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**Subject: State Aid SA.114799 (2024/N) – Italy  
Aid scheme supporting employment of specific workers in Italy and  
in Southern Italy (Mezzogiorno)**

Excellency,

**1. PROCEDURE**

- (1) Following pre-notification contacts, by letter dated 12 December 2024, the Italian authorities notified an aid scheme to support the stable employment of specific workers in Italy ('the scheme'), consisting of two measures, namely the 'Youth bonus' and the 'Women Mezzogiorno bonus' ('the measures'), in accordance with Article 108(3) of the Treaty on the Functioning of the European Union<sup>(1)</sup> ('TFEU') for assessment under Article 107(1) TFEU. The Commission services requested additional information on 12 and 20 December 2024, and on 14 January 2025. The Italian authorities replied to these requests on 16 December 2024, 3 and 16 January 2025 respectively.
- (2) Italy exceptionally agreed to waive its rights deriving from Article 342 TFEU in conjunction with Article 3 of Regulation 1/1958<sup>(2)</sup> and to have the present decision adopted and notified in English.

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<sup>(1)</sup> OJ L 115, 09.5.2008, p. 92.

<sup>(2)</sup> Regulation No 1 determining the languages to be used by the European Economic Community (OJ 17, 6.10.1958, p. 385).

Onorevole Antonio Tajani  
Ministro degli Affari esteri e della Cooperazione Internazionale  
Piazzale della Farnesina, 1  
00135 Roma  
ITALIA

## 2. DETAILED DESCRIPTION OF THE MEASURES

### 2.1. Background and objectives of the measures

- (3) The measures form part of a wider initiative to support employment throughout Italy while focusing on the ‘Special Economic Zone’ (‘SEZ’) of the Mezzogiorno <sup>(3)</sup> (hereinafter, ‘Mezzogiorno’). More specifically, Italy intends to introduce an employment support scheme consisting of four elements: (i) the Youth and Start-up bonus; (ii) the Youth bonus; (iii) the Women bonus; and (iv) the SEZ Mezzogiorno bonus. The Women bonus consists of two sub-measures: one sub-measure which applies throughout Italy and one sub-measure which only applies in Mezzogiorno (the ‘Women Mezzogiorno bonus’).
- (4) The Youth and Start-up bonus concerns the reduction of social security contributions of young persons, who start a new business in one of the strategic sectors of green and digital transformation (as identified by Italy). The SEZ Mezzogiorno bonus concerns the reduction of social security contributions for newly hired persons aged under 35, who are located in Mezzogiorno and had not been in regular paid employment for at least 24 months (and thus qualify as ‘severely disadvantaged workers’ within the meaning of Article 2(99) of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty <sup>(4)</sup> (‘General Block Exemption Regulation’ or ‘GBER’). The first sub-measure of the Women bonus concerns the reduction of social security contributions of newly hired female workers who have not been in regular paid employment for at least 24 months (similarly qualifying as severely disadvantaged workers).
- (5) The Youth and Start-up bonus, the SEZ Mezzogiorno bonus and the first sub-measure of the Women bonus will be implemented by Italy in compliance with the applicable provisions of GBER). Consequently, provided that the Youth and Start-up bonus, the SEZ Mezzogiorno bonus and the first sub-measure of the Women bonus fulfil the conditions of the General Block Exemption Regulation, pursuant to Article 3 thereof, they shall be compatible with Article 107(3) TFEU and are exempted from the notification requirement of Article 108(3) TFEU.
- (6) The present decision, therefore, covers exclusively the Youth bonus and the Women Mezzogiorno bonus (i.e. the measures as defined in recital (3)).

#### 2.1.1. *The specificities of the Italian labour market and the labour situation in Mezzogiorno*

- (7) Italy explains that labour market statistics for the country demonstrate the need for policy action to support employment, in particular for young people and women. The unemployment rates for young people and for women are significantly higher than among the general population, resulting in generational and gender gaps that are among the highest in Europe. The labour market in

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<sup>(3)</sup> By decree-Law No 124/2023, with effect from 1 January 2024, Italy established the SEZ Mezzogiorno to support economic development in the following regions: Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sicily and Sardinia.

<sup>(4)</sup> OJ L 187, 26.6.2014, p. 1.

Mezzogiorno faces particular difficulties, where the 2023 employment rate was only 48.2% compared to the EU average of 70.4%.

- (8) According to the Italian authorities, the COVID-19 crisis severely affected the labour market in Italy. In 2020, the pandemic brought a reduction of more than 720 000 in the number of employed people compared to 2019. The employment rate of people aged between 15 and 64 years old decreased from 59 % in 2019 to 57.5 % in 2020, with only a partial recovery in 2021 (58.2 %). The gap was even greater for women and young people under 30 years of age: an employment rate of less than 50 %, 14 percentage points ('p.p.') below the EU average in the case of women (i.e. 49.4 % in Italy vs. 63.4 % as EU average) and more than 18 p.p. for those in the age bracket between 20 and 29 (44.4 % in Italy vs. 62.9 % as EU average). This pushed the Italian authorities to engage a plurality of employment support measures and economic growth policies. Starting in 2022, a reversal of the trend started, and overall, compared with 2019, the employment rate increased by 2.3 %.
- (9) However, despite the employment growth over the last three years, the Italian labour market still lags considerably behind in terms of participation, compared to the EU average. In 2023, the inactivity rate <sup>(5)</sup> of the population aged 15-64 was higher than the EU average (33.3 % in Italy compared to 25 % as EU average).
- (10) The Italian authorities further explain that currently the labour situation in Mezzogiorno is particularly alarming. According to the Italian National Institute of Statistics (hereinafter, 'ISTAT'), in 2023 only 48.2 % of residents in Mezzogiorno were employed, compared to the EU average (70.4 %), while in the northern regions of Italy the employment rates are in line with the European average (69.4 %). Mezzogiorno is also the area of the country with the highest percentage of individuals at risk of poverty or social exclusion (40.6 %, in 2022). The entire population of Mezzogiorno lives in regions with a GDP per capita significantly below the national average. Moreover, in general, regional gaps remain very high: the employment rate in the north (69.4 %) is 21 p.p. higher than in the south (48.2 %) <sup>(6)</sup> and the unemployment rate in southern regions (14.0 %) is approximately three times higher than in the north (4.6 %) <sup>(7)</sup>.
- (11) Against this background, the Italian Government established the SEZ of Mezzogiorno (see footnote 3), which aims at supporting economic development and growth in the regions concerned through administrative simplification and investment support. Moreover, the Italian authorities explain that they had implemented various measures <sup>(8)</sup>, notably social security reductions for new

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<sup>(5)</sup> Italy explains that 'inactivity' is broader than unemployment as it encompasses people who are not in and do not seek active employment, due to various reasons (e.g. health reasons, enrolment in education or training programmes, or personal choice).

<sup>(6)</sup> See: [http://dati.istat.it/Index.aspx?DataSetCode=DCCV\\_TAXOCCU1](http://dati.istat.it/Index.aspx?DataSetCode=DCCV_TAXOCCU1)

<sup>(7)</sup> See: [https://dati.istat.it/Index.aspx?DataSetCode=dccv\\_taxdisoccu1](https://dati.istat.it/Index.aspx?DataSetCode=dccv_taxdisoccu1)

<sup>(8)</sup> The aid measures for youth employment authorised by decision of 16 September 2021 in case SA.64420; for employment of women, authorised by decision of 28.10.2021 in case SA.100005; and for employment in disadvantaged areas of Southern Italy, authorised by decision of 6.10.2020 in case SA.58802. All three measures were subject to successive extensions, most recently by Commission Decision of 11 January 2022. Under the TCTF, Decision of 19.06.2023 on case SA.106009 (Youth Employment); Decision of 19.06.2023 on case SA.106008 (women's employment); Decision of

recruitments and the European Youth Guarantee Programme, in an attempt to limit the negative impacts of the COVID-19 outbreak and the negative impact of the Russian aggression in Ukrainian and the ensuing energy crisis on youth employment. However, the strong economic and social impacts generated by these crises have been only partially mitigated by the introduction of those measures, which aimed to incentivise recruitment and safeguard existing employment levels. The difficulties associated with estimating the duration and severity of those crises and their subsequent consequences have led to high uncertainty on the labour market. The evidence provided by the Italian authorities demonstrates that, despite the previous measures, the uncertainty and challenges on the Italian labour market persist (recitals (9), (14)).

