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Italy: Severance pay/redundancy compensation

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Italy

Phase:

Management

Type:

Severance pay/redundancy compensation

Last modified: 18 June, 2021

Native name:

Legge 29 maggio 1982, n. 297, Disciplina del trattamento di fine rapporto e norme in materia pensionistica; Legge 23 agosto 2004, n. 243 Norme in materia pensionistica e deleghe al Governo nel settore della previdenza pubblica, per il sostegno alla previdenza complementare e all'occupazione stabile e per il riordino degli enti di previdenza ed assistenza obbligatoria; Legge 27 dicembre 2006, n. 296 Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge finanziaria 2007); Legge 4 agosto 2017, n. 124, Legge annuale per il mercato e la concorrenza

English name:

Law 29 May 1982, no. 297, Regulation on severance pay and rules governing pensions; Law of 23 August 2004, n. 243 Pension regulations and government mandates in the public pension sector, to support supplementary pensions and stable employment and for the reorganisation of social security and mandatory assistance; Law of 27 December 2006, n. 296 Provisions for the formation of the annual and multi-year state budget (2007 financial law); Law no. 124/2017, Annual law for the market and competition

Article

Law n. 297/1982, article 1; Law n. 243/2004, article 2; Law n. 296/2006, article 749, 753, 764, 766; Law no. 124/2017, article 1

Description

In Italy, there is no severance pay or redundancy compensation as such. However, upon termination of the employment relationship, the employee receives the so called TFR (Trattamento di fine rapporto), which is a part of workers' wages whose payment is deferred upon termination of the employment relationship. Hence, it cannot be considered a proper severance pay, since it is constituted by a certain amount of salary set aside each month. The TFR is calculated according to the formula of a year's overall salary divided by 13.5, plus 1.5% for each year of service plus compensation for inflation.

The TFR must be paid to the worker in any case of termination of the employment relationship (and therefore independently of the reasons that determined it), except in the case of its full allocation to supplementary pension funds. The law provides for some specific hypotheses in which part of the TFR, which is usually set aside, to be anticipated during the employment relationship. Since 2004 (Legge 243/2004) the TFR can be used to finance complementary pension schemes and be destined to a complementary pension fund. This pension complements the 'public-law' pension guaranteed by the compulsory social security system. This means that the worker can actually choose whether to receive the TFR upon termination of the employment relationship, or to pay the sums accrued into a Complementary Pension Fund, which will then provide the worker with a complementary pension.

Starting from 1 January 2007, the TFR has assumed the prevailing purpose of financing complementary pension schemes. There is now an obligation for workers to decide within six months after their hiring the destination of the TFR, i.e. whether to allocate it to a supplementary pension fund or to maintain it in the company. If the worker does not express a preference, the TFR is automatically destined into the supplementary pension fund. This decision is irrevocable.

Law 296/2006 also states that the TFR that the workers of companies with at least 50 employees decide to keep within the company and not to allocate to complementary pension schemes is managed by a special fund set up at INPS (Fund for the provision of the TFR to the employees of the private sector, known as Fondo di Tesoreria, Treasury Fund).

As per changes introduced by Law 4 August 2017, no. 124, workers can also split TFR between the company fund and a pension fund and require an anticipated payment of pension benefits resulting from the payment of TFR into complementary pension funds in case of unemployment for a period exceeding 24 months.

Comments

According to law 296/2006, until 31 December 2006, the TFR not destined to complementary pension plans remained in the company until the termination of the employment relationship, except for any anticipation requested by the employee according to the law; thus, the management of the TFR was completely left to the employer.

Cost covered by

Companies

Involved actors other than national government

National government only

Thresholds

No, applicable in all circumstances

Sources

-  [Law 29 May 1982, no. 297](#)
-  [Law 23 August 2004, n. 243](#)
-  [Law 27 Decembre 2006, n. 296](#)
-  [Law 4 August 2017, no. 124](#)

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