

## Monti Pulls a Thatcher

### *The Italian PM's labor market reform shows political courage.*

*Italian Prime Minister Mario Monti has walked away from negotiations with Italy's labor unions and announced that he is going to move ahead with reforming the country's notorious employment laws—with or without union consent. If Rome is spared the fate that recently befell Athens, mark this as the week the turnaround began.*

Italy's labor laws are some of the most restrictive in the Western world. The totemic Article 18 all but bans companies with more than 15 employees from involuntarily dismissing workers, regardless of the severance offered. Mr. Monti has proposed replacing this job-for-life scheme with a generous system of guaranteed severance when employees are dismissed for "economic reasons."

In most of the free world, this would count as a useful, albeit mild, reform. Among other weaknesses, the new law would not affect a worker's right to challenge his dismissal in court when fired for disciplinary reasons—an unreciprocated gift to the unions.

But standing up to Italy's labor unions takes courage, and not only of the political sort. Ten years ago this month economist Marco Biagi was gunned down by left-wing terrorists for his role in designing a previous attempt at labor reform. Mr. Monti's move has prompted calls for a general strike from CGIL, Italy's largest union confederation.





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Italian Prime Minister Mario Monti.

Since coming to power in November, Mr. Monti has passed some measures by emergency decree, bypassing parliament. On Friday, however, he announced that the labor-law changes would be voted through the National Assembly in the normal way.

This, too, is politically courageous. The center-left Democratic Party—an ally of the CGIL and one of the three main political blocs supporting Mr. Monti's grand coalition—has called the reform unacceptable. A split in the coalition could doom both the reform and Mr. Monti's government. The alternative is to pass the law over Democratic Party opposition, which would saddle Mr. Monti with former Prime Minister Silvio Berlusconi's base of right-of-center support.

That prospect probably doesn't thrill Mr. Monti. But holding a vote is also right. Italy's labor laws have been a fixture of economic life for decades. Successful—and lasting—reform won't be accomplished by decree, but by demonstrating that the changes enjoy a popular mandate.

Mr. Monti has three chief advantages over his recent predecessors. He remains popular in Italy. He also says he doesn't intend to run for re-election. This gives him a chance to maintain control over his reforms as they move toward a parliamentary vote.

More importantly, Mr. Monti—a former economics professor—has a rare opportunity to educate Italians on the consequences of opposing reform. This won't require sophisticated explanations of why employers will still employ people even when the law does not force them to do so. He can merely ask Italians to look across the Ionian Sea. If that doesn't scare them sober, then nothing will help.

Postwar Italian politics has chewed up more than a few would-be reformers while career politicians and union leaders enjoy the spoils of power. The difference with Mr. Monti is that he didn't take this job to be a

caretaker PM. If he means to make his current reform the first, not last, step in a more ambitious agenda for reviving Italian growth, he could make his one term in office a great one.

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