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PUBLIC VERSION

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Subject: State Aid SA.64420 (2021/N) – Italy
COVID-19: Exemption from contribution for hiring young people

Excellency,

1. Procedure

(1) By electronic notification of 6 August 2021, Italy notified aid in the form of limited amounts of aid “Esonero contributivo per assunzione giovani” (Exemption from contribution for hiring young people, hereafter the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”). Italy provided additional information on 2 September 2021, 10 September 2021 and 13 September 2021.

(2) Italy exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with Article 3 of Regulation 1/1958 and to have this Decision adopted and notified in English.

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2 Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

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2. DESCRIPTION OF THE MEASURE

(3) Italy considers that the COVID-19 outbreak affects the real economy. The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity shortage faced by undertakings because of the outbreak, to ensure that the disruptions caused by the outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the outbreak.

(4) Italy confirms that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.

(5) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.1 of the Temporary Framework.

2.1. The nature and form of aid

(6) The measure provides aid in the form of an exemption for private employers from the payment of their share of social security contributions due on the basis of new employment contracts signed for an open-ended period or the transformation of fixed-term contracts into open-ended contracts (the measure does not cover the employees’ share of social security contribution generated by the employment contract).

2.2. Legal basis

(7) The legal basis for the measure is Article 1, paragraphs 10 to 15, of Law no. 178 of 30 December 2020 on the "Budget of the State for the financial year 2021 and multi-year budget for the three-year period 2021-2023". According to Article 1, paragraph 14, of this law, the effectiveness of these provisions is subject to the preliminary approval by the Commission.

2.3. Administration of the measure

(8) The Ministry of Labour and Social Policies is the authority responsible for the scheme, while INPS - National Institute for Social Security - is the authority granting the aid under the scheme.

2.4. Budget and duration of the measure

(9) The estimated budget of the measure is EUR 1 238 million.

(10) The measure will be partly financed by the European Structural and Investment Funds (ESIF). The Italian authorities confirm that the rules under the European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD), European Maritime and Fisheries Fund (EMFF), European Union Solidarity Fund

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3 OJ General Series no. 322 of December 30, 2020 - Ordinary Supplement no. 46.
(EUSF) or the Coronavirus Response Investment Initiative (CRII) will be respected.

(11) Aid may be granted under the measure as from the notification of the Commission’s decision approving the measure until no later than 31 December 2021, which is the last date for the signature of contracts eligible under the measure (recital (16)). Beneficiaries may apply to the measure until 31 December 2021.

2.5. Beneficiaries

(12) The beneficiaries of the measure are private employers, irrespective of their size.

(13) Aid may not be granted under the measure to medium\(^4\) and large enterprises that were already in difficulty within the meaning of the Block Exemption Regulations “GBER”\(^5\), “ABER”\(^6\) and “FIBER”\(^7\), on 31 December 2019. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the Block Exemption Regulations on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid\(^8\) or restructuring aid\(^9\).

2.6. Sectoral and regional scope of the measure

(14) The measure is open to all sectors except the financial sector and the domestic work sector\(^10\). The measure applies to the whole territory of Italy.

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\(^5\) As defined in Article 2(18) of Commission Regulation (EU) No 651/2014.

\(^6\) As defined in Article 2(14) of Commission Regulation (EU) No 702/2014.

\(^7\) As defined in Article 3(5) of Commission Regulation (EU) No 1388/2014.

\(^8\) Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

\(^9\) Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

\(^10\) With reference to the NACE codes as reported in the following link: [https://ec.europa.eu/competition/mergers/cases/index/nace_all.html](https://ec.europa.eu/competition/mergers/cases/index/nace_all.html) the excluded sectors are: K and T.
2.7. Basic elements of the measure

(15) The measure has as its main purpose to reduce the labour costs borne by private employers facing serious socio-economic disturbances, with a view to encouraging them to hire young workers (i.e. under 36 years of age) on a stable basis in the post pandemic phase.

(16) The measure provides for an exemption from the payment of employers’ social security contributions (premiums and contributions due to INAIL\textsuperscript{11} for insurance against accidents at work are excluded from the calculation of the total social security contribution), for a maximum period of thirty-six months, for those employers who hire workers in the period between 1 January 2021 and 31 December 2021 with open-ended employment contracts or who transform fixed-term contracts of their employee into open-ended contracts in the said period. Such employment contracts are eligible if the hired employee is under 36 years of age.

