

Austria

Severance pay/redundancy compensation

Phase	Federal Act on Corporate Staff and Self-Employment Provision (BMSG)
Native name	Betriebliches Mitarbeiter- und Selbständigenvorsorgegesetz (BMSG)
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

6, 14, 15, 17

Description

Every private sector employee (with an employment contract extending to over one month) is entitled to severance pay upon termination of the employment relationship.

Provided that the employment relationship lasts longer than one month, from the first day of the employment relationship the employer is obliged to pay a contribution amounting to 1.53% of the monthly pay into an employee provision fund (Mitarbeitervorsorgekasse). No contributions must be paid for the first month, however (§ 6). The fund has to be selected in due time on the basis of a company agreement, that is between the employer and the works council. If there is no works council in the company, the employer has to select a fund and inform all staff members in writing within one week. If at least one third of the employees reject the chosen fund within two weeks, the employer has to suggest an alternative. Upon request of the workers concerned, an employees' organisation has to be consulted. If still no agreement can be established within two weeks after involving the employees' organisation, an arbitration board will decide upon the fund.

Upon termination of the employment contract, the worker is entitled to severance payment from the fund, unless (§ 14):

- the termination came into effect on demand of the worker;
- the termination came into effect by the employer because of wrongful behaviour of the worker;
- contributions have been paid into the fund for less than three years.

If the worker wants to draw on the payment, s/he has to inform the fund in writing within six months following the termination of the employment contract. The amount of severance payment is calculated based on the accumulated contributions by the end of the month when the entitlement becomes due.

The worker can also opt for leaving the money in the fund for later use. In the latter case, contribution periods of different employers will be aggregated. The same holds true for cases of resignation by the employee, as well as for employees in short-term employment (less than three years).

This provision applies to anybody who started an employment relationship in the private sector after 1 January 2003. The provision was further extended to freelancers (Freie DienstnehmerInnen) as of 1 January 2008.

Commentary

Social plans may also contain special severance pay agreements.

In 2019 there were 8 employee provision funds to choose from a list of funds. For the last 15 years, the fund assets have been in continuous growth. In 2018 the overall fund capital was nearly 10 times bigger than in 2008.

Additional metadata

Cost covered by	Companies
Involved actors other than national government	Trade union Works council Other
Involvement (others)	Specialised funds (Mitarbeitervorsorgekassen), arbitration board

Thresholds

Affected employees: No, applicable in all circumstances

Company size: No, applicable in all circumstances

Additional information: No, applicable in all circumstances

Sources**Citation**

Eurofound (2015), Austria: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Belgium

Severance pay/redundancy compensation

Phase	Act of 13 February 1998 measures to promote employment
Native name	Loi du 13 février 1998 portant des dispositions en faveur de l'emploi /13 februari 1998 Wet houdende bepalingen tot bevordering van de tewerkstelling
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

62-70

Description

In case of individual redundancy:

Both the employer and the dismissed worker have to choose between the notice period during which the employment contract is still running and the severance pay by stopping the contract immediately. In the later case, the severance pay is equivalent to the wage and benefits multiplied by the duration of the notice period that should have been notified.

In case of collective dismissals:

In addition to the unemployment benefits, workers affected by the collective dismissal are entitled to a special severance pay. The amount of this allowance is equal to half the difference between the net wage and the amount of the unemployment benefits the worker receives. The maximum gross salary value used for this calculation amounts to €3,144.66.

The employee is entitled to four months of severance pay, starting the day after his/her working agreement or after his/her notice period ended.

Certain categories of workers are excluded, such as those in the construction sector, and port and ship workers.

For the purpose of calculating the special indemnity, the law considers that the collective dismissal is deemed to occur if during any given 60 day period, a notice of termination is given to:

- six or more employees in an enterprise employing between 20 and 59 people; and
- 10% or more of the workforce in an enterprise employing 60 people or more.

In case of fixed-term contracts:

There is no severance pay during the trial period.

After the trial period, the severance pay is equivalent to the amount of salary that was due until the end of the contract. Nevertheless, this amount may not exceed twice the wage corresponding to the duration of the notice period that would have been calculated in the case of a permanent contract.

Commentary

There is the possibility to extend this obligation to companies with at least five workers through collective agreement.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	Public employment service
Involvement (others)	None
Thresholds	Affected employees: 6 Company size: 20 Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Belgium: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Bulgaria

Severance pay/redundancy compensation

Phase	Labour Code
Native name	Кодекс на труда
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Article 222

Description

While there is no general provision on statutory severance pay in place, workers are entitled to redundancy pay equal to one month's salary in the case of individual or collective dismissal on economic grounds. With a decision of the Council of Ministers, or on the basis of collective labour agreements or employment contracts, compensations for a longer period could be defined. If within this period the employee started the work with lower salary, he/she is entitled to receive the difference in remuneration for the affected time period.

Commentary

The cases where such redundancy compensation must be paid are:

- dismissal due to closure of the company or part of it,
- staff cuts,
- reducing the workload,
- work stoppage for more than 15 working days,
- failure of an employee to follow the company or its division in which he worked when the facility moved to another area or locality,

- or when the position occupied by the employee should be released to restore an illegally fired employee who had previously occupied the same position.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	National government
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Bulgaria: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Croatia

Severance pay/redundancy compensation

Phase	Labour Act 93/2014, 127/17, 98/19 and 151/22; The Book of Rule on the Law on Personal Income Tax 10/17, 128/17, 106/18, 1/19, 80/19, 1/20, 74/20, 1/21, 102/22, 104/22, 112/22, 156/22, 1/23, 3/23, 56/23
Native name	Zakon o radu 93/2014, 127/17, 98/19 and 151/22; Pravilnik o porezu na dohodak 10/17, 128/17, 106/18, 1/19, 80/19, 1/20, 74/20, 1/21, 102/22, 104/22, 112/22, 156/22, 1/23, 3/23, 56/23
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Labour Act: Article 126, 137; The Book of Rule on the Law on Personal Income Tax: Article 7

Description

According to the Labour Act, Article 126, severance pay is the amount of money paid by the employer to a worker who was dismissed after two years of continuous work as a means of securing income and mitigating the adverse consequences of the dismissal. Severance pay shall not be obtained by a worker who was dismissed due to his or her misconduct and by a worker who at the time of dismissal is at least 65 years old and has 15 years of pensionable service.

An employee whose employment contract is terminated after two or more years of continuous service has the right to severance pay, unless the notice is due to the employee's misconduct, in which case no right to severance pay holds. Under the provisions of the Labor act, in the event of a business transfer, the years of service with the previous employer are added to the transferred employment contracts, which are considered to be continuing contracts from the previous employment.

The severance pay amount is determined by the length of service. The minimum severance pay amount for each year of service is one-third of the average monthly salary earned by the employee in the three months prior to the termination of the employment contract. Unless otherwise specified by law, collective agreements, employment regulations or employment contracts, the total severance pay amount may not exceed six times the average monthly salary earned in the three months prior to the termination of the employment contract (Article 126, Paragraph 4).

In accordance with the Book of Rule on the Law on Personal Income Tax, severance pay due to business reasons is exempt from taxation up to the amount of EUR 821.71 for each year of service with the same employer. Severance pay due to injury or occupational illness is exempt from taxation up to the amount of EUR 1,061.78 for each year of service with the same employer. In this case, the payment of the amount is above the non-taxable part, this part of severance payment is considered the worker's salary. Therefore, social insurance contributions as well as income tax and surtax should be paid on that sum.

Commentary

This is a general regulation, not specific to collective dismissals.