### 2.1.2. *The specificities of youth employment in recent years*

- (12) As explained in recital (11), the Italian authorities have implemented social security reductions for new recruitments and the European Youth Guarantee Programme, in an attempt to limit the negative impact on youth employment of the COVID-19 outbreak, the negative impact of the Russian aggression in Ukraine and the ensuing energy crisis.
- (13) The exemption of private employers from social security contributions for the recruitment of young people<sup>(9)</sup>, provided for in the most recent emergency management by the 2023 Budget Law, has now come to an end. The 2022 and 2023 Annual Reports of the National Social Security Institute (Istituto Nazionale di Previdenza Sociale, hereinafter ‘INPS’) showed that this exemption had a positive effect on providing an incentive for employers to employ people younger than 35 years old: recipients of the measure recorded a higher trend in relation to the conclusion of new employment contracts, compared to non-recipients of the measure.
- (14) Despite these measures, youth unemployment remains high in Italy. The ISTAT data for 2023 show that the unemployment rate of young people (aged 15-34), is 13.4 % compared to older age groups, which all have an unemployment rate below 8 %<sup>(10)</sup>.
- (15) The Italian authorities explain that unemployed people aged between 25 and 35 face particular difficulties when it comes to finding and securing employment in Italy. When comparing Eurostat data on Italy’s employment and unemployment rates, the values for workers aged 25-34 differ considerably from the EU average over the last decade. For example, the figures for 2023 are presented in Tables 1 and 2 below<sup>(11)</sup>:

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24.6.2022 in case SA.103289 (Employment of disadvantaged areas in Southern Italy), which was last extended by Decision of 15.12.2023 in case SA.110596.

<sup>(9)</sup> Decision of 19.06.2023 on case SA.106009 (Youth Employment).

<sup>(10)</sup> See: [http://dati.istat.it/Index.aspx?DataSetCode=dccv\\_taxdisoccu1](http://dati.istat.it/Index.aspx?DataSetCode=dccv_taxdisoccu1). It should be noted that the data in recitals (14) and (15) refer to unemployment, not inactivity (recital (9)). Hence the figures concern only people seeking active employment and are therefore relatively lower than the inactivity rate mentioned in recital (9).

<sup>(11)</sup> It should be noted that the employment and unemployment figures presented in Tables 1 and 2 do not add up to 100%, as the people whom the statistical data reflect concern only people who are in active

Age bracket	Employment rate in Italy	Employment rate in EU	Difference (Italy – EU)
25-29	62.6 %	77.1 %	-14.5 p.p.
30-34	73.2 %	81.8 %	-8.6 p.p.

Table 1 - Employment rates in EU and Italy in 2023

Age bracket	Unemployment rate in Italy	Unemployment rate in EU	Difference (Italy – EU)
25-29	12.3 %	8.1 %	-4.2 p.p.
30-34	8.6 %	6.1 %	-2.5 p.p.

Table 2 - Unemployment rates in EU and Italy in 2023

- (16) The figures demonstrate a structural situation, according to which it is more difficult for young people aged 25-34 to enter and remain in the labour market in Italy compared to the EU average.
- (17) The Italian authorities also provide demographic explanations for this data. They put forward that the demographic trends regarding young people also impact their entry in the labour market. The time of entry of young people into adulthood, namely the achievement of economic and housing autonomy, is significantly delayed in Italy: due to socio-economic reasons young people tend to stay longer at their parents' home and start their own family much later, compared to average European trends <sup>(12)</sup>. These family postponements explain the overall strategy that the Italian authorities have defined in favour of employment, aiming to support a category of targeted workers, which in Italy has specific socioeconomic characteristics. Thus, the Italian authorities consider that these exceptional circumstances justify the fact that people up to 35 years of age in Italy are in need of, and can thus be covered by, employment support measures <sup>(13)</sup>.
- (18) Furthermore, the Italian authorities explain that, apart from difficulties finding employment, young people in Italy face difficulties securing long-term stable employment, as short-term and fixed-term employment relationships are more advantageous and thus preferable for employers. This results in a situation where many young people up to 35 years of age have never been employed under an employment contract of indefinite duration. According to INPS data, in 2023, within the private non-agricultural sector, excluding domestic work relationships, the percentage of permanent employees relative to the total workforce for the age

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employment (employment rate) and people who are seeking active employment (unemployment rate). A third category of inactive people (i.e. people not seeking active employment due to various reasons) is not reflected in this data..

<sup>(12)</sup> Eurostat analyses show that in Italy the average age at which young people leave their family of origin is around 30 years old, while the European average is slightly below 27 years old: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:Age\\_of\\_young\\_people\\_leaving\\_their\\_parental\\_household](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:Age_of_young_people_leaving_their_parental_household)

<sup>(13)</sup> The Cohesion decree is addressed to “persons who, at the date of the encouraged event, have not reached the age of 35”, so up to 35 years of age, but not including.

group ‘up to 34 years’ is 60%, while the same percentage for the ‘35 years and over’ age group rises to 80%. Conversely, the percentage of individuals under 35 years of age without a permanent contract is 40%, whereas the same percentage for the ‘35 years and over’ age group drops to 20%. The Italian authorities explain that, even though national legislation already aims to discourage the repeated use of fixed-term and short-term contracts and to promote the establishment of a stable employment relationship (for instance through duration limits <sup>(14)</sup>), obligation to provide reasons for concluding an employment contract of definite duration, increases in social security contributions in the event of renewal of fixed-term contracts <sup>(15)</sup>), employers tend to avoid the transformation of the fixed-term relationship into an indefinite employment relationship. Thus, youth employment in Italy is not only lower than the EU average, but also more precarious, as it takes the form of short-term, fixed contracts, which do not guarantee stability and longer-term employment prospects for the young people concerned. In 2023, the INPS Observatory on Precarious Work found that 79.8 % of new contracts concluded for workers under the age of 30 were temporary contracts (fixed-term, seasonal, temporary, on-call). This negative trend does not appear to change in 2024. In fact, the INPS Statistical Observatory even recorded a decrease in transformations of fixed-term contracts into permanent ones during the first half of 2024, compared with the same period in 2023 (-6%) <sup>(16)</sup>. This data demonstrates that, despite being active on the labour market for 10 years (between the ages of 25 and 35), young people in Italy still face uncertainty, instability and constantly face the risk of unemployment, if their short-term contracts are not renewed and they do not find another employment opportunity in due time. On this basis, the Italian authorities consider that the situation for young people below 35 years of age on the labour market in Italy is exceptional. The Italian authorities explain that such circumstances in Italy justify the need to provide support and incentives for the transformation of fixed-term employment contracts of young people into contracts of indefinite duration.

- (19) With regard to the specific situation of youth employment in Mezzogiorno, the ISTAT data for 2023 show that, for young people aged 15-34, the employment rate at national level is 45 %, while in Mezzogiorno it is 33 %; the national unemployment rate is 13 %, while in Mezzogiorno it is 24 %. In addition, the Italian authorities outline that Mezzogiorno is experiencing a sharper decline in young people. Indeed, between 2012-2023, the regions of the Mezzogiorno have experienced an intense demographic decline which is still ongoing and expected to exacerbate, based on long-term demographic forecasts which indicate a strengthening of the trend towards depopulation and ageing. In absolute terms, the territories that in the last twenty years have suffered the greatest decline in the numbers of young people aged 18-34 are the rural areas of the South (-32.2%, just over 277 000 young people, which is about 9 p.p. higher compared to the North

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<sup>(14)</sup> Under Italian labour law, fixed-term contracts have a total maximum duration of 24 months. Exceeding the limit of 24 months entails, as a penalty, the reclassification of the fixed-term contract as an employment relationship of indefinite duration.

