



ISSUE BRIEF

The FLA is a multi-stakeholder organization combining the efforts of businesses, universities, and civil-society organizations to improve conditions for workers around the world. Occasionally, the FLA publishes briefs on current issues in the global supply chain. We intend for these briefs to provide an overview of the various perspectives on a given issue. At all times, the FLA expects its business affiliates to comply with all legal requirements, as well as the provisions of its Workplace Code of Conduct.

USE OF JOB VOUCHERS AS PAYMENT IN ITALY

April 2016

THE ISSUE:

How should FLA affiliates respond to the increasing use of job vouchers as payment for workers in Italy?

THE HISTORY:

The Italian government began implementing its “job voucher” payment system in 2008 to bring some regulation to the wage payments made to seasonal agricultural workers, especially in the grape- and apple-growing regions in the northeast of the country.

With many of these workers compensated by untaxed and undocumented cash payments, the voucher system was designed to provide a payment option that somewhat formalizes their employment and helps support state-funded programs. Without extending any employment contracts to workers, employers can purchase vouchers from the government and provide them to workers as payment. Workers can then redeem the vouchers for 75 percent of their cash value, with the remaining 25 percent going to fund the administration of the exchange, social security, and industrial injury insurance.

Never intended as a payment option for permanent workers, the voucher system has from the beginning been restricted to “accessory” jobs, originally defined as work lasting less than 30 days per year and generating no more than 5,000 euros.¹ The Jobs Act of 2015 raised this cap to 7,000 euros, though workers earning income through the voucher system continue to be classified as unemployed, pay no income tax, and receive no workplace rights or benefits.

EXPANSION OF VOUCHER USE:

While employers purchased 535,000 job vouchers in 2008, the year of their launch, the program had

THE GOVERNING ELEMENT OF THE FLA CODE: EMPLOYMENT RELATIONSHIP*

“Employers shall adopt and adhere to rules and conditions of employment that respect workers, and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations.”

BENCHMARK 9

“Employers shall not ... hire temporary workers as a means to support normal business needs on a continuous basis or as regular employment practice ... [or] make excessive use of schemes where there is no real intent to impart skills or provide regular employment.”

BENCHMARK 22

“Employers shall provide all legally mandated fringe benefits, including holidays, leave, bonuses, severance payments, and 13th month payments to all eligible workers.”

* <http://www.fairlabor.org/our-work/labor-standards>

¹ “The Italian Labour Market after the Biagi Reform,” Michele Tiraboschi, 2008, International Journal of Comparative Labour Law and Industrial Relations, Vol. 21.

expanded dramatically by 2015, with more than 115 million vouchers purchased. According to a study by the Italian Labour Union, more than 1.7 million workers received some form of voucher payment in 2015, representing eight percent of all working Italians².

Reports show that employers in numerous non-agricultural sectors now provide payment to some workers with vouchers. The FLA has not found reliable data on how widespread the use of vouchers has become in the garment and footwear manufacturing sectors, but has received anecdotal evidence from factory assessors working in Italy that the voucher system increasingly appears in the supply chains of American and European brands sourcing from Italy. In addition to final-assembly factories for apparel, assessors report the use of job vouchers at embellishers, embroidery shops, printers, and other workplaces.

DRAWBACKS TO THE VOUCHER SYSTEM:

As recent years have seen the voucher system expand dramatically across Italy into industries structured very differently from the seasonal agriculture sector, the drawbacks to the voucher system have spread into other industries as well.

For example, workers paid in vouchers have access to almost no workplace rights compared to workers with permanent employment contracts. Vouchers confer no ability to bargain collectively, earn sick or holiday pay, or earn unemployment benefits. The use of vouchers increases the risk that work previously conducted by permanent workers will be made informal, with all the attendant risks of non-compliance that accompany such a shift to an undocumented employment relationship, including unpaid overtime, excessive hours of work, or failure to provide rest days.

² <http://www.cnn.com/2016/03/11/reuters-america-italy-pushes-labor-flexibility-to-limit-with-job-vouchers.html>

Furthermore, despite the voucher system's payments into the social security system in Italy, workers compensated by such vouchers are not entitled by their temporary employment relationship to access social security benefits. In a December 2015 critique of the Jobs Act, two Italian economists also suggest that the minimal contributions made under the voucher system, compared to the contributions made when workers have permanent employment relationships, may threaten the stability of the overall social security system.³

The Italian government has also taken note of the negative effects of the widespread use of job vouchers, and may introduce further limitations before a June 25 deadline to make amendments to the Jobs Act.⁴

FLA RECOMMENDATIONS:

In the meantime, the FLA recommends that all brands sourcing from Italy familiarize their internal assessors with the job voucher program and instruct assessors to ask about the use of this payment method by Italian suppliers.

At minimum, the use of vouchers may violate the FLA Workplace Code of Conduct's requirement to maintain appropriate time-keeping and payment records for all workers. Overuse of vouchers may also put temporary workers at risk of being hired to support normal business needs as a regular employment practice without the benefits associated with a formal contract.

The FLA recommends that affiliated brands request that Italian suppliers suspend any use of job vouchers to provide payment for workers. Suppliers must provide employment contracts for all workers – including temporary workers – that protect their collective bargaining rights, and to preserve their access to all rights, payments, and benefits to which regular workers are legally entitled.

³ "Labour Market Reforms in Italy: Evaluating the Effects of the Jobs Act;" Marta Fana and Dario Guarascio, 2015.

⁴ http://www.repubblica.it/economia/2016/04/22/news/i_nuovi_precari_del_ticket_un_esercito_di_1_4_milioni_malpagati_e_senza_tutele-138175848/?ref=fbpr&refresh_ce