An employee who has two years of continuous service with the same employer (and is not being dismissed due to an intentional breach of contractual obligation) is entitled to a severance payment. The statutory minimum severance payment is calculated by multiplying one-third of the average monthly salary paid during last three months of employment by the number of years of continuous service with that employer. The severance payment is capped at six times the average monthly salary, unless otherwise provided for by law, by-law, collective agreement or work contract.

Rožman (2023) explains that in practice earlier the agreement on the termination of the employment contract at the proposal of the employers was a fairly common case. However, at first glance it seems unlikely that the worker will accept the employer's proposal for the mutual termination of the employment contract if, because as a result, he or she is left without a job, which means without a livelihood. However, in practice, it was mostly about agreements with the so-called incentivised severance pay in such a way that employers offered high severance pay if the workers accepted the agreement. This was mostly done in cases where there was a surplus of workers and therefore the expectation of business-related layoffs, and through the agreement the employer avoided the layoff procedure. In that way, the employer resolves the possibility of losing the dispute in case of a lawsuit by the workers. On the other hand, the worker received a higher amount of money than he or she would have received if there had been a dismissal. In the meantime, as the situation on the labour market has changed, such agreements with incentive

severance pay have become rare.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	National government
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Croatia: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Cyprus

Severance pay/redundancy compensation

Phase	Termination of employment law 1967 (law 24/1967)
Native name	N. 24/1967 - Ο περί Τερματισμού Απασχολήσεως Νόμος του 1967
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Article 16 and chart IV

Description

The termination of employment law 24/1967 introduces the obligation for compensation to redundant employees who have a continuous service of at least 104 weeks. Redundancy compensation to employees is covered by the redundancy fund which is entirely financed by employers' contributions (1.2% on employees' gross earnings). The redundancy fund covers both individual and collective redundancies.

Compensation to redundant employees is calculated on the basis of the employee's length of service, as described in chart IV attached to the law:

- for up to 4 years of service, severance pay is two weeks for every 52 weeks of continuous employment;
- 5–10 years of service, two and a half weeks for every 52 weeks of continuous employment;
- 11–15 years of service, three weeks for every 52 weeks of continuous employment;
- 16–20 years of service, three and a half weeks for every 52 weeks of continuous employment;
- 21–25 years of service, four weeks for every 52 weeks of continuous employment.

The redundancy fund has upper thresholds for compensation payable to redundant employees. In 2023, the upper threshold is €58,125.94.

Commentary

Compensation above the statutory provision is possible as a result of an agreement between employers and employees. This is, however, not a legally binding procedure.

In the industrial sector, collective agreements do not foresee higher compensations than those provided for by law. Nevertheless, after negotiations between trade unions and employers, the sums paid out in cases of dismissals are usually higher. The same applies to the tourism sector. In the construction sector, however, the collective agreements of certain companies provide for the payment of higher compensation. Similar provisions also exist in the collective agreements of large companies in the mining and cement industries. The Cyprus Employers and Industrialists Federation (OEB) finds the contribution rate of 1.2% of the employee's earning too high and postulate that the rate should be reduced to 0.6%. This view is also reflected in the [Annual Report 2019 of OEB](#) (see page 45).

In 2022, there was an increase in the number of applications, with the fund receiving 3,012 applications and making redundancy payments totaling to €30,442,654 for 2,529 approved applications, compared to 2021 when the fund received 2,862 applications and made redundancy payments totaling to €22,913,577 for 2,220 approved applications. In 2020, during the onset of the pandemic in Cyprus, the fund received 3,222 applications and made redundancy payments totaling to €17,976,662 for 1,681 approved applications. In 2019, the fund received 2,729 applications and made redundancy payments totaling to €20,085,526 for 1,994 approved applications. In 2018, the redundancy fund approved 1,930 applications and made payments of €17,456,669, while in 2017 it approved 2,583 applications and made redundancy payments amounting to €28,149,640. In 2016, the fund approved 4,558 applications and made payments of €42,723,961. In 2015 due to the stabilisation of the labour market, the fund approved 5,411 applications and made payments amounting to €57,618,645 to redundant employees. In 2014, the fund approved 10,705 applications and made redundancy payments amounting to €99,778,643.

Generally, the effectiveness of the fund is recognised by social partners and public sector executives. Due to the increased redundancies in the course of the Great Recession, the fund provides income support to thousands of redundant employees. In 2013, the applications for redundancy payments raised to 13,592 and the fund made payments amounting to €90,679,678, while in 2007 the fund received only 2,972 applications and made redundancy payments of €26.919 million, corresponding to 2,740 approved applications.

One of the advantages of the redundancy fund is the accumulation of financial reserves in a period of high economic growth (high income and low payments due to low redundancies). During the recession, financial reserves were declining. While until 2012 the financial reserves of the fund had a growing trend, from 2013 they started to decline. At the end of 2012, the reserves amounted to €396.1 million and at the end of 2013 to €368.9 million. At the end of 2014, the redundancy fund has recorded a further reduction of its reserves to €329 million, while at the end of 2015 - in line with the labour market performance - the reserves increased to €339 million. The reserves of the fund continued to increase from 2016 to 2019, reaching at the 31 December 2019 an all time record of €507.3 million. At the end of 2021, the reserves had reached €626.1 million, compared to €565.1 million in 2020.

On the demand of trade unions, the Ministry of Labour, Welfare and Social Insurance in 2012 has entered into consultations with the country's social partners with the view to revise some provisions of chart IV. More specifically, the revision aimed at increasing the maximum length of service for which compensation is payable by the redundancy fund from 25 to 30 years, as well as at increasing the number of weeks and the maximum weekly compensation payable by the fund. However, increasing pressure on the fund during the economic and financial crisis has led to the suspension of the consultations.

Additional metadata

Cost covered by	Companies
Involved actors other than national government	Employer organisation Trade union Other
Involvement (others)	Redundancy Fund
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Cyprus: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Czechia

Severance pay/redundancy compensation

Phase	Law No. 262/2006 Coll., Labour Code
Native name	Zákon č. 262/2006 Sb., Zákoník práce
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

67

Description

An employee whose employment relationship is terminated by notice given by an employer due to reorganisation or by agreement for the same reason is entitled to receive severance pay. The severance pay amounts to one month's payment for termination of employment in the first year, two months for the second year and three months for those who have worked more than two years for the employer.

For the purpose of paying the severance pay to the employee concerned, average monthly earnings are considered as average earnings.

This regulation applies to collective dismissals of employees as well as to individual dismissals and is commonly applicable both for full-time and part-time contracts, for permanent and fixed-term contracts.

Commentary

According to the 'Information on working conditions' survey, in 2018 higher severance pay was agreed than stipulated in legislation in 429 (32.8%) company-level collective agreements (CLCA) for employment contracts of up to 1 year, 440 (33.6%) CLCAs for employment contracts of up to 2 years and 679 (51.9%) CLCAs for employment contracts

of more than two years of a total of 1,309 CLCAs monitored in the private sector. In the case of organisations operating in the public services and administration sector, higher severance pay was agreed in 38 (9.6%), 39 (9.8%) and 64 (16.2%) CLCAs (same employment contract durations as above) of a total of 396 such agreements monitored in the public sector. The above figures do not differ significantly from year to year.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	Trade union
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Czechia: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Denmark

Severance pay/redundancy compensation

Phase	The Danish Act on the legal Relationship between Employers and Salaried Employees (Consolidation Act LBK LBK no 1002 af 24/08/2017)
Native name	Bekendtgørelse af lov om retsforholdet mellem arbejdsgivere og funktionærer (LBK LBK nr 1002 af 24/08/2017)
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Article 2

Description

Dismissed employees are entitled to notice pay.