<sup>(15)</sup> In order to discourage the use of precarious forms of employment, including fixed-term contracts, the law introduced an additional contribution of 1.40% of remuneration for social security purposes for all fixed-term employment relationships, with the exception of those concluded for the replacement of absent workers and for seasonal needs.

<sup>(16)</sup> See: [https://servizi2.inps.it/services/statistical\\_observers/14](https://servizi2.inps.it/services/statistical_observers/14)

and about 7 p.p. compared to Central Italy). The Italian authorities consider that the specific situation of youth employment in the Mezzogiorno justifies a different approach, stronger support, and targeted measures to incentivise employment in that geographical area, thereby reversing its demographic and economic decline.

### 2.1.3. The specificities of employment of women in Mezzogiorno

- (20) The Italian authorities submit data, on the basis of which they consider that the employment situation for women is significantly worse in Italy compared to the EU average and, moreover, it is significantly worse in Mezzogiorno compared to the Italian and EU averages. The Italian authorities provided the figures for 2023 set out in Tables 3 and 4 below <sup>(17)</sup>:

Age bracket	Employment rate in Mezzogiorno <sup>(18)</sup>	Employment rate in Italy (national average) <sup>(19)</sup>	Employment rate in EU <sup>(20)</sup>
15-64	36 %	52 %	65.7 %

Table 3 - Employment rates for women in 2023

Age bracket	Unemployment rate in Mezzogiorno <sup>(21)</sup>	Unemployment rate in Italy (national average) <sup>(22)</sup>	Unemployment rate in EU <sup>(23)</sup>
15-64	17 %	9 %	6.4 %

Table 4 - Unemployment rates for women in 2023

- (21) In addition, the Italian authorities explain that there is a gender gap in terms of (un)employment in Mezzogiorno, which the Women Mezzogiorno bonus aims to address. While the male unemployment rate in Mezzogiorno in 2023 for the 15–74 age group was 12.5%, the corresponding female rate was 17% <sup>(24)</sup>. Similarly, while the male employment rate in Mezzogiorno in 2023 for the 15–74 age group is 53.3%, the corresponding female rate is only 30.9% <sup>(25)</sup>. Italy explains that this gender gap stems primarily from the long-standing socio-cultural model, according to which the greater burden of domestic and family work fell on

<sup>(17)</sup> It is noted that, similarly to footnote 11, employment and unemployment rates for women do not add up to 100% as they only refer to women currently in or seeking active employment. They do not capture ‘inactive’ women, who are not seeking active employment for various reasons (e.g. health reasons, enrolment in education or training programmes, or personal choice).

<sup>(18)</sup> See: [http://dati.istat.it/Index.aspx?DataSetCode=DCCV\\_TAXOCCU1](http://dati.istat.it/Index.aspx?DataSetCode=DCCV_TAXOCCU1)

<sup>(19)</sup> See statistical data available online at: [Statistics | Eurostat](#)

<sup>(20)</sup> *Ibid.*

<sup>(21)</sup> See: [http://dati.istat.it/Index.aspx?DataSetCode=dccv\\_taxdisoccu1](http://dati.istat.it/Index.aspx?DataSetCode=dccv_taxdisoccu1)

<sup>(22)</sup> See statistical data available online at: [Statistics | Eurostat](#)

<sup>(23)</sup> *Ibid.*

<sup>(24)</sup> See: [http://dati.istat.it/Index.aspx?DataSetCode=dccv\\_taxdisoccu1](http://dati.istat.it/Index.aspx?DataSetCode=dccv_taxdisoccu1)

<sup>(25)</sup> See: [http://dati.istat.it/Index.aspx?DataSetCode=DCCV\\_TAXOCCU1](http://dati.istat.it/Index.aspx?DataSetCode=DCCV_TAXOCCU1)



women, who cared for minors, children, and the elderly (e.g. grandparents). This, in combination with limited child- and elderly care services, as well as limited access to higher education (which was the case in the past), has reduced women's possibilities for active participation in the labour market.

- (22) On the basis of this data, Italy considers that the considerably higher unemployment rates for women, especially in Mezzogiorno, indicate a more precarious employment situation for female workers, as well as increased difficulties for women to find and secure stable employment (and, in turn, financial stability and independence). As such, this justifies targeted support and incentive employment measures, aimed at enhancing the position and active engagement of women in the labour market <sup>(26)</sup>.

## **2.2. National legal bases**

- (23) The national legal bases for the measures are:
- (a) the Decree-Law No 60 of 7 May 2024 ('the Cohesion Decree'), which was amended and converted into Law No 95 of 4 July 2024 laying down additional urgent provisions on cohesion policies <sup>(27)</sup>, and
  - (b) the Implementing Decrees of the Minister for Labour and Social Policy in agreement with the Minister for Economic Affairs and Finance, which will be adopted after the notification of the present decision to Italy.

## **2.3. Administration of the measures**

- (24) The aid granting authority will be the National Social Security Institute ('Istituto Nazionale di Previdenza Sociale', 'INPS').

## **2.4. Beneficiaries**

- (25) Beneficiaries of the measures are employers who hire workers under the conditions of the Youth bonus and Women Mezzogiorno bonus (Section 2.5).
- (26) The measure is open to all sectors of the economy.
- (27) Only private employers can benefit from the measures <sup>(28)</sup>. This means that public undertakings and domestic employment relationships <sup>(29)</sup> are excluded from the measures.

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<sup>(26)</sup> See footnote 5, the sub-measure of the Women bonus covering the entire geographical area of Italy will be implemented by Italy under the GBER. It concerns the reduction of social security contributions for newly hired women who have previously not been in regular paid employment for at least 24 months.

<sup>(27)</sup> The Cohesion Decree, insofar as it concerns the measures, will become effective only once the Implementing Decrees has been adopted.

<sup>(28)</sup> Beneficiaries do not need to have a legal personality and they can also be self-employed persons hiring employees (they cannot benefit from the measures for their own social security contributions).

<sup>(29)</sup> Domestic work means work performed in or for a household or households. See the Domestic Workers Convention, 2011 (No. 189), available here: [https://normlex.ilo.org/dyn/nrmlx\\_en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_INSTRUMENT\\_ID:2551460](https://normlex.ilo.org/dyn/nrmlx_en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:2551460).



- (28) The measures exclude the payment of individual aid to an undertaking subject to an outstanding recovery order following a previous Commission decision.
- (29) Undertakings in difficulty <sup>(30)</sup> are excluded from the measure.

## **2.5. Conditions for aid**

- (30) To benefit from the measures, eligible employers must conclude new employment contracts of indefinite duration with employees falling under the following two categories of workers:
  - (a) Persons up to 35 years of age, who have never been employed under a contract of indefinite duration, or have been employed under a contract of indefinite duration with a different employer who has only partially benefitted from the present measure <sup>(31)</sup> (Youth bonus); and
  - (b) Women who have not been in regular paid employment for the previous six months, and who reside in Mezzogiorno (Women Mezzogiorno bonus).
- (31) Under the Youth bonus, employers can also benefit from the measure if they convert an existing fixed-term employment contract of an eligible worker (i.e., below 35 years of age, who has never been employed under a contract of indefinite duration <sup>(32)</sup>) into an employment contract of indefinite duration.
- (32) Under both measures, the new employment relationship must be concluded by 31 December 2025 (see Section 2.7 on a possible prolongation of the scheme).

## **2.6. Form of aid and level of support**

- (33) The aid granted is a wage subsidy in the form of a reduction from the social security contributions payable by the employer according to Italian legislation <sup>(33)</sup>.

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<sup>(30)</sup> Within the meaning of the Communication from the Commission — Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty, OJ C 249, 31.7.2014, p. 1–28.

<sup>(31)</sup> In that case, a pro rata logic applies: the months for which the prior employer has benefitted from the measure are deducted and the subsequent employer can only benefit for the remaining months (out of the total 24 month-period, for which the Youth bonus can apply).

<sup>(32)</sup> The Youth bonus is also available for newly hired people under 35 years of age, who were employed under a contract of indefinite duration with a different employer who has partially benefitted from the measure. In that case, the Youth bonus is available pro rata only for the period for which the worker is employed, up to the maximum period of 24 months for which aid can be granted (the period of 24 months is the maximum period of aid per supported worker, irrespective of how many employers have hired them within that timeframe).