(17) Beneficiaries will receive aid equal to 100\% of the employers’ social security contributions within a limit of EUR 6 000 per hired worker per year.\textsuperscript{12}

(18) Without prejudice to the requirements above, the exemption applies for a longer maximum period of forty-eight months, where the eligible employment contracts/transformation of contracts are used for hiring workers in a location or production unit located in the following regions: Abruzzo, Molise, Campania, Basilicata, Sicilia, Puglia, Calabria and Sardegna.

(19) In order to benefit from the contribution exemption, private employers must not have carried out individual dismissals for justified objective reason or collective redundancies (Law 23 July 1991, no. 223) against workers with the same qualification in the same production unit, in the six months preceding the recruitment or the nine months following it.

(20) The contribution exemption cannot be combined with other exemptions or reductions in the financing rates provided for by the legislation in force (see Article 1, paragraph 114, of Law No. 205/2017).

(21) Italy confirmed that aid granted to undertakings active in the primary production of agricultural products must not be fixed on the basis of the price or quantity of products put on the market.

(22) Italy confirmed that the aid may be granted provided its nominal value, for all measures granted in accordance with Section 3.1 of the Temporary Framework, does not exceed EUR 1.8 million per undertaking. The amount of the aid will not exceed EUR 270 000 per undertaking active in fishery and aquaculture sectors or EUR 225 000 per undertaking active in the primary production of agricultural products.

\textsuperscript{11} Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro - National Institute for Insurance against Accidents at Work.

\textsuperscript{12} The Italian authorities clarified that the maximum exemption from the employer's contribution referred to the monthly pay period is therefore EUR 500, to be proportionally reduced in case of part-time employment contracts.
products (all figures used being expressed in gross, that is before any deduction of tax or other charges).

(23) Italy also confirmed that aid granted to undertakings active in the processing and marketing of agricultural products is excluded when the aid is conditional on being partly or entirely passed on to primary producers, fixed on the basis of the price or quantity of products put on the market by the undertakings concerned or purchased from primary producers, unless, in the latter case, the products were either not put on the market or were used for non-food purposes such as distillation, methanization or composting by the undertakings concerned.

(24) Furthermore, Italy confirmed that the aid granted to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in Article 1, paragraph (1)(a) to (k) of Commission Regulation (EU) No 717/2014.

(25) Where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, Italy will ensure, by appropriate means, such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 1.8 million is not exceeded per undertaking. Where an undertaking is active in the fishery and aquaculture sector covered by point 23(a), the overall maximum amount of EUR 270 000 should not be exceeded per undertaking.

2.8. Cumulation

(26) The aid ceilings and cumulation maxima fixed under the measure will apply regardless of whether the support for the aided project is financed entirely from State resources or partly financed by the European Structural and Investment Funds (ESIF).

(27) The Italian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations or the Block Exemption Regulations provided the provisions and cumulation rules of those Regulations are respected.

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15 GBER, ABER and FIBER.
(28) The Italian authorities confirm that aid under the notified measure may be cumulated with other forms of Union financing, provided that the maximum aid intensities indicated in the relevant Guidelines or Regulations are respected.

(29) The Italian authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Framework provided the provisions in those specific sections are respected.

(30) The Italian authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the measure or aid under other measures approved by the Commission under section 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in points 22(a) and 23(a) of that Framework will be respected.

2.9. Monitoring and reporting

(31) The Italian authorities confirm that they will respect the monitoring and reporting obligations laid down in section 4 of the Temporary Framework (including the obligation to publish relevant information on each individual aid above EUR 100 000 granted under the measure and EUR 10 000 in the agricultural and fisheries sector on the comprehensive national State aid website or Commission’s IT tool within 12 months from the moment of granting\(^\text{16}\)).

3. Assessment

3.1. Lawfulness of the measure

(32) By notifying the measure before putting it into effect (recital (7)), the Italian authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

(33) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

(34) The measure is imputable to the State, since it is administered by the Ministry of Labour and Social Policies while INPS is the authority granting the aid (recital (8)) and it is based on the law referred to in recital (7)). It is financed through State resources, since it is financed by public funds (recitals (9) and (10)).

(35) The measure confers an advantage on its beneficiaries in the form of an exemption from the payment of social security contributions (see recital (15)). The measure thus relieves those beneficiaries of costs that they would have had to bear under normal market conditions.

The advantage granted by the measure is selective, since it is awarded only to certain undertakings (recitals (12) to (14)), in particular excluding the financial and the domestic work sectors.

The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.

In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Italian authorities do not contest that conclusion.