For salaried workers this is the following (for non-salaried workers this is regulated in collective agreements):

- one month notice pay for service of up to five months;
- three months for service of five months to two years and nine months;
- four months for service of two years and nine months to five years and eight months;
- five months for service of just over five years and eight months to eight years and seven months;
- six months for longer service than eight years and seven months.

In addition, for service of 12, 15, 18 years employees are entitled to redundancy pay under Section 2a of the Salaried Employees Act (one, two and three months' salary respectively).

These are valid for individual as well as collective dismissals; there is no general legal entitlement to anything more than is provided for in an individual dismissal unless envisaged by a collective agreement or social plan.

Commentary

In addition, employees may be entitled to contractual redundancy pay under their contracts or under a collective agreement.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	National government
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Denmark: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Estonia

Severance pay/redundancy compensation

Phase	Employment contracts act; Unemployment insurance act
Native name	Töölepingu seadus; Töötuskindlustuse seadus
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Employment contracts act: 97, 100, 139; Unemployment insurance act: 14.1, 14.2

Description

In cases of termination of the employment contract due to redundancy, the employer must pay compensation in the amount of one month's average wage of the employee calculated on the basis of the previous six months' wage.

In case the cancellation of an fixed-term contract due to redundancy, the employer must pay compensation to the extent that corresponds to the wage that the employee would have been entitled to until the expiry of the contract term. No compensation shall be paid if the employment contract is cancelled due to force majeure.

If an employee cancels their employment contract extraordinarily for the reason that the employer is in fundamental breach of the contract, the employer must pay the employee compensation to the extent of three months' average wages of the employee. This compensation is not subject to the provisions of Chapter 7 of the Law of Obligations Act. The court or labour dispute committee may change the amount of compensation considering the circumstances of the cancellation of the employment contract. The amount of compensation may not be reduced by benefits and allowances paid to the person by the state.

If an employer gives advance notice of cancellation later than provided by law or a collective agreement, the employee has the right to receive compensation to the extent to

which he or she would have been entitled to upon adhering to the term for advance notice.

If the employer wishes to terminate the employment contract with immediate effect, the employer may choose to remunerate the advance notice period in money. This will be calculated based on the average working day salary of the employee for every working day that advance notice of cancellation of the employment contract was given less.

Those employed with the same employer from 5 to 10 years are entitled to an additional one month's salary from the unemployment insurance fund ([Töötukassa](#)). For persons who have been working for the same employer 10 or more years, two months' salary is added by the fund.

These provisions apply to individual as well as collective dismissal cases.

Commentary

According to the employment contract act survey (Masso et al, 2013), 82%-92% of those who were made redundant estimated that compensation were paid according to their rights.

These benefits are relatively high and provide a good income for those who have lost their jobs through redundancy. For example, the average gross salary reached €1,316 in 2019 and €1,379 in 2020, while the average redundancy benefit reached €2,030 in 2019 and 2020.

In 2020, 12,411 individuals received redundancy compensation, and the number was 7,177 in 2019. In 2018, 5,331 individuals received the benefit, whereas the number of beneficiaries in 2017 was 4,798. It is evident that the number of benefit recipients has greatly increased during the COVID-19 pandemic.

In 2023, 6,133 individuals received redundancy compensation, whereas in 2022 the total number of recipients was 6,564, and in 2021, the number of individuals was 6,087.

Additional metadata

Cost covered by Employer National government

Involved actors other than national government Public employment service

Involvement (others) None

Thresholds Affected employees: No, applicable in all circumstances
Company size: No, applicable in all circumstances
Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Estonia: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Finland

Severance pay/redundancy compensation

Phase	Decree on State Officials' Severance Pay (999/1994)
Native name	Valtion virkamiesten eroraha-asetus (999/1994)
Type	Severance pay/redundancy compensation
Added to database	14 July 2015
Access online	Click here to access online

Article

Sec. 1-3

Description

State officials can be entitled to severance pay when dismissed, or if resigning after at least 150 days since the start of an indefinite lay-off. Severance pay will then be applicable if a job centre has not been able to find work or training for the employee within one month following the dismissal or resignation. The employee must be between 45 and 64 years of age and must not be entitled to any kind of pension. In order to qualify for the severance pay, the employee must further have been employed by the state for a minimum of five contiguous years prior to the dismissal, with an average weekly working time of at least 16 hours.

Severance pay is not formally regulated for any other types of employers or contracts.

Commentary

No information available.

Additional metadata

Cost covered by	Employer National government
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Involved actors other than national government	Public employment service
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Finland: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

France

Severance pay/redundancy compensation

Phase	Labour code
Native name	Code du travail
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

L.1234-9, R. 1234-1 to R. 1234-5, L.3123-5

Description

Employees with eight months of seniority or more for the same employer on an open-ended contract are legally entitled to severance compensation in case of dismissal on economic grounds or for personal reasons. However, employees are not eligible for severance compensation in case of dismissal for misconduct or negligence.

Even though regulated, the law only establishes a minimum threshold for severance payments. The latter are calculated upon the gross monthly salary of the employee before the termination of the employment contract. Accordingly, they cannot be lower than the following amounts:

- 25% of the gross monthly salary times years of seniority, for employees with up to 10 years of seniority;
- 33.33% of the gross monthly salary times years of seniority, for employees with 11 years of seniority or more.

The gross monthly salary of reference for the calculation above corresponds to the most advantageous formula for the employee between the following:

- The monthly average of the 12 months prior to the termination of the contract or the monthly average of all months prior to the termination, if the length of service is less

than 12 months;

- A third of the monthly salary for the three months prior to the termination of the contract.

In the last case, any annual or exceptional bonus paid to the employee needs to be considered only up to an amount calculated in proportion to the period for which the bonus is paid. Moreover, the severance payment is calculated in proportion to the length of time the employee worked full-time and part-time.

Severance compensation is not cumulative with any other indemnity of the same nature.

Commentary

The entitlement to severance pay is limited to employees on an open-ended contract. Thus, employees under a fixed-term contract do not benefit from it, but they can receive an allowance for precariousness at the end of the contract period.

Before 2017, employees were entitled to severance compensation only if they had accumulated 12 months of seniority for the same employer on an open-ended contract. Amendments to the labour code lowered the threshold to eight months of seniority and revalued the amount of statutory severance payments from 20% to 25% of the gross monthly salary per year of seniority for employees with up to 10 years of seniority. These changes apply to dismissals notified from 23 September 2017. Generally, collective agreements and/or employment contracts provide for severance payments above the minimum legal threshold. Additional compensation (above the legal entitlement to severance pay) might also be negotiated with the employer.

Severance compensation is a distinct concept from labour compensation for unfair dismissal. The first is due to any employee on open-ended contracts who was dismissed on economic grounds or for personal reasons (negligence and misconduct do not qualify), whereas the second is due in the event of an unfair dismissal. On one hand, severance compensation is paid upon the gross monthly salary of reference and the years of seniority before the termination of the contract. On the other hand, labour compensation for unfair dismissal is paid after a judge from the labour court recognises damages to the employee for the unfair dismissal.

Additional metadata

Cost covered by Employer

Involved actors other than national government	National government
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), France: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Germany

Severance pay/redundancy compensation

Phase	Employment Protection Act; Works Constitution Act
Native name	Kündigungsschutzgesetz; Betriebsverfassungsgesetz
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

1a (Employment Protection Act); 112,113 (Works Constitution Act)

Description

Under the Employment Protection Act, an individual employee on permanent contract is entitled to severance pay if the employer indicates in the notice of dismissal that the dismissal is based on operational grounds and offers compensation or if the worker does not file a complaint against the dismissal within three weeks time.