<sup>(33)</sup> Italy explained that the components of social security contributions covered by the measures are only those relating to the following: (i) Invalidity, Old Age and Survivors' Insurance (IVS), including the additional contribution (referred to in Article 3(15) of Law No 297/1982); (ii) New Social Insurance for Employment, i.e. involuntary unemployment insurance (NASpI); (iii) earnings supplement fund (ordinary, extraordinary, by way of derogation, special for construction); (iv) Single Family Allowance Fund (CUAF); (v) maternity and paternity; (vi) disease.

- (34) Under the Youth bonus, the reduction can amount to 100 % of the employer's social security contributions up to a maximum of EUR 500 per month for each worker. If the actual place where the worker is required to physically work is located in Mezzogiorno, the reduction can reach up to a maximum of EUR 650 per month for each worker.
- (35) Under the Women Mezzogiorno bonus, the reduction can amount to 100 % of the employer's social security contributions, up to a maximum amount of EUR 650 per month for each worker.
- (36) The Italian authorities explain that in Italy the average employer social security contribution rate is 31 %. Italy explains that the maximum aid amount of EUR 500 is set by law and has been calculated on the basis of an average of current low salaries, meaning that the full (100 %) reduction from the social security contributions covered by the measures corresponds to EUR 500, when considering that average of current low salaries as a basis.
- (37) Italy explains that the amount of EUR 650, applicable to Mezzogiorno (for the Youth and the Women Mezzogiorno bonus), is set slightly higher than the maximum amount of aid in the rest of the country due to the particular situation of employment in Mezzogiorno, namely the higher unemployment rates both for young people and women. The level of EUR 650 was therefore selected with the objective of providing a stronger incentive to offer new indefinite employment contracts in Mezzogiorno, while also maintaining the total budget of the measures within the limits of Italy's financial capacity for the scheme.
- (38) By having set the maximum amounts of aid on the basis of the average of current low wages, Italy ensures that the measures are tailored to and support two categories of workers, namely young people and women, which are often remunerated by lower wages <sup>(34)</sup>.
- (39) According to Italy, the reductions granted by the measures correspond approximately to 30 % of the wage costs of the employer (i.e. gross remuneration and all contributions due) on a monthly basis.
- (40) The reduction of the social security contributions covered by the measures is granted for a period of 24 months as of the establishment of the new employment relationship. Therefore, the aid will be disbursed by 31 December 2027 (see recital (44) on the possible prolongation of the measures).
- (41) According to Italy, the period of 24 months is considered appropriate to provide a sufficient incentive to employers to hire workers under indefinite contracts, instead of fixed-term contracts, which usually have a shorter duration. The latter are more attractive to employers, as they entail lower wage costs and do not enable the employee to obtain the length of employment relationship required to establish rights stemming from collective bargaining, such as general salary increases and increases related to the employee's professional background.

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<sup>(34)</sup> The latest INPS Observatory Statistics on non-agricultural employees in the private sector provide an analysis of wages by age group and gender, showing that young people and women are remunerated with lower wages compared to the average wages of older workers or men, respectively. See <https://servizi2.inps.it/servizi/osservatoristatistici/api/getAllegato/?idAllegato=1043>.

- (42) The Italian authorities confirm that the Youth and Women Mezzogiorno bonuses comply with the definitions of wage and eligible costs included, respectively, in points 1 and 13 of the Communication with Criteria for the analysis of the compatibility of State aid for the employment of disadvantaged and disabled workers subject to individual notification (hereafter ‘the Employment Aid Communication’) <sup>(35)</sup>. The Italian authorities explain that there is no maximum number of incentivised recruitments per undertaking.

## **2.7. Duration**

- (43) The aid measures will be in place until 31 December 2025, so that the aided recruitment of the worker has to happen before this date.
- (44) The Italian authorities have indicated their willingness to prolong the aid measures. However, the Italian authorities cannot commit to such prolongation, as it would depend on the budget allocation that the Italian authorities would receive from the European Social Fund and/or from the national budget.

## **2.8. Territorial scope**

- (45) The Youth bonus applies to the entire territory of Italy.
- (46) The Women Mezzogiorno bonus applies to the SEZ of Mezzogiorno as defined by Italian legislation (footnote 3).

## **2.9. Budget and financing**

- (47) The measures are financed through the general budget of the State and co-financed by the European Social Fund + (ESF+). The ESF+ is managed at national level through the National programme for young people, women, and employment 2021-2027 <sup>(36)</sup>.
- (48) The total budget of the scheme is estimated at EUR 1 013.8 million for the Youth bonus and EUR 120 million for Women Mezzogiorno bonus, for recruitments taking place before 31 December 2025, and to be disbursed until 31 December 2027.

## **2.10. Basic elements of the measures**

### *2.10.1. Administrative procedure*

- (49) Employers wishing to benefit from the measures must submit their application for aid to the INPS, in line with the instructions provided by the INPS, before recruiting the worker. In particular, the INPS will check that the granting of the aid is subject to the net increase in stable employment on the employer’s side. The verification of the net increase in the number of employees in the undertaking concerned will be carried out *ex post* based on changes in the number of

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<sup>(35)</sup> Communication on the Criteria for the Analysis of the Compatibility of State aid for the Employment of Disadvantaged and Disabled Workers Subject to Individual Notification, OJ C 188, 11.8.2009, p.6. For eligible costs the Employment Aid Communication refers to the GBER (article 32).

<sup>(36)</sup> See: <https://www.lavoro.gov.it/pn-giovani-donne-lavoro/>.

employees detectable through mandatory communications that undertakings make when starting and terminating employment relationships to the Ministry of Labour.

- (50) The INPS will examine whether the relevant conditions for aid are fulfilled and will grant the aid, within the limits of the expenditure authorised under the Cohesion Decree and in compliance with the procedures, territorial constraints and eligibility criteria laid down in the National Programme for Youth, Women and Work 2021-2027 <sup>(37)</sup>.
- (51) For budget management reasons, the INPS will monitor the number of applications accepted and the associated expenditure, by sending quarterly reports on those two elements to the Ministry of Labour and Social Policy and the Ministry of Economic Affairs and Finance. Should the monitoring activity indicate that the expenditure limits have been or are expected to be reached, the INPS shall not accept any further applications and shall immediately notify the Ministry of Labour and Social Policy and the Ministry of Economic Affairs and Finance.

*2.10.2. Positive effect on employment and not mere reduction of normal operating costs*

- (52) Italy explains that, by incentivising the establishment of employment contracts of indefinite duration, the measures aim at promoting long-term employment and thus substantial integration of young people and female workers into the labour market. Moreover, they combat the serious problem of youth and women precarious employment. In particular, the Italian authorities estimate that the Youth bonus will lead to the creation of 146 000 indefinite employment contracts per year and the Women Mezzogiorno bonus will create 35 000 to 40 000 indefinite employment contracts per year.
- (53) Italy submits that the measures do not aim at and are not limited to reducing the costs that undertakings would otherwise have to bear. The Italian authorities consider that the measures are associated with a positive net change in stable employment, especially in the most disadvantaged areas of the country, also triggering positive economic externalities on local markets. These indirect, general and medium-term effects are for example: the accumulation of professional skills of young new recruits, the related phenomena of transferability of new knowledge and skills within companies, activation of processes of complementarity between training of new recruits and investments in new technologies of the energy and digital transition – the degree of complementarity of which is necessarily weaker with the cohorts of older workers, etc. These factors in turn tend to favour the creation of ecosystems of employment and production growth that are unlikely to manifest themselves in the short term and with a view to partial balance in the assessment of policies. Moreover, the measure is expected to deliver a positive socio-economic impact on the targeted workers, as it will enable young people and female workers to obtain stable, long-term employment status, thus escaping unemployment, as well as the precarious

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<sup>(37)</sup> See: <https://www.inapp.gov.it/en/inapp-for-the-european-social-fund/national-programme-for-youth-women-and-work>

situation of multiple short-term contracts. In turn, this can enable the targeted workers to increase their productivity (while being in a stable employment status, not needing to look for a different position in the next few months), their specialisation in the field they are working on, their professional experience and working relationships. All these aspects have a general positive impact on the workers' personal situation and may indirectly also positively affect other societal aspects, e.g. it can enable young people to leave their parents' home, solidify their independence, or start a family of their own; similarly, it can support female workers to pursue professional opportunities, solidify their independence and have access to equal opportunities as male workers (recitals (17), (22)).

