and international anti-bribery and corruption legislation may apply to the employment relationship in your jurisdiction (Standard Clause, Anti-bribery and corruption (employment): International)?

The Criminal Code and Criminal Procedure Code and Law no. 231/01 may apply to employment contracts in the Italian jurisdiction.

As a general rule, the employment relationship is ruled by the jurisdiction where the job activity is carried out, according to the principle of “lex loci laboris” (applying the law of the country in which a worker is employed).

**restraint of trade**

38. Is it possible to restrict an employee’s activities during employment (as set out in Standard document, Terms of employment: International: clause 2(g) and Standard document, Terms of employment: International: clause 2(h)) and after termination? If so, in what circumstances can this be done?

Restriction of activities

Yes it is.

During employment, the general principles of good faith apply and employees must avoid unfair competition as set out by the Civil Code.
Post-employment restrictive covenants
To restrict an employee’s activity after termination the parties must sign a Non-Compete Covenant (NCC) and include it as a clause in the employment contract.

The NCC is governed by Articles 2125, 2596, and 1751 of the Civil Code.

For an NCC to be valid, the following conditions must be met:
- It is in writing.
- It sets out adequate compensation for the employee.
- It is confined to a specific geographical area.
- It is confined to a specific activity.
- It does not exceed a term of three years for employees and five years for executives.

In relation to compensation, the law gives no indication of what “adequate” is, however, the consideration must not be merely symbolic, and must take into account:
- The sacrifice imposed on the employee (in terms of duration and geographical limitation of the NCC).
- The employee’s salary.
- The professional level achieved by the employee.

A sum between 15% and 35% of the annual gross salary may be considered reasonable compensation, depending on the extension of the restrictive covenant. The consideration may be paid during or at the end of the employment relationship in a lump sum or in instalments. In general, as is the case for any other contract, a non-competition agreement can be terminated by the mutual consent of the parties.

If the employee breaches the NCC, the employer may apply for the following remedies:
- The payment back of the amount of consideration already paid.
- An injunction from the court to forbid the employee from continuing to carry out the business in favour of a competitor.
- Compensation for damages.

Survival of Obligations

40. Does Standard document, Terms of employment: International: clause 16 have any effect in your jurisdiction (that is, the survival of obligations to enable the provision of the confidentiality clause (see Standard document, Terms of employment: International: clause 10) and any restrictive covenants that may be included in the agreement to continue after termination of the agreement?

Yes, it enables the provision of the confidentiality clause (Standard document, Terms of employment: International: clause 10) and any restrictive covenants that may be included in the agreement to continue after termination of the agreement.

Governance Law and Jurisdiction

41. Does the law in your jurisdiction dictate which governing law and jurisdiction will apply to the employment agreement (see Standard document, Terms of employment: International: clause 18)?

Yes.

Scope of Employment Regulation

42. Do the main laws that regulate the employment relationship apply to:
- Foreign nationals working in your jurisdiction?
- Nationals of your jurisdiction working abroad?

Laws applicable to foreign nationals
Within the Italian jurisdiction, mandatory terms and conditions of the employment relationship are governed by Italian law or the relevant CBA, regardless of which law governs the employment agreement.

Laws applicable to nationals working abroad
In this case, the employment contract is governed by both Italian law and the CBA. However, it is important to note that local mandatory law may overrule Italian law in certain cases if it is more favourable. Whether this will happen in practice depends on the single case and the country in which the employee works.

Variation of Contract

39. In your jurisdiction, is an employer able to change the non-essential terms of employment by giving at least 30 days’ notice as set out in Standard document, Terms of employment: International: clause 15.2?

Yes.
LANGUAGE

43. Does the agreement need to be in a language other than English in order for it to be valid and enforceable (see Standard document, Terms of employment: International: clause 20)?

Yes.

It is more advisable to have a contract in Italian to avoid misunderstanding. However, the agreement will not be automatically invalid if not drafted in Italian.

EXECUTION

44. How does this agreement need to be executed in order to ensure that it is valid and enforceable? Does it need to be registered with any authority in your jurisdiction?

Execution formalities
The employee and the employer sign the contract.

Registration formalities
There are no registration formalities.

45. In your jurisdiction, are the parties able to sign the agreement separately as set out in Standard document, Terms of employment: International: clause 19?

Yes.

PROPOSALS FOR REFORM

46. Are there any proposals to reform any employment/labour laws in your jurisdiction?

Employment law in Italy is continuously under reform.

CONTRIBUTOR DETAILS

Sergio Barozzi, Managing Partner
Lexellent
E sergiobarozzi@lexellent.it
W www.lexellent.it
Area of practice: Employment law.