In this case, severance payments of half a month's wage for each year of the employment relationship can be filed. The maximum payment stipulated by law equals to 12 months' salary. This rises to 15 months' salary for employees aged 50 or older, with at least 15 years of continuous service, and to 18 months' salary for employees aged at least 55 and with at least 20 years of continuous service.

There is legal entitlement to severance pay for an employee in the case of a collective dismissal if a works council is in place. Under the Works Council Constitution, in case of collective dismissals due to operational grounds, the employer and the works council negotiate a social plan that includes redundancy compensation.

In case the employer does not comply to the social plan, the worker may turn to the labour court for severance pay.

Commentary

For availing of unemployment benefits, the mutual termination agreement (Aufhebungsvertrag) must contain a clause indicating that the worker would have been dismissed if they had not agreed to the severance pay.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	Works council Court
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Germany: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Greece

Severance pay/redundancy compensation

Phase

-Law 4808/2021 (Official Government Gazette A' 101/19.06.2021), "For Labour Protection - Establishment of an Independent Authority 'Labour Inspection' - Ratification of Convention 190 of the International Labour Organization on the Elimination of Violence and Harassment in the World of Work - Ratification of Convention 187 of the International Labour Organization on the Framework for the Promotion of Safety and Health at Work - Incorporation of Directive (EU) 2019/1158 of the European Parliament and of the Council of 20 June 2019 on the balance between professional and private life, other provisions of the Ministry of Labour and Social Affairs and other urgent regulations", as amended by Law 5053/2023 (Official Government Gazette A' 158/26.09.2023), "To strengthen work - Integration of Directive (EU) 2019/1152 of the European Parliament and of the Council of 20 June 2019 - Simplification of digital processes and strengthening of the Work Card - Upgrading the operational function of the Ministry of Labour and Social Security and the Labour Inspectorate" -Law 4611/2019: Settlement of debts to social security institutions, the tax administration, and first-level local authorities, pension Regulations for civil servants, and other insurance and pension provisions, strengthening the employees' protection and other provisions (OJHR A-73/17.05.2019 and A-75/22-05-2019); Law 4488/2017: Pension regulations for civil servants, and other insurance provisions, strengthening the employees' protection, rights of persons with disabilities, and other provisions (Law No. 3863/2010 on social security, July 2010 (Government Gazette, Bulletin A 115/15.07.2010), as last amended by Law 4488/2017 of 13 September 2017; Law 4093/2012: Adoption of the medium-term fiscal Strategy 2013-2016 - Urgent measures for the implementation of Law 4046/2012 and the medium-term financial strategy 2013-2016

Native name	<p>-Νόμος 4808/2021 (ΦΕΚ Α' 101/19.06.2021), "Για την Προστασία της Εργασίας - Σύσταση Ανεξάρτητης Αρχής «Επιθεώρηση Εργασίας» - Κύρωση της Σύμβασης 190 της Διεθνούς Οργάνωσης Εργασίας για την εξάλειψη της βίας και παρενόχλησης στον κόσμο της εργασίας - Κύρωση της Σύμβασης 187 της Διεθνούς Οργάνωσης Εργασίας για το Πλαίσιο Προώθησης της Ασφάλειας και της Υγείας στην Εργασία - Ενσωμάτωση της Οδηγίας (ΕΕ) 2019/1158 του Ευρωπαϊκού Κοινοβουλίου και του Συμβουλίου της 20ής Ιουνίου 2019 για την ισορροπία μεταξύ της επαγγελματικής και της ιδιωτικής ζωής, άλλες διατάξεις του Υπουργείου Εργασίας και Κοινωνικών Υποθέσεων και λοιπές επείγουσες ρυθμίσεις", όπως τροποποιήθηκε από το Νόμο 5053/2023 (ΦΕΚ Α' 158.09.2023), "Για την ενίσχυση της εργασίας - Ενσωμάτωση της Οδηγίας (ΕΕ) 2019/1152 του Ευρωπαϊκού Κοινοβουλίου και του Συμβουλίου της 20ής Ιουνίου 2019 - Απλοποίηση ψηφιακών διαδικασιών και ενίσχυση της Κάρτας Εργασίας - Αναβάθμιση της επιχειρησιακής λειτουργίας του Υπουργείου Εργασίας και Κοινωνικής Ασφάλισης και της Επιθεώρησης Εργασίας" -Νόμος 4611/2019: Ρύθμιση οφειλών προς τους Φορείς Κοινωνικής Ασφάλισης, τη Φορολογική Διοίκηση και τους Ο.Τ.Α. α' βαθμού, Συνταξιοδοτικές Ρυθμίσεις Δημοσίου και λοιπές ασφαλιστικές και συνταξιοδοτικές διατάξεις, ενίσχυση της προστασίας των εργαζομένων και άλλες διατάξεις; Ν. 4488/2017: Συνταξιοδοτικές ρυθμίσεις Δημοσίου και λοιπές ασφαλιστικές διατάξεις, ενίσχυση της προστασίας των εργαζομένων, δικαιώματα ατόμων με αναπηρίες και άλλες διατάξεις, (ΦΕΚ Α' 137/13-09-2017); Νόμος 4093/2012: Εγκριση Μεσοπρόθεσμου Πλαισίου Δημοσιονομικής Στρατηγικής 2013–2016 – Επείγοντα Μέτρα Εφαρμογής του ν. 4046/2012 και του Μεσοπρόθεσμου Πλαισίου Δημοσιονομικής Στρατηγικής 2013–2016</p>
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

-Law 4808/2021, Section IV: 'Regulations to Protect Work', Article 66: 'Protection from Dismissals', as amended by Law 5053/2023, Article 17: 'Protection from dismissal and burden of proof - Amendment of article 339 Individual Labour Law Code (Article 18 of Directive (EU) 2019/1152)' -Law 4611/2019: Articles 51 and 52; Amendment 36542/1007
-Law 4488/2017: Article 38; Law 4093/2012: subparagraph IA.12, sections 2 and 3

Description

-By virtue of the latest legislation (article 66, Law 4808/19.06.2021) if the dismissal is for a reason other than the ones specifically prohibited by the Law (i.e. due to discrimination, harassment, etc.) the Court awards, in favour of the employee, an amount of additional compensation, which may not be less than 3 month's ordinary pay or more than twice the compensation specified by law due to termination at the time of dismissal. When determining the amount of additional compensation, the Court takes into account, in particular, the intensity of the employer's fault, and the property and financial situation of the employee and the employer. Any non-payment of the legal severance pay (in full or in part) results in the invalidity of the termination of the employment contract; however, the new law states that "when the amount of the compensation paid is less than the amount of the legal compensation, due to an obvious error or reasonable doubt as to the basis for its calculation, the annulment of the complaint is not recognized, but its completion is ordered". In other words, the invalidity of the termination is not recognized, but the termination compensation is ordered to be supplemented.

The Law repeals, for the first time, the distinction between employees and blue-collar workers regarding dismissal compensation (which under previous legal framework was significantly lower for blue-collar workers), starting from 01.01.2022. The distinction between employees and craftsmen (as far as severance pay is concerned) is no longer valid and this is one of the main changes brought by the Law. Until 31.12.2021, the compensation for dismissal of craftsmen was significantly lower than that of employees while, from 01.01.2022, regarding the the severance pay, it is provided that "... the monthly wage of the craftsman is considered to be the 22 wages, unless they are already paid a monthly salary".

