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FONTE: <http://www.reuters.com/article/2015/06/24/italy-budget-court-idU5L8NOZA34T20150624>

# UPDATE 1-Italy's top court says public wage freeze illegitimate

(Updates after official ruling)

(Reuters) - Italy's constitutional ruled on Wednesday that a freeze on public-sector wages in place since 2010 is illegitimate but the effects of its decision should not be retroactive, a relief for Matteo Renzi's government.

The court's decision would have been a major blow for Italy's strained public finances if it had ruled the government had to reimburse state workers for the years when their salaries were frozen.

As it is, the government will now have to lift the salary cap for around 3.5 million workers in its 2016 budget. Trade unions will be expected to fight for significant wage increases to make up for their lost purchasing power.

"Now the government has no excuses - it must immediately open negotiations to renew public contracts," said the FLP union, which appealed to the court against the salary block.

The wage freeze was introduced by Silvio Berlusconi's centre-right government in 2010 and maintained by three successive governments as the euro zone's third-largest economy fought to keep its finances under control.

Italy's public debt of more than 130 percent of national output is second only to Greece's in the euro zone. Rome is struggling to hold its annual budget deficit inside the European Union's limit of 3 percent of gross domestic product.

Legal appeals have become a significant obstacle to government deficit-curbing measures. In April, the constitutional court overturned another deficit-cutting measure which had blocked inflation adjustments for pensions above 1,500 euros per month, forcing the government to adjust its budget.

That ruling had a potential cost of around 17 billion euros for state coffers, but the government said it could only afford to fully reimburse the highest pensions at a much lower cost of 2.2 billion euros. It still faces the risk of numerous appeals from pensioners excluded from the reimbursements.

Earlier on Wednesday, an administrative court said legal doubts existed over government cuts in subsidies for solar power producers. It asked the constitutional court to rule on the matter, in another potentially costly verdict.

Italy is aiming to cut its budget deficit to 2.6 percent of GDP this year. The shortfall has hovered around the EU's 3 percent limit for the last three years. (Reporting by [Valentina Consiglio](#), writing by Gavin Jones, editing by Larry King)