### 2.10.3. *Anti-abuse provisions*

- (54) To prevent situations of abuse, whereby an employer could dismiss existing employees and replace them by hiring a new employee under one of the aided measures, the Italian authorities have included anti-abuse provisions in the national legal basis. In particular, the reduction of social security contributions granted by the measures shall be withdrawn and the aid granted shall be recovered in case (i) a worker hired under one of the measures is dismissed for justified objective reasons within 6 months from the subsidised recruitment or (ii) another worker in the same operational or production unit as a worker hired under one of the measures is dismissed within 6 months from the subsidised recruitment.

### 2.10.4. *Recovery of unduly paid State compensation*

- (55) The Italian authorities explain that private employers who have benefited from the measures without being eligible<sup>(38)</sup> shall be required to pay the contributions due, as well as the penalties provided for by the relevant legal provisions in force<sup>(39)</sup>. Criminal liability remains unaffected where the act constitutes a criminal offence. To this end, the INPS shall carry out the necessary checks, including by means of the information made available by the Ministry of Labour and Social Policy and the National Labour Inspectorate, as far as they are responsible.

## 2.11. **Cumulation with other aid**

- (56) The Italian authorities explain that in line with point 13 of the Employment Aid Communication, the measures may not be cumulated with *de minimis* aid in respect of the same eligible costs if such cumulation leads to an aid intensity of more than 50%.
- (57) The measure may be cumulated with (i) any other State aid, as long as those measures concern different identifiable eligible costs; (ii) any other State aid, in relation to the same eligible costs, partly or fully overlapping, only if such cumulation does not result in exceeding the highest aid intensity (50%).

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<sup>(38)</sup> This concerns the situation of false confirmation of eligibility requirements for the aid.

<sup>(39)</sup> See article 5 of the draft Implementing Decrees.

### 3. ASSESSMENT OF THE MEASURE

#### 3.1. Existence of State aid

- (58) Article 107(1) TFEU provides that *‘any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, shall, in so far as it affects trade between Member States, be incompatible with the common market’*.
- (59) In the present case, the measures are imputable to the State, since they are granted by the INPS (recital (24)) and are established in national law (recital (23)). Moreover, the measures are financed through the general budget of the State and through ESF+, and as such constitute State resources. Indeed, the reduction of or exemption from the obligation to pay the social security contributions covered by the measures involves the transfer of public funds (i.e. funds from the State budget and under State control, recital (47)) and the ESF+ is managed at national level (recital (47)), and thus Italy has discretion in how to use these funds.
- (60) By reducing the social security contributions of private employers, the measures allow the beneficiaries to employ workers at a lower cost than they would otherwise do, and thus the measures confer an advantage to private employers.
- (61) The aid will only be granted to employers of the private sector. Public undertakings and domestic employment relationships are excluded from the measure (recital (27)). The measures (higher youth bonus with actual place of work in Mezzogiorno and Women Mezzogiorno bonus) apply only in certain regions of Italy:
- (a) as regards the Youth bonus, beneficiaries recruiting workers with the actual place of work located in Mezzogiorno will benefit from a higher maximum aid amount (i.e. EUR 650 instead of EUR 500, recital (34)).
  - (b) as regards the Women Mezzogiorno bonus, beneficiaries have more possibilities to be eligible for aid by recruiting female workers, if such workers reside in Mezzogiorno, as it suffices that they have not been in regular paid employment for six months <sup>(40)</sup>.
- (62) The measures thus confer an advantage to certain undertakings, while other undertakings in a comparable legal and factual situation (namely public undertakings, private employers in areas other than Mezzogiorno), cannot receive the same advantage. The measures are therefore selective.
- (63) Since the measures have the potential to cover all sectors of the Italian economy (recital (26)), including undertakings active in sectors that are open for competition and where there is trade between Member States, it is liable to distort or threaten to distort competition and liable to affect trade between Member States.
- (64) Since all cumulative criteria of Article 107(1) TFEU are fulfilled, the Commission concludes that the measure constitutes State aid.

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<sup>(40)</sup> Instead of 24 months, as applies to the rest of Italy under the sub-measure of the Women bonus (recital (3) and footnote 5).

### 3.2. Lawfulness of the aid

- (65) By notifying the measures prior to their implementation, the Italian authorities have respected their obligations under Article 108(3) TFEU (recital (21)(b)).

### 3.3. Compatibility of the aid

#### 3.3.1. *Criteria for assessing the compatibility of the measures*

- (66) Considering that the measures constitute State aid, the Commission must examine whether this aid is compatible with the internal market. Article 107(3), point (c) TFEU provides that aid to facilitate the development of certain economic activities may be considered to be compatible with the internal market where such aid does not adversely affect trading conditions to an extent contrary to the common interest.
- (67) In 2009, the Commission published the Employment Aid Communication, which aims at promoting employment and encouraging recruitment of targeted categories of workers who face difficulties finding employment, by providing aid in the form of subsidies to wage costs. Aid that meets the criteria of the Employment Aid Communication will be deemed compatible with Article 107(3), point (c) TFEU.
- (68) The Commission has assessed the measures on the basis of the criteria set out in the Employment Aid Communication and, where justified, directly under Article 107(3), point (c) TFEU.

#### 3.3.2. *Categories of workers*

- (69) The Employment Aid Communication applies to State aid in the form of wage subsidies for disadvantaged workers, severely disadvantaged workers and disabled workers within the meaning of the GBER. The term ‘disadvantaged worker’ is defined in Article 2(4) of the GBER. In particular, it considers as disadvantaged, ‘any person who:
- *has not been in regular paid employment for the previous 6 months; or*
  - *is between 15 and 24 years of age; or (...).’*
- (70) The Youth bonus is addressed to people up to 35 years of age, who have never been employed under an employment contract of indefinite duration. The definition of workers targeted by the Youth bonus thus differs from the definition of disadvantaged workers as set out in the GBER and applied by the Employment Aid Communication.
- (71) The Commission notes that the Youth Bonus contains two cumulative conditions: (i) one based on the age and (ii) one on the unemployment situation of the worker.
- (72) *First, regarding the age*, the Youth bonus is intended for a much wider age range than the GBER and the Employment Aid Communication, by including people in the age group from 25 to 35 years old. As a general remark, with regard to the age limit of the GBER, set at 24 years old, the Commission observes that since its adoption in 2014, the ‘NEET’ phenomenon (referring to young people ‘neither in employment, nor in education nor in training’) is extending to young people older



than 24 years old. Therefore, the EU employment policies targeting young people apply to people up to 29 years old <sup>(41)</sup>. In particular, the European Pillar of Social Rights Action Plan includes an objective to decrease the rate of NEETs from 12.6% in 2019 to 9 % by 2030 by improving their employment prospects <sup>(42)</sup>. In addition, the Commission notes that, according to Eurostat data for the EU in 2023, the average percentage of NEET was 11.2 %. Nine Member States recorded NEET rates above the EU average, among these, the highest rates were recorded in Greece, Italy and Romania, where 16 % or more of all young people aged 15–29 years were NEET <sup>(43)</sup>.