-As of July 2019, employers must pay severance indemnities and corresponding taxes to the employees' bank accounts via wire transfer instead of using a bank cheque. The new law also states that the prescription periods for filing employees claims for severance pay (three and six months from the dismissal date) may be suspended if employees file a petition before the labour inspectorate for a labour dispute or conduct of a reconciliation procedure, until the procedure is finalised, and corresponding decision issued. As of August 2019 (amendment 36542/1007 of Law 4611/2019) the employer is ot obliged to provide a valid reason for termination of employment.

The employer is required to report the following terminations to the [ERGANI database](#) (that is the Information System of the Ministry of Labour): voluntary termination of employment ([Law 4488/2017](#)); termination of an open-ended employment contract; and termination of a fixed-term employment contract.

The notification must be made within four business days from the final day of employment, and must be accompanied by a scanned document signed by both the employer and the employee, or an extrajudicial declaration of the employer indicating that the employee is leaving the employment on a voluntary basis and that the departure will be reported via the ERGANI system. In the latter case, the extrajudicial declaration must be delivered to the employee within four business days after he/she leaves the employment and the ERGANI notification must take place on the day after the extrajudicial declaration is delivered. Failure to comply with these requirements will result in the employment contract being deemed to be terminated by the employer (meaning that the employer will be liable for severance payments).

Law 4093/2012: An open-ended employment agreement that has a duration of more than 12 months can be terminated after prior written notice from the employer. Specific periods of notice between one and four months are laid down depending on the length of service with the employer (for further details see [notice period for employees](#)). In the case of an open-ended employment agreement terminated by the employer, the severance pay is calculated as detailed below.

Length of service with the same employer:

- from 1 day to 1 year no severance pay is due; and
- from 1 year to 4 years severance pay of 1 month is due if the employer complies with the statutory period of notice. If the employer does not comply with the period of notice, a severance pay of 2 months is due.

Correspondingly:

- from 4 to 6 years, a severance pay of 1.5 months is due if the employer has complied with the legislation on the notice period and 3 months if not;
- from 6 to 8 years, a severance pay of 2 months is due if the employer has complied with the legislation on the notice period and 4 months if not;
- from 8 to 10 years, a severance pay of 2.5 months is due if the employer has complied with the legislation on the notice period and 5 months if not;
- from 10 to 11 years, a severance pay of 3 months is due if the employer has complied with the legislation on the notice period and 6 months if not;

- from 11 to 12 years, a severance pay of 3.5 months is due if the employer has complied with the legislation on the notice period and 7 months if not;
- from 12 to 13 years, a severance pay of 4 months is due if the employer has complied with the legislation on the notice period and 8 months if not;
- from 13 to 14 years, a severance pay of 4.5 months is due if the employer has complied with the legislation on the notice period and 9 months if not;
- from 14 to 15 years, a severance pay of 5 months is due if the employer has complied with the legislation on the notice period and 10 months if not;
- from 15 to 16 years, a severance pay of 5.5 months is due if the employer has complied with the legislation on the notice period and 11 months if not;
- from 16 and above, a severance pay of 6 months is due if the employer has complied with the legislation on the notice period and 12 months if not.

There are no differences for the above according to dismissal types (individual or collective) or contract types (for instance, part-time or full-time). In case of dismissal (for any reason, including redundancies) of a blue-collar worker, severance pay varies according to the length of service, from 5 days to 165 days' wages, regardless of whether the the employer complies with the statutory period of notice.

A fixed-term contract can be terminated before its end without notice period for a significant reason, either by the employer or by the employee. 'Significant reason' consists of the existence of events during the contract which make it impossible to continue the agreement in good faith (for instance, breach of contractual obligations and damage caused by the employee with failure to comply with the essential terms of the contract and detraction of the employee by the employer, and so on). If a significant reason exists, the employer is not obliged to pay compensation. If the contract is terminated and no significant reason exists, the employee can go to court to claim the wages that would have been received until the end of the contract.

Commentary

-By virtue of the new Labour Law (4808/2021), as of 01.01.2022, all distinctions between white- and blue-collar employees regarding the termination of their employment agreements are abolished; from this date and on compensations of blue-collar employees are assimilated with the ones of the white-collar employees. In addition, if the regular 12 months' wages of the normal compensation, which the employee is entitled to, as long as they have worked for the same employer for 16 years or more, are added, then the total amount of the compensation can reach up to 36 months' wages. The scope of the extra compensation is determined by the Court with two basic criteria: a) the intensity of the employer's fault and b) the property and financial situation of the employee and the

employer.

-Amendment 36542/1007 abolished:

1. The provision of the 4611/2019 Law, which provides that for a dismissal to be legal, the employer had to state a 'justified reason' such as, for example, employee behaviour as defined by the European Social Charter. With the abolition introduced by the amendment, the employer does not need to justify anymore the employee's dismissal.
2. A provision of the 2019 Act, which suspends the time-limits for employees to take legal action against their employer during the conciliation procedure (this applies mainly to illegal dismissals).
3. The 'joint and solidarity responsibility of a contractor and subcontractor towards workers' (Law of 2018) which provided that if a contractor's employees have requirements that are not met by their direct employer, they may turn to the contractor of the project to meet their requirements (for example, salary claims).

Under the previous legal framework, the severance pay was paid after two months of employment with the same employer. The laws that reduced the level of severance pay are part of a series of laws implementing commitments made by the Greek government to its creditors with the signing of successive Memorandums of Understanding in the framework of Greece's accession to the Financial Stability Mechanism to bring about recovery from the economic crisis. Reducing the amount of severance pay was considered by the government as a necessary measure to alleviate business costs in the context of the economic crisis, while it was heavily criticised by the unions.

Under the previous framework, following the 'employment-at-will' principle, employers could dismiss employees without reason and without cause, in other words without being obliged to provide a legitimate business-related justification.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	National government Court
Involvement (others)	None

Thresholds

Affected employees: No, applicable in all circumstances

Company size: No, applicable in all circumstances

Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Greece: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Hungary

Severance pay/redundancy compensation

Phase	Act I of 2012 on the Labour Code
Native name	2012. évi I. törvény a Munka Törvénykönyvéről
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Articles 77 and 85

Description

An employee shall be entitled to severance pay if his/her employment relationship is terminated:

- by the employer;
- upon the dissolution of the employer without succession; or
- if during a transformation as a legal succession or a business transfer, the transferee employer is not covered by the labour code.

The entitlement to severance pay shall only apply upon the existence of an employment relationship with the employer for certain time lengths (specified below) at the time when the notice of dismissal is delivered or when the employer is terminated without having a legal successor. The regulation states that any period of at least 30 consecutive days for which the employee did not receive any wages (for example was on unpaid leave) does not count into the period for which entitlement for severance pay is considered.

The following exceptions apply:

- maternity and parental leave applies, as well as any leave of absence without pay for nursing or caring for a child. ("Parental leave" was added to the types of leave available to employees with an effect of 1 January 2023, under Article 77 of Labour Code)

- and unpaid leave of absence for the purpose of reserve military service for a period of no more than three months.

Severance pay shall be the sum of the absentee pay due for:

- one month, for up to three years of service;
- two months, for up to five years of service;
- three months, for up to 10 years of service;
- four months, for up to 15 years of service;
- five months, for up to 20 years of service; and
- six months, for up to 25 years of service.

The amount of severance pay shall be increased by 1-3 months' absentee pay (as detailed in the labour code) if the employment relationship is terminated within the five-year period before the date when the employee reaches the age limit for old-age pension. There are slight differences to the timeline with amounts going up to eight months after 20 years of service if the worker is employed in the public sector (see Law XXXIII of 1992 on the Status of Civil Servants, Article 37(6)).