3.3. Compatibility

Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.

Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid “to remedy a serious disturbance in the economy of a Member State”.

By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (in section 2) that “the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings”. The Commission concluded that “State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(b) TFEU, for a limited period, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs”.

The measure aims at reducing the labour costs borne by private employers thereby encouraging them to hire young workers (i.e. under 36 years of age) on a stable basis in the post pandemic phase (see recitals (6) and (15)) at a time when the normal functioning of markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.

The measure is one of a series of measures conceived at national level by the Italian authorities to remedy a serious disturbance in their economy. The importance of the measure to preserve employment and economic continuity is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the sectors of the Italian economy to which the measure is addressed. The measure provides for an exemption from the payment of employers’ social security contributions (with the exclusion of premiums and contributions due for insurance against accidents at work), for a maximum period of thirty-six or forty-eight months, for those employers who hire young workers (under 36 years of age) in the period between 1 January 2021 and 31 December 2021 with open-ended employment contracts or who transform fixed-term contracts of their employee into open-ended contracts in the said period (recitals (15), (16) and (18)). Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“Limited amounts of aid”) described in section 3.1 of the Temporary Framework.
The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the conditions of the Temporary Framework. In particular:

- The aid consists in the exemption from the payment of social security contributions due by private employers (recital (6)). It therefore constitutes a payment advantage, in accordance with point 22(a) of the Temporary Framework;

- The overall nominal value of the exemption from social security contribution shall not exceed EUR 1.8 million per undertaking (recital (22)); all figures used must be gross, that is, before any deduction of tax or other charges. The measure therefore complies with point 22(a) of the Temporary Framework.

- The overall nominal value of the exemption from social security contribution shall not exceed EUR 270 000 per undertaking active in the fishery and aquaculture sector or EUR 225 000 per undertaking active in the primary production of agricultural products (recital (22)). The measure therefore complies with point 23(a) of the Temporary Framework.

- Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (9). The measure therefore complies with point 22(b) of the Temporary Framework.

- Aid may not be granted under the measure to medium and large enterprises that were already in difficulty on 31 December 2019. The measure therefore complies with point 22(c) of the Temporary Framework. Aid may be granted to micro and small enterprises that were in difficulty on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid or restructuring aid (recital (13)). The measure therefore complies with point 22(c)bis of the Temporary Framework.

- Aid will be granted under the measure no later than 31 December 2021, ultimate date for the signature of the new open-ended contracts eligible for the measure (recitals (11) and (16)). The measure therefore complies with point 22(d) of the Temporary Framework.

- Aid granted to undertakings active in the processing and marketing of agricultural products is excluded when the aid is conditional on being partly or entirely passed on to primary producers, fixed on the basis of the price or quantity of products put on the market by the undertakings concerned or purchased from primary producers, unless, in the latter case, the products were either not put on the market or were used for non-food purposes such as distillation, methanization or composting by the

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17 Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

18 Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.
undertakings concerned (recital (23)). The measure therefore complies with point 22(e) of the Temporary Framework.

- Aid granted to undertakings active in the primary production of agricultural products must not be fixed on the basis of the price or quantity of products put on the market (recital 21). The measure therefore complies with point 23(b) of the Temporary Framework.

- Aid granted to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in Article 1, paragraph (1)(a) to (k), of Commission Regulation (EU) No 717/2014 (recital (24)). The measure therefore complies with point 23(c) of the Temporary Framework.

- Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, Italy will ensure, by appropriate means such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 1.8 million is not exceeded per undertaking. Where an undertaking is active in the sectors covered by point 23 (a) of the Temporary Framework, the overall maximum amount of EUR 270 000 is not exceeded per undertaking (recital (25)). The measure therefore complies with point 23bis of the Temporary Framework.

(45) The Italian authorities confirm that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA (recital (4)).

(46) The Italian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (31)). The Italian authorities further confirm that the aid under the measure may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework and the cumulation rules of the relevant Regulations are respected (recitals (26) to (30)).

(47) The Italian authorities also confirm that the rules under the European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD), European Maritime and Fisheries Fund (EMFF), European Union Solidarity Fund (EUSF) or the Coronavirus Response Investment Initiative (CRII) will be respected (recital (10)).

(48) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework.
4. **CONCLUSION**

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

The decision is based on non-confidential information and is therefore published in full on the Internet site: [http://ec.europa.eu/competition/elojade/isef/index.cfm](http://ec.europa.eu/competition/elojade/isef/index.cfm).

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President