- (73) The Commission takes note of the data and explanations submitted by the Italian authorities as regards the demographic specificities of the young population in Italy, and the socioeconomic difficulties faced by this group in finding a long-term employment contract (Section 2.1.2). In particular, the Commission notes the exceptional circumstances of the labour situation for the people aged 30-34 (recitals (15) to (18)), and observes that these difficulties are even more pronounced in Mezzogiorno (recital (19)).
- (74) Thus, the Commission considers that there are exceptional circumstances in Italy, which are even more pronounced in Mezzogiorno, which justify setting the age limit of the Youth bonus to 35 years of age, to cater for people who are experiencing severe difficulties in finding stable and long-term employment.
- (75) Based on the above, the Commission considers that the age limit of up to 35 years old is relevant and appropriate to delineate a category of workers in need of employment support, against the background of the current employment situation in Italy and in Mezzogiorno. In any event, the Commission considers that the age limit provided under the Employment Aid Communication by reference to the GBER and to qualify young persons as disadvantaged workers, is outdated and therefore no longer in line with contemporary economic and social reality.
- (76) *Second, regarding the condition of unemployment situation*, the Youth bonus is targeted at people ‘who have never been employed under an employment contract of indefinite duration’, thus also differing from the criteria of the Employment Aid Communication referring to the GBER.
- (77) First, the Commission notes that the Italian authorities have submitted data and explained that it is particularly difficult, especially for young people, to be employed for indefinite duration, as employers have economic incentives to employ them on fixed-term or short-term basis (recital (18)). The Commission notes that with this condition, the Italian authorities intend to address the specific difficulty of young people in finding stable and long-term employment. Therefore, even though the age limit to benefit from the measure is set at 35 years, thus broadening the scope of the measure, this is counterbalanced by the

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<sup>(41)</sup> See: <https://ec.europa.eu/social/main.jsp?catId=1036>.

<sup>(42)</sup> See: <https://ec.europa.eu/social/main.jsp?catId=1607&langId=en>

<sup>(43)</sup> See: [https://ec-europa-eu.translate.google/eurostat/statistics-explained/index.php?title=Statistics\\_on\\_young\\_people\\_neither\\_in\\_employment\\_nor\\_in\\_education\\_or\\_training&x\\_tr\\_sl=en&x\\_tr\\_tl=fr&x\\_tr\\_hl=fr&x\\_tr\\_pto=sc#The\\_NEET\\_rate\\_within\\_the\\_EU\\_and\\_its\\_Member\\_States\\_in\\_2023](https://ec-europa-eu.translate.google/eurostat/statistics-explained/index.php?title=Statistics_on_young_people_neither_in_employment_nor_in_education_or_training&x_tr_sl=en&x_tr_tl=fr&x_tr_hl=fr&x_tr_pto=sc#The_NEET_rate_within_the_EU_and_its_Member_States_in_2023)

second condition, which means that the measure does not apply for all young people, but only those having difficulties integrating into the labour market on a stable and long-term basis.

- (78) Second, the Commission notes that by promoting stable and non-precarious labour conditions (through the mandatory use of contracts of indefinite duration), the scheme is in line with EU employment policies of ‘more and better’ jobs<sup>(44)</sup> that support better quality jobs (see also Section 3.3.3.2). In particular regarding its youth employment policies, the EU has noted the trend that ‘*a stable labour market integration is taking longer than before, with many job-to-job transitions and spells of precarious work*’<sup>(45)</sup>.
- (79) Third, the Commission notes that point 4 of the Employment Aid Communication lays down that ‘*the criteria set out in this guidance will not be applied mechanically. [...] The scope of the analysis will depend on the nature of the case.*’ The Commission considers that the 2009 Employment Aid Communication is not in line with contemporary economic and social reality, as it does not target the situation of recurring precarious contracts, but only targets the situation of unemployment. In this context, the Commission considers that it is appropriate to apply the Employment Aid Communication in a manner consistent with the contemporary economic and social reality and in line with the EU’s employment policies.
- (80) Therefore, even though the Youth bonus does not fall within the scope of the Employment Aid Communication, the Commission considers that this does not prevent the measure from being compatible with the internal market on the basis of Article 107(3), point (c) TFEU, in view of (i) the exceptional circumstances of the Italian labour market (Section 2.1.2), (ii) the fact that the Youth bonus is in line with EU employment policy objectives (recital (78)), and (iii) the fact that the Employment Aid Communication is outdated and should not be applied mechanically (recital (79)).
- (81) In light of the explanations and evidence provided by Italy, despite the divergence from the definition of ‘disadvantaged worker’, the measure nevertheless remains very closely aligned with the Employment Aid Communication in terms of its objective (i.e. to support employment by enhancing recruitment of specific categories of workers), in terms of its scope and its focus (i.e. targeting a specific category of workers which faces severe difficulties to obtain and secure long-term employment) and concerning the form of aid (i.e. subsidies to wage costs, granted to employers). When assessing the compatibility of the Youth bonus with Article 107(3), point (c), therefore, the Commission will thus follow as closely as possible the Employment Aid Communication and will apply it by analogy.
- (82) The Commission will apply the same approach to future comparable cases that present similar features as those described in recitals (72) to (79). In particular, considering the fact that the definition of ‘disadvantaged workers’ is outdated and

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(44) See: [https://employment-social-affairs.ec.europa.eu/policies-and-activities/european-pillar-social-rights-building-fairer-and-more-inclusive-european-union/european-pillar-social-rights-action-plan/more-and-better-jobs\\_en](https://employment-social-affairs.ec.europa.eu/policies-and-activities/european-pillar-social-rights-building-fairer-and-more-inclusive-european-union/european-pillar-social-rights-action-plan/more-and-better-jobs_en).

(45) See: <https://ec.europa.eu/social/main.jsp?catId=1036>.

does not reflect socio-economic reality, the Commission may initiate the process for replacing or withdrawing the Employment Aid Communication to reflect the approach taken in the present decision.

- (83) The Women Mezzogiorno bonus targets women residing in Mezzogiorno, who have not been in regular paid employment for the previous 6 months. This condition is in line with the definition of ‘disadvantaged worker’ under Article 2(4) of the GBER referred to in the Employment Aid Communication, and the Women Mezzogiorno bonus falls to be assessed under the Employment Aid Communication.

### 3.3.3. *Positive effects of the aid*

#### 3.3.3.1. Contribution to the development of an economic activity

- (84) Under Article 107(3), point (c) TFEU, the measure must contribute to the development of certain economic activities <sup>(46)</sup>.
- (85) The objective of the measures, as described in Section 2.1, is to incentivise the recruitment of specific workers under employment contracts of indefinite duration, thus creating new and stable jobs for young people and women and supporting their long-term integration in the labour market. As the employers benefiting from the notified measures carry out economic activities in all sectors of the economy (recital (26)) the economic activity concerned concerns multiple sectors.
- (86) By enhancing employment and incentivising the integration into the labour market of categories of workers who would otherwise not be employed, or not employed on a stable and long-term basis, the measures increase the active population employed on a stable basis and offer work in all sectors of the economy. As a result, the sectors concerned by the measures are likely to benefit from an increased employment rate and thus stronger economic activity. The measures therefore contribute to the development of the economic activity of the employers benefiting from them.

#### 3.3.3.2. Objective of common interest

- (87) The Commission notes that the measures will address an objective of common interest, namely employment, and in particular the integration in the labour market of categories of workers who would otherwise not be employed at all, or would be employed under precarious and unstable conditions (i.e. short-term or fixed-term contracts).
- (88) The TFEU identifies employment as one of its objectives. Article 9 of the TFEU states that when the Union defines and implements its policies, it shall take into account the requirements linked to a high level of employment, social protection, and the fight against social exclusion.

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<sup>(46)</sup> Judgment of 22 September 2020, *Austria v Commission*, C-594/18 P, EU:C:2020:742, paragraphs 20 and 24.

- (89) Point 1 of the Employment Aid Communication sets out that *‘the promotion of employment and social cohesion is a central aim of the economic and social policies of the Community and of its Member States. Unemployment and, in particular, structural unemployment, remains a significant problem in some parts of the Community, and certain categories of workers still encounter difficulties in entering the labour market. State aid in the form of subsidies to wage costs, [...] can provide additional incentives to undertakings to increase their levels of employment of disadvantaged and disabled workers’*.
- (90) Pursuant to point 7 of the Employment Aid Communication, in assessing whether a measure contributes to these employment objectives, the Commission shall take into account the number and categories of workers concerned by the measure; employment and unemployment rates of the categories of workers concerned by the measure on the national and/or regional level; as well as particularly marginalised sub-groups within the broader categories of disabled and disadvantaged workers.
- (91) The Commission notes that in order to tackle the employment situation in Italy and in particular in Mezzogiorno, the Italian Government has adopted the National Programme for Youth, Women and Work, which implements on national territory the specific objectives supported by the ESF+ referred to in Article 4(1)(a) of Regulation (EU) 2021/1057 of the European Parliament and of the Council<sup>(47)</sup> – thus also contributing to the strategic objective of *‘a more social and inclusive Europe through the implementation of the European Pillar of Social Rights’* referred to in Article 5(d) of Regulation (EU) 2021/1060 of the European Parliament and of the Council<sup>(48)</sup> and supporting active policy interventions aimed at improving the employment and employability of underprivileged groups. The Commission notes that the Youth bonus and the Women Mezzogiorno bonus introduced by the Cohesion Decree are in line with the National Programme for Young Women and Work, and are consistent with the provisions of the Partnership Agreement with the Italian Republic 2021-2027, approved by Commission Implementing Decision C(2022) 4787 of 15 July 2022.
- (92) The data submitted by the Italian authorities supports the conclusion that unemployment rates in Italy are higher than the EU average, in particular as regards young people below the age of 35 and women. The unemployment rates are even higher in Mezzogiorno. Conversely, employment rates are lower than EU average, throughout Italy and, even more so, in Mezzogiorno (Sections 2.1.1, 2.1.2 and 2.1.3).
- (93) The Italian authorities wish to take targeted action to decrease unemployment rates and to strengthen integration in the labour market on a stable and long-term

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<sup>(47)</sup> Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013, OJ L 231, 30.6.2021, page 21.

<sup>(48)</sup> Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy, OJ L 231, 30.6.2021, page 159.

basis for specific categories of workers, namely young people and women. The measures thus have been designed with the objective of supporting employment and increasing the active and stable participation of young people and women in the labour market. To tackle these findings, the measures are targeted at specific groups of young people and women, who face particular difficulties to obtain a stable position in the labour market. More specifically, the measures address the specific situations of two sub-groups of the young and female population: young people who have never been employed under an employment contract of indefinite duration and women who have not been in regular paid employment for the last six months and reside in Mezzogiorno (recital (30)(a) and (30)(b)). Thus, the measures are designed to support two specific categories of workers, who most need such support to obtain a stable, long-term position in the labour market.

- (94) The objective of the measures is also consistent with the Commission's assessment of the needs and appropriate remedies for the Italian labour market as expressed in the 2024 Country Report<sup>(49)</sup>, which emphasises that *'although labour market conditions continued to improve, participation rates are still low, especially among young people, women and southern residents.'* The Report confirms the low employment rates in Italy compared to EU average, in particular as regards young people and women. It underlines the significant regional disparities, by pointing out the even lower employment rates in Mezzogiorno. Finally, it calls for the implementation of planned priorities, with particular attention to *'reducing the number of young people neither in employment nor in education or training (NEET) through a more effective educational system and more targeted active labour market policies, particularly in the south'*.
- (95) Based on the above, the Commission concludes that the measures will address the objective of common interest, namely employment, and in particular the integration in the labour market of categories of workers who would otherwise not be employed at all, or would be employed under precarious and unstable conditions.

#### 3.3.3.3. Incentive effect

- (96) Italy expects that by providing employers with financial incentives, a significant number of new employment contracts of indefinite duration will be concluded (recital (52)). Benefitting from the measures will lead to a new employment relationship of indefinite duration and cannot be used primarily for the purpose of reducing labour costs by employers. Indeed, the Commission notes that, in line with point 10 of the Employment Aid Communication, the Italian authorities confirm that the granting of the aid is subject to the net increase in stable employment on the employer's side. The verification of this condition is carried out by the INPS based on changes in the number of employees detectable through mandatory communications that companies make when starting and terminating employment relationships to the Ministry of Labor (recital (49)).

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<sup>(49)</sup> See [https://economy-finance.ec.europa.eu/document/download/b276f45e-e9f4-4c8a-920c-c275e8133402\\_en?filename=SWD\\_2024\\_612\\_1\\_EN\\_Italy.pdf](https://economy-finance.ec.europa.eu/document/download/b276f45e-e9f4-4c8a-920c-c275e8133402_en?filename=SWD_2024_612_1_EN_Italy.pdf)

- (97) In addition, the risk of potentially misusing the measures to replace regular employment appears low, given that the measures contain an anti-abuse provision. According to this provision, the dismissal of a worker recruited under the measures without justified objective reasons or the dismissal of another worker employed with the same status in the same operational or production unit as the worker recruited under the measures, if carried out within six months of the aided recruitment, will entail the withdrawal of the benefit and recovery of the aid granted (Section 2.10.3).
- (98) The Commission also notes that, in line with point 11 of the Employment Aid Communication, the rules and conditions for the measures state that applications must be submitted before workers can be hired (Section 2.10.1).
- (99) The Commission is satisfied, therefore, that Italy has demonstrated that the measure will result in a change in the behaviour of employers and an increase in the number of young people and disadvantaged women workers being hired (on the basis of indefinite contracts) and that the safeguards foreseen by the measures will be sufficient to prevent misuse of the measure.
- (100) Therefore, the Commission concludes that the measures have an incentive effect.

#### 3.3.3.4. Compliance with other provisions of EU law

- (101) State aid which contravenes provisions or general principles of EU law cannot be declared compatible.
- (102) It does not result from the notification that the measures or the conditions attached to them, or the economic activities facilitated by the measures, could entail a violation of a relevant provision of Union law. In particular, the Commission has not sent a reasoned opinion to Italy on a possible infringement of Union law that would bear a relation to this case and the Commission has not received any complaints or information that might suggest that the measures, the conditions attached to them, or the economic activities facilitated by them might be contrary to relevant provisions of Union law. Based on the information in its possession, therefore, the Commission has no reason to believe that the measures do not comply with EU law.

#### 3.3.4. *Negative effects of the aid*

##### 3.3.4.1. Necessity of the aid

- (103) Under point 11 of the Employment Aid Communication, the Member States should demonstrate the necessity of the aid.
- (104) Even with the national measures taken by Italy to tackle the negative economic and social impacts of the COVID-19 outbreak and of the economic consequences from the Russian aggression against Ukraine, low employment rates and high unemployment rates for young people and women in Italy and in particular in Mezzogiorno persisted, as evidenced by the labour market statistics provided by Italy (sections 2.1.1 and 2.1.2).
- (105) Furthermore, despite Italian labour law already containing measures that discourage the repeated use of fixed-term contracts (recital (18)), young people

and women remain particularly affected by precarious and unstable employment situations (recitals (18) and (22)). This demonstrates that additional support measures are necessary to tackle the issue of low employment for young people and women.

- (106) The Commission therefore considers that the measures are necessary in order to provide incentives for employers to hire young people and women on a long-term basis.

#### 3.3.4.2. Appropriateness of the aid

- (107) Pursuant to point 8 and 9 of the Employment Aid Communication, State aid in the form of wage subsidies is not the only policy instrument available to Member States to encourage employment of disadvantaged workers, and the Member States have to demonstrate that the measures concerned are considered to constitute an appropriate instrument.
- (108) The Commission notes that the measures stimulate employment for young people in Italy and in particular in Mezzogiorno, as well as for unemployed women in Mezzogiorno.
- (109) The Commission recognises that the number of new indefinite contract positions expected to be created by virtue of the measures (recital (52)) will contribute to attaining the identified objective of facilitating the recruitment of young people; and women in Mezzogiorno. The measures are not only suitable to immediately integrate young people and unemployed women in Mezzogiorno into the labour market, but also to do so on a long-term and stable basis. As described in recitals (30) and (31), the new employment contracts incentivised by the measures will have an indefinite duration. The measures therefore aim at the long-term integration of young people and long-term unemployed women in Mezzogiorno into the Italian labour market. The measures will thereby enable workers to gain appropriate and sufficiently long on-the-job work experience. As explained in Section 2.10.2, the measures will also trigger positive economic externalities on local markets.
- (110) While the employer is relieved from part of its employment costs (social security contributions), where the target of employment measures is the hiring of vulnerable groups in the employment market, the actual object of the aid is rather to help the workers than the undertaking hiring them. The fact that numerous employers in the Italian labour market will be eligible to benefit from the measures, as they are open to all sectors, limits the distortive effects that the measures could have on competition. With regard to the potential higher amount of aid in Mezzogiorno (up to EUR 650 per month per employee), the Commission notes that to the extent that the Youth bonus and the Women bonus apply nationally, the distortion is less because, even if the maximum amount of the aid per worker is lower in northern areas of Italy (e.g. Milan), the difference is only the delta between the maximum amounts of the two aid measures.
- (111) The Commission therefore considers that the measures are appropriate to facilitate access of young people to the Italian labour market and unemployed women to the labour market in Mezzogiorno on a long-term basis.



### 3.3.4.3. Proportionality of the aid

- (112) According to point 13 of the Employment Aid Communication, the Member State must demonstrate that the amount of aid is kept to the minimum in order to achieve the objective of the aid. Member States should provide evidence that the aid amount does not exceed the net additional costs of employing the categories of workers concerned by the measure compared to the costs of employing workers who are not disadvantaged. In addition, the aid intensity for disadvantaged workers must not exceed 50% of the eligible costs.
- (113) First, the Commission notes that the aid granted by the measures is limited to the social security contributions payable by the employer (up to the maximum amounts of EUR 500 or 650, as applicable), which, according to the Italian authorities, amount to approximately 30% of the employer's total wage costs per month for each newly employed worker. Thus, in line with the Employment Aid Communication, the aid intensity of the measures remains well below the limit of 50%.
- (114) Second, the notified State aid scheme provides aid that is strictly limited to the social security contributions (with a maximum amount) that the employer would in any event have to pay to employ a worker. Therefore, the measures do not lead to overcompensation of an employer recruiting women or young workers under an employment contract of indefinite duration.
- (115) Finally, point 13 of the Employment Aid Communication sets out that eligible costs, to which aid intensities are to be applied, must be calculated in accordance with the relevant conditions of the GBER. Footnote 4 of the Employment Aid Communication provides that *'(f)or the employment of disadvantaged workers eligible costs are the wage costs over a maximum period of 12 months following recruitment'*. The Youth bonus and Women Mezzogiorno bonus comply with the applicable definition of wage costs, but differ in the definition of eligible costs, as the measures cover wage costs over a duration of 24 months, i.e. a longer period compared to that defined in the Employment Aid Communication and the GBER of 12 months. However, the Commission notes that point 4 of the Employment Aid Communication lays down that *'the criteria set out in this guidance will not be applied mechanically. [...] The scope of the analysis will depend on the nature of the case.'* Against this background, the Commission considers that the foreseen duration of support of 12 months should not be applied in this case, given the exceptional circumstances of the labour market in Italy and in Mezzogiorno <sup>(50)</sup>, for the reasons detailed hereinafter.
- (116) The Commission notes the explanations provided by the Italian authorities regarding the need to provide aid for a longer duration of 24 months (instead of 12 months as provided under the Employment Aid Communication) (recital (41)), in order to give a sufficient incentive to employers to hire workers under indefinite stable contracts, instead of short fixed-term contracts. The longer period of support would ensure that the measures attain their objective of creating long-term stable employment, in light of the specific and unfavourable

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<sup>(50)</sup> The Commission has already deviated from the Employment Aid Communication in similar cases: see Commission Decision of 16 May 2022, in case SA.100209 – Sweden – Entry jobs.

employment situation in Italy and in Mezzogiorno. Based on this data, the Commission considers that the definition of eligible costs and specifically in relation to the duration of support, as laid down in the Employment Aid Communication does not allow for flexibility to adapt the aid measures to the socioeconomic circumstances and policy objectives that underpin them.

- (117) The particularly unfavourable current employment situation for young people and women in Italy and in Mezzogiorno, as described by the Italian authorities, constitutes such a duly justified case, and thus justifies the deviation from the Employment Aid Communication. The Commission also notes that the longer period over which aid will be granted does not amount to a disproportionately high amount of aid to the beneficiaries, as it is counterbalanced by the following elements: i) the aid intensity calculated on a monthly wage basis remains very limited, to approximately 30 %, and still results in the benefitting employer bearing the majority of the wage costs (of approximately 70 %) for the recruited workers; ii) the amount of aid per worker is capped at EUR 500 or at EUR 650, therefore there are absolute maximum amounts which keep the amount of aid limited for all beneficiaries (and in fact, since the maximum amount of aid remains stable irrespective of actual wage costs, the higher the wage costs are, the lower the aid would be in proportion to the employer's wage costs); iii) the categories of workers targeted by the measures (i.e. young people up to 35 years of age, who have never been employed on an indefinite basis and women residing in Mezzogiorno who have not been in regular paid employment for the previous six months) remain circumscribed on the basis of the specific employment situation in Italy and in Mezzogiorno and, as such, the possibilities for employers to benefit from the measures remain in fact limited to these restricted categories of people.
- (118) The Commission will apply the same approach to future comparable cases that present the similar features as described in recitals (112) to (115). The Commission may initiate the process for replacing or withdrawing the Employment Aid Communication to reflect the approach taken in this decision.
- (119) For these reasons, the Commission considers that the aid provided under the measures is proportionate.

#### 3.3.4.4. Avoidance of distortion of competition

- (120) The measures, although open to all sectors of the economy, formally exclude public undertakings and domestic employment relationships from benefitting from them (recitals (27)) and, as such, they may carry some risk of distorting competition between undertakings. In addition, the amounts of aid are higher in Mezzogiorno compared to the rest of Italy.
- (121) In assessing such risks, the Commission notes that, although the measures indeed exclude public undertakings and domestic employment relationships from their scope, private employers active in all sectors of the economy still represent a significant part of the Italian economy and the eligibility scope of the measures remains broad. Furthermore, the Commission notes that the measures are limited in time (aid will be disbursed for 24 months, provided that the worker remains employed) and in quantity: the amount of aid corresponds to approximately 30 % of the employer's wage costs and is capped at EUR 500 or EUR 650 per month for each worker. Thus, the aid remains limited, as it represents only a part of the

employer's costs and does not overcompensate the benefitting employer for hiring young people and unemployed women.

- (122) The Commission also positively takes note of the anti-abuse provisions foreseen by the measures (Section 2.10.3), which constitute a safeguard against potential abuses and undue benefitting from the aid.
- (123) The Commission further notes that the measures aim at pursuing employment objectives for vulnerable people in the labour market, and in particular to enhance their employment rates and to incentivise the stable, long-term integration of young people and disadvantaged women in the labour market. Such objectives are in line with the Union's objectives (recitals (88), (91)). In addition, the measures are very similar to what would be block-exempted under the GBER<sup>(51)</sup> (recital (81)), thereby reflecting the Commission's experience of the type of measures that will typically not distort competition beyond what can be accepted from a common interest perspective. The Commission considers these as strong indications that the measure will not entail unacceptable risks of distortion of competition or effect on trade.
- (124) In light of the above, the Commission considers that the risk of undue competition distortions among undertakings through the measures is particularly limited, due to the objectives and design of the measures.

#### 3.3.5. *Weighing up the positive and negative effects of the aid*

- (125) In light of the above, the Commission considers that the significant positive effects of the scheme outweigh its negative effects on competition and trade. The Commission concludes, therefore, that the measure is compatible with the internal market pursuant to Article 107(3), point (c) TFEU.

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<sup>(51)</sup> For the Women Mezzogiorno Bonus, the difference is only the duration of 24 months of the measure. For the Youth bonus, the difference is only the broader age range of specific workers and the longer duration of the measure.

#### 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), point (c) of the Treaty on the Functioning of the European Union.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: <https://competition-cases.ec.europa.eu/search?caseInstrument=SA>.

Your request should be sent electronically to the following address:

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State Aid Greffe  
B-1049 Brussels  
[Stateaidgreffe@ec.europa.eu](mailto:Stateaidgreffe@ec.europa.eu)

Yours faithfully,

For the Commission

Teresa RIBERA  
Executive Vice-President