The employee shall not be entitled to receive severance pay if they are:

- a pensioner at the time when the notice of dismissal is delivered or if the employer terminated without succession;
- dismissed for reasons connected with his/her behaviour in relation to the employment relationship or on grounds other than health reasons, or
- employed on a fixed-term contract (except in some cases when an agreement is made otherwise).

Collective agreements can derogate from the above provisions on severance payments, also to the detriment of workers concerned (hence the collective agreement could set, at least in principle, lower severance pay than stipulated by legislation). There is no direct legislation regarding severance pay in collective dismissals.

Commentary

Caring for family members other than a child under unpaid leave does not create eligibility for severance pay. Temporary workers are also entitled to severance pay, but their employer is the temporary work agency and the payment is their responsibility.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	Employer organisation Trade union Works council
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Hungary: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Ireland

Severance pay/redundancy compensation

Phase	Redundancy Payments Acts 1967-2022
Native name	Redundancy Payments Acts 1967-2022
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

7 (as amended)

Description

An employee who is being made redundant is entitled to a statutory payment, conditional on them having at least 104 weeks of continuous service in an employment insurable under the Social Welfare Consolidation Act 1993; is over the age of 16; and is being made redundant as a result of a genuine redundancy situation.

Employees made redundant are entitled to two weeks' gross pay for each year of service, plus one week's wages. The payment calculation is subject to a ceiling of €600 per week. Statutory redundancy payments are exempt from tax. Any ex gratia redundancy amount (above the legal minimum) is subject to taxation.

If the employer company is liquidated and is unable to pay the redundancy entitlements, redundant employees can seek payment from the Social Insurance Fund, maintained by the Department of Social Protection, for their statutory entitlements.

In 2022, the Act was amended to make provision for payment, on the redundancy of a person who was laid off for a period as a result of COVID-19 related restrictions and whose redundancy lump sum is reduced by virtue of that period of lay-off, of an additional sum from the Social Insurance Fund. The amount of that additional sum is equal to the difference between the actual lump sum due to the person on redundancy and the amount to which they would have been entitled but for the relevant period of lay-off.

Commentary

Employees may benefit from enhanced redundancy sums by way of custom and practice or industry norm. In practice, employers may negotiate an ex gratia severance payment from between two to seven weeks' pay per year of service, which may or may not be in addition to the statutory payment.

Formerly, the government paid a rebate to employers for redundancy payouts to employees. Up until 1 January 2012 this rebate amounted to 60%; between 1 January 2012 and 1 January 2013, the government rebate was 15%; from 2013 onwards the government rebate was abolished.

In the public sector, the standard redundancy package, which is repeatedly recommended by the labour court, is for five weeks' pay inclusive of statutory entitlement (i.e. three weeks' pay plus the statutory entitlement of two weeks' pay).

The lacuna whereby employees affected by informal insolvency (where the employer has not sought a formal winding up process through the courts) can be left without recourse to the Social Insurance Fund - therefore not receiving their statutory entitlement - has yet to be remedied in law. The 2017 Court of Appeal judgement in *Glegola -v- Minister for Social Protection & ors* ([2017] IECA 37) found Ireland had failed to adequately transpose Article 2(1) of Directive 2008/94/EC in this regard.

Trade unions are involved in redundancy negotiations at companies that have collective bargaining. There is no legal requirement to negotiate with trade unions in respect of redundancy pay, but the practice at unionised firms is that trade unions are involved during any such talks. Theoretically works councils can perform this function as well, but they are not as prevalent a feature in this process as trade unions.

Regarding the 2022 amendment, the total amount paid out under the scheme for COVID-related layoffs is now €1.4 million, which suggests that the average payment per application has been €378, somewhat lower than the maximum potential payment of up to €2,268. The size of the payment depends on the period of Covid-related layoff.

Additional metadata

Cost covered by Employer National government

Involved actors other than national government	Employer organisation Trade union Works council Other
Involvement (others)	Social Insurance Fund (in the event of company insolvency liquidation)
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Ireland: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Italy

Severance pay/redundancy compensation

Phase	Law 29 May 1982, no. 297, Regulation on severance pay and rules governing pensions; Law of 23 August 2004, n. 243 Pension regulations and government mandates in the public pension sector, to support supplementary pensions and stable employment and for the reorganisation of social security and mandatory assistance; Law of 27 December 2006, n. 296 Provisions for the formation of the annual and multi-year state budget (2007 financial law); Law no. 124/2017, Annual law for the market and competition
Native name	Legge 29 maggio 1982, n. 297, Disciplina del trattamento di fine rapporto e norme in materia pensionistica; Legge 23 agosto 2004, n. 243 Norme in materia pensionistica e deleghe al Governo nel settore della previdenza pubblica, per il sostegno alla previdenza complementare e all'occupazione stabile e per il riordino degli enti di previdenza ed assistenza obbligatoria; Legge 27 dicembre 2006, n. 296 Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge finanziaria 2007); Legge 4 agosto 2017, n. 124, Legge annuale per il mercato e la concorrenza
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Law n. 297/1982, article 1; Law n. 243/2004, article 2; Law n. 296/2006, article 749, 753, 764, 766; Law no. 124/2017, article 1

Description

In Italy, there is no severance pay or redundancy compensation as such. However, upon termination of the employment relationship, the employee receives the so called TFR (Trattamento di fine rapporto), which is a part of workers' wages whose payment is deferred upon termination of the employment relationship. Hence, it cannot be considered a proper severance pay, since it is constituted by a certain amount of salary set aside each month. The TFR is calculated according to the formula of a year's overall salary divided by 13.5, plus 1.5% for each year of service plus compensation for inflation.

The TFR must be paid to the worker in any case of termination of the employment relationship (and therefore independently of the reasons that determined it), except in the case of its full allocation to supplementary pension funds. The law provides for some specific hypotheses in which part of the TFR, which is usually set aside, to be anticipated during the employment relationship. Since 2004 (Legge 243/2004) the TFR can be used to finance complementary pension schemes and be destined to a complementary pension fund. This pension complements the 'public-law' pension guaranteed by the compulsory social security system. This means that the worker can actually choose whether to receive the TFR upon termination of the employment relationship, or to pay the sums accrued into a Complementary Pension Fund, which will then provide the worker with a complementary pension.

Starting from 1 January 2007, the TFR has assumed the prevailing purpose of financing complementary pension schemes. There is now an obligation for workers to decide within six months after their hiring the destination of the TFR, i.e. whether to allocate it to a supplementary pension fund or to maintain it in the company. If the worker does not express a preference, the TFR is automatically destined into the supplementary pension fund. This decision is irrevocable.

Law 296/2006 also states that the TFR that the workers of companies with at least 50 employees decide to keep within the company and not to allocate to complementary pension schemes is managed by a special fund set up at INPS (Fund for the provision of the TFR to the employees of the private sector, known as Fondo di Tesoreria, Treasury Fund).

As per changes introduced by Law 4 August 2017, no. 124, workers can also split TFR between the company fund and a pension fund and require an anticipated payment of pension benefits resulting from the payment of TFR into complementary pension funds in case of unemployment for a period exceeding 24 months.

Commentary

According to law 296/2006, until 31 December 2006, the TFR not destined to complementary pension plans remained in the company until the termination of the employment relationship, except for any anticipation requested by the employee according to the law; thus, the management of the TFR was completely left to the employer.

Additional metadata

Cost covered by	Companies
Involved actors other than national government	National government
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Italy: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Latvia

Severance pay/redundancy compensation

Phase	Labour law
Native name	Darba likums
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Labour law Articles 75, 100, 101, 112

Description

The employee is entitled to severance pay in certain cases of dismissal, including redundancy due to a reduction in numbers of employees. If a collective agreement or the employment contract does not specify a higher severance pay, the employer has to pay a severance pay of the following amounts:

- one month average earnings if the employee has been employed by the employer for less than five years;
- two months average earnings if the employee has been employed by the employer for five to 10 years;
- three months average earnings if the employee has been employed by the employer for 10 to 20 years; and
- four months average earnings if the employee has been employed by the relevant employer for more than 20 years.

