



Monthly Roundup

December 2025

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The main clarifications of practice and case law of the month.

1. *Service Contracts: for the Court of Milan, the application of NCBA that are less favourable than the leading bargaining agreement constitutes anti-union conduct;*
2. *Supreme Court: monetisation of vacation time in managerial employment relationships;*
3. *Budget Law 2026: the main changes in labour law.*

1. Service Contracts: for the Court of Milan, the application of national collective bargaining agreements that are less favourable than the leading bargaining agreement constitutes anti-union conduct

The Court of Milan, in a decree dated December 4, 2025, specified that, in service contracts, the application of an NCBA that provides for less favourable treatment than that of comparatively more representative organisations constitutes a violation of Article 29, paragraph 1-bis, of Legislative Decree 276/2003.

Such conduct also constitutes anti-union behaviour within the meaning of Article 28 of the Workers' Statute.

The new paragraph 1-bis of the above-mentioned Article 29, introduced by Decree Law 19/2024, not only establishes a remuneration parameter but also represents a constraint for the proper regulation of the labour market in the context of service contracts.

2. Supreme Court: monetisation of vacation time in executive employment relationships

In Order No. 32689 of December 15th, the Court ruled on the issue of monetisation of leave not taken at the end of employment by managers. The decision departs from the jurisprudential approach, under which managers, being able to determine their own periods of rest, lose their

right to compensation if they cannot demonstrate that their failure to take leave was due to the employer's needs.

The Court noted, first, that leave is an inalienable right of the employee and that the employer has the burden of proving that it has fulfilled its obligation to grant leave and has clearly informed the employee of the consequences of not taking it.

The right to the corresponding substitute allowance is lost only if the employer proves that they invited the employee to take the leave and that the employee declined.

3. Budget Law 2026: the main changes in labour law

The Budget Law 2026 (Law 199/2025), published in the Official Gazette no. 301 on December 30th, 2025, introduced the following changes in the field of labour law:

- Preferential taxation, at a rate of 5%, for **salary increases** paid to private sector employees in 2026, in implementation of collective labour contract renewals in the years 2024-2026.
- Reduction of the substitute tax rate to 1%, up to a total amount of EUR 5,000, for **performance bonuses**.
- Tax exemption of 15% on **contractual increases** for sums paid up to an annual limit of EUR 1,500 to employees as compensation

- for night work, work on public holidays and rest days, and shift work.
- Employers who hire mothers of at least three children under the age of 18 who have not had regular paid employment for at least six months are **exempt from paying social security contributions at a rate of 100%**, up to a maximum of EUR 8,000 per year.
- Employees with at least three children living with them, until the youngest child reaches the age of ten, or without age limits in the case of children with disabilities, are given **priority in the conversion of their employment contract from full-time to part-time**.
- Extension of **parental leave** from 12 to 14 years of age of the child or 14 years from entry into the family in the case of adoption or foster care.
- **Leave for sick children** increased from five to ten working days per year.
- Possibility of **extending the employment contract of fixed-term employees**, including temporary agency workers, to replace workers on maternity or parental leave, for a further period not exceeding the child's first year of age.
- For **working mothers with two children**, employees or self-employed workers registered with compulsory social security schemes, including professional pension funds, with an income from work not exceeding €40,000 per year, are entitled to a sum, not subject to tax or social security contributions, of EUR 60 per month for each month or fraction of a month of employment or self-employment.
- The partial contribution exemption for working mothers with two or more children provided for in the 2025 Budget Law has been postponed to 2027.

The main updates on Labour Law of December 2025

Differences in contributions between European agricultural workers employed on a fixed-term and permanent basis, the Court of Justice of the European Union

In its judgment dated May 8th, 2025, the Court of Justice of the EU ruled that a national provision allowing different treatment (without objective justification) between agricultural workers employed on a fixed-term basis and those employed on a permanent basis regarding their remuneration and social security contributions is contrary to European provisions (more specifically, clause 4(1) of the framework agreement on fixed-term contracts of March 18th, 1999, annexed to Directive 1999/70/EC).

[→ Read more](#)

HR Tip #12 Performance Improvement Plan

The 'PIP' (**Performance Improvement Plan**) is an instrument employers use to monitor the performance of employees who, according to company standards, are not performing adequately. The **objective** of the PIP is to improve the employee's work performance through a detailed analysis of the areas for performance intervention and the corporate support tools made available to the employee for this purpose.

More specifically, in the document given to the employee, the employer outlines the **activities** to be improved, the **objectives** to be achieved, and the related **timelines**, also specifying the **evaluation parameters**.

At the end of the PIP, if the performance evaluation is not considered sufficient in relation to company standards and in line with that of colleagues performing the same job, the employer may initiate disciplinary proceedings that, in the most serious cases, may also result in **dismissal**.

For further information and insights

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