In compliance with section 75 of the labour law, 'average earnings shall be calculated based on the work remuneration calculated for the work of the employee during the previous six months, on supplementary payments specified in regulatory enactments, collective agreements or employment contract, as well as from bonuses'. The law also details seven specific cases for the calculation of the payments, related to specific

employment situations.

Commentary

No information available.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	National government
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Latvia: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Lithuania

Severance pay/redundancy compensation

Phase	Labour code No XII-2603, Law on guarantees for employees in the event of employer insolvency and long-term service allowances No XII-2604, Resolution No 576 of the government of the Republic of Lithuania on the approval of regulations of the Long-term Allowance Fund, Description of the average wage calculation procedure approved by the resolution of the government of the Republic of Lithuania No 496
Native name	Darbo kodeksas Nr. XII-2603, LR garantijų darbuotojams jų darbdaviui tapus nemokiam ir ilgalaikio darbo išmokų įstatymas Nr. XII-2604, LR Vyriausybės nutarimas Nr. 576 „Dėl ilgalaikio darbo išmokų fondo nuostatų patvirtinimo“, Vidutinio darbo užmokesčio skaičiavimo tvarkos aprašas, patvirtintas LR Vyriausybės nutarimu Nr. 496
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Labour code (56, 57, 59, 60, 62, 69), Law on guarantees for employees in the event of employer insolvency and long-term service allowances (9,10,11), Resolution No 576 (5-11), Description of the average wage calculation procedure (5)

Description

In compliance with the Labour code, dismissed employees are paid different severance payments depending on the reasons for termination, the length of service, the type of contract and other factors.

When terminating an employment contract on the initiative of the employee for valid reasons (article 56), the employer must pay the employee a severance pay in the amount

of two times the average salary (see last paragraph for details of calculation). The amount is reduced to one average salary for employment relationships that last for less than one year. Law No XIV-1189 of 28 June 2022 (came into force on the 1st of August, 2022) extended the list of employees entitled to terminate their contract of employment for important reasons (Art. 56), adding that not only employees caring for family members but also those caring for "a person living with the employee" may do so. Severance pay/redundancy pay itself has not changed under this Article 56 of the Labour Code. However, as per those amendments the employer is automatically obliged to pay these employees the amount of the severance pay provided for in Article 56(2) of the Labour Code.

When terminating an employment contract on the initiative of the employer without any fault on the part of the employee (article 57), the employer must pay the employee a severance pay in the amount of two times the average salary. The amount is reduced to half the average salary for employment relationships that last less than one year.

The Law on guarantees for employees in the event of employer insolvency and long-term service allowances establishes a procedure to pay the dismissed employee a long-term service allowance, taking into account the continuous length of employment in the same workplace. According to articles 9-11, a long-term service allowance requires at least five years of continuous employment relationship under the terminated contract on the date of dismissal, provided that the employee is dismissed on the initiative of the employer without any fault on the part of the employee. Eligible employees are paid this allowance from the Long-term Service Allowance Fund. In the case of employees dismissed from budgetary establishments and from the Bank of Lithuania, the allowance is paid by their employer. Redundant and eligible employees receive the following compensation from the Long-term Service Allowance Fund, unless a new employment contract is signed between the employee and an employer within three months from the date of redundancy:

- compensation amounts to 77.58% of the employee's average salary for one month if the length of service with the employer is from 5 to 10 years on the day of termination;
- compensation amounts to 77.58% of the employee's average salary for two months if the length of service with the employer is from 10 to 20 years on the day of termination;
- compensation amounts to 77.58% of the employee's average salary for three months if the length of service with the employer is 20 years or more on the day of termination.

For the calculation of the allowance, the employee's salary is defined as the income from employment received in the previous 12 months, as set in the regulations of the Long-term Service Allowance Fund (articles 5-11). The Long-term Service Allowance Fund is administrated by the State Social Insurance Fund Board under the Ministry of Social

Security and Labour.

According to the Labour code (article 59), an employer is entitled to terminate an employment contract with an employee due to reasons not specified in article 57(1) by giving notice 3 working days in advance and paying a severance pay in the amount of no less than six times the employee's average salary. This provision does not apply to state and municipal institutions or establishments funded by the state or municipal budget.

When terminating an employment contract without the will of the parties to the employment contract (article 60), the employee is paid a severance pay in the amount of his or her average salary for one month. The amount is reduced to half the average salary for employment relationships that last less than one year.

When terminating an employment contract in the case of employer bankruptcy (article 62), the employee is paid a severance pay in the amount of two times the average salary. The amount is reduced to half the average salary for employment relationships that last less than one year.

The Labour code (article 69) provides for a severance pay in case of fixed-term employment. If an employment relationship under a fixed-term employment has lasted for over two years and has expired at the end of its term, the employee is paid a severance pay in the amount of one monthly wage.

The average pay for employees is calculated on the basis of their salary over the three calendar months prior to their dismissal in accordance with Description No 496 of the average wage calculation procedure (21 June 2017). In accordance with this legal document, the period covered is the last three calendar months preceding the month (or any part thereof) for which average wage is payable (paragraph 5).

Commentary

No information available.

Additional metadata

Cost covered by	Companies
Involved actors other than national government	Other

Involvement (others) The Long-Term Service Allowance Fund is administrated by the State Social Insurance Fund Board under the Ministry of Social Security and Labour.

Thresholds Affected employees: No, applicable in all circumstances
Company size: No, applicable in all circumstances
Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Lithuania: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Luxembourg

Severance pay/redundancy compensation

Phase	Labour Code
Native name	Code du travail
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Art.L.124-7

Description

A dismissed employee, except in the case of gross misconduct, is entitled to a severance allowance (Indemnité de départ) if they have at least five years of service within the company. Employees are entitled to:

Severance allowance and notice period according to length of service:

Employee's length of service	Severance allowance	Notice
Less than 5 years	0	2 months
Between 5 and less than 10 years	1 month	4 months
Between 10 and less than 15 years	2 months	6 months
Between 15 and less than 20 years	3 months	6 months

Restructuring legislation database

Between 20 and less than 25 years	6 months	6 months
Between 25 and less than 30 years	9 months	6 months
30 years and more	12 months	6 months

The allowance is calculated on the basis of wages paid to the employee for the previous 12 months which immediately preceded the notification of termination. The following items are included in the wages or salaries: financial allowances in the case of illness, standard allowances and supplements. The following items are excluded from wages and salaries: overtime pay, bonuses and the allowance for incidental expenses.

The employer must pay the severance allowance at the end of the notice period whether the notice was worked out or not. The amount is not subject to income tax or social contributions.

Employers of fewer than 20 workers can opt for an extended period of notice in case of redundancy instead of severance allowance, applicable for employees dismissed for economic reasons with a seniority of more than five years.

Option without allowance (businesses with fewer than 20 employees):

Employee's length of service	Notice extended without allowance
Less than 5 years	0
Between 5 and less than 10 years	5 months
Between 10 and less than 15 years	8 months
Between 15 and less than 20 years	9 months
Between 20 and less than 25 years	12 months

Between 25 and less than 30 years **15 months**

30 years and more **18 months**

Commentary

There could be sectoral differences to the legal framework. In the insurance and banking sector, for example, according to the latest collective labour market agreement (2021-2023), the severance pay is higher:

Monthly payments	Years of service
1 monthly payments	After 1 year
2 monthly payments	After 8 years
3 monthly payments	After 13 years
7 monthly payments	After 18 years
11 monthly payments	After 23 years
15 monthly payments	After 28 years
18 monthly payments	After 33 years

Additional metadata

Cost covered by	Employer
Involved actors other than national government	National government
Involvement (others)	None

Thresholds

Affected employees: No, applicable in all circumstances

Company size: No, applicable in all circumstances

Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Luxembourg: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Malta

Severance pay/redundancy compensation

Phase	Cap. 452 - Employment and Industrial Relations Act, 2002
Native name	Kap 452 - Att dwar l-Impiegi u r-Relazzjonijiet Industrijali, 2002
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

36

Description

There is no legal severance pay or redundancy compensation other than the compensation in lieu of notice relating to redundancies.

Compensation in lieu of notice relating to redundancies

- Redundancies involving contracts for an indefinite period of employment:

On receiving notice from the employer, the employee has the option to either continue to work during the notice period, or to request the employer to pay him/her a sum equal to half the wages that would be payable in respect of the unexpired period of notice.

If the employer decides not to allow the employee to continue to work during the notice period, the employer is obliged to pay to the employee a sum equal to the full wages that would be payable in respect of the unexpired period of notice.

- Redundancies in cases involving fixed-term contracts:

Where there is not a justified reason to terminate an employment that is on definite basis after the probation period, the party who breaches the contract is liable to pay the other party a sum equal to one-half of the full wages that would have accrued had the contract

of employment remained in force.

Commentary

Labour legislation and relating amendments are discussed at formulation stage in the tripartite Employment Relations Board (ERB). Members forming this board come from trade unions, employers' associations and the government.

The concept of notice periods was introduced into the collective agreement for employees in the public service 2011-2016. However, in past restructuring exercises of public companies (such as those involving the Malta Shipyards and Airmalta), the employees received severance pay through early retirement schemes, and voluntarily redundancy schemes. Early retirement schemes are also present in sectors such as banking.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	Employer organisation Trade union Other
Involvement (others)	Employment Relations Board
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Malta: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Netherlands

Severance pay/redundancy compensation

Phase	Civil code (transition payment); Royal decree on dismissals of 1 July 2016; Balanced labour market act of 1 January 2020
Native name	Burgerlijk Wetboek (transitievergoeding); Ontslagregeling UWV van 1 juli 2016; Wet arbeidsmarkt in balans (WAB) van 1 januari 2020
Type	Severance pay/redundancy compensation
Added to database	06 August 2015
Access online	Click here to access online

Article

Article 7:673-673d of Civil code; article 10, Royal decree on dismissals of 1 July 2016; Article XII, XIII, XIV and XV of Balanced labour market act of 1 January 2020

Description

The transition payment

With the introduction of the Balanced Labour Market Act (January 2020) employees have the right to receive transitional payment from the day they began their employment, if their employment is terminated at the initiative of the employer. Employees whose contract concludes or is concluded due to seriously culpable act on the part of the employer, are also entitled to such compensation.

The transition payment has, for the most part, replaced the practice of dismissal compensation packages that were doled out by cantonal courts whenever a dismissal took place without mutual agreement or the longer but often cheaper route by seeking approval from public employment service (UWV). The choice between the two options used to be at the employers' discretion. The main idea behind the new legislation is to make the dismissal process quicker, simpler, and fairer. For small and medium-sized enterprises (SMEs), a special transition period was in place until 2020.

On 14 September 2018, the Dutch supreme court ruled on the employee's right to a transition payment in the event of partial termination of his/her employment contract. It was decided that in this case, the employee is entitled to a partial transition payment.

However the supreme court also stated that there were several conditions to this ruling:

- the partial termination was a necessity, for example, for redundancy reasons or for a long-term incapacity to work;
- the employee lost at least 20% of his/her working hours; and
- the loss of working hours is expected to be permanent.

No transition payment is due in case of serious employee culpability and after retirement age.

For each year that the employment contract has lasted, the transition payment is equal to one third of the salary per month and a proportional part thereof for a period that the employment contract has lasted less than one year. Further rules may be laid down by order in council regarding the calculation method of the transition payment. The transition payment amounts to a maximum of €84,000 (in 2021, reviewed every year) or an amount equal to a maximum of the wage over twelve months if the wage is higher than that amount.

Deviating from the dismissal payment in a social plan

According to the Royal decree on dismissals, an employer can, in cooperation with the works council and/or in accordance with a collective bargaining agreement, set up a social plan. Alternatively, a social plan can be agreed at a sector level. In this case, employer organisations and trade unions are the primary actors in establishing the conditions of the plan. A social plan should outline what will happen in case of a restructuring, possibly extending severance payments and placement policies beyond what is legally required. More frequently, the goal of a social plan is to minimise dismissals by formulating a plan for placing redundant employees at other companies. A collective agreement can also stipulate that a social plan has to be made when a collective dismissal or restructuring is imminent. A social plan can increase an employer's chance of getting a dismissal permit if this becomes necessary.

Commentary

From 1 January 2020, the requirement that the employment contract must have least lasted 24 months is removed. This means that an employee is entitled to a transition payment from the start of the employment contract.

The method of calculating the transition payment has also changed. The calculation no longer takes place per period of six months. Instead, the transition payment for each calendar year that the employment contract has lasted will be 1/3 of the monthly salary and a proportional part thereof for a period that the employment contract has lasted less than a calendar year. The increase in the transition payment for employment contracts longer than 120 months has been removed. Over the entire term of the employment contract, the transition payment therefore amounts to 1/3 month's salary per year of service. The transition payment for employees is applied in cases of regular dismissals as well as in cases of dismissals that are a consequence of restructuring. Employer organisations are often of the opinion that transition payments in cases of the latter category are detrimental to companies' ability to adequately respond to changing macro-economic circumstances.

Although the transition payment generally is substantially lower than the dismissal compensation that was previously doled out by cantonal courts, it is usually considered as the ground for dismissal compensation. Usually, the old cantonal compensation formula is kept in mind, which gives employees room for negotiation in individual dismissal cases.

The third letter of progress on the law on work and security states that less dismissals are settled via the public employment service and more dismissals are being settled directly between the employer and employee through a dismissal contract.

The effects of the transition payment have been closely monitored since 2015 and, as pointed out above, have had several compensations arrangements for employers added to it to ease the burden on employers. It is important to note that the payment does not have to be spent on the actual transition to subsequent employment.

Currently, there are no data available on the number of transition payments doled out each year. A change in the methodology of the wage tax administration, however, will facilitate the availability of these data at the Dutch Central Bureau for Statistics (CBS) in the coming years.

Additional metadata

Cost covered by Employer

Involved actors other than national government Public employment service Trade union Works council Court

Involvement (others) None

Thresholds Affected employees: No, applicable in all circumstances
Company size: No, applicable in all circumstances
Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Netherlands: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Poland**Severance pay/redundancy compensation**

Phase	Act of 26.06.1974 -Labour Code; Act of 13.03.2003 on special principles of termination of employment contracts with employees for reasons not related to employees - 'Collective Dismissals Act'; Act of 21.08.2004 on publicly-funded health care services; Act of 26.07.1991 on the personal income tax; Regulation of the Minister of Labor and Social Policy of 18.12.1998 on the detailed rules for establishing the basis of assessment of pension contributions
Native name	Ustawa z dnia 26.06.1974 r. -Kodeks pracy; Ustawa z dnia 13.03.2003 o szczególnych zasadach rozwiązywania z pracownikami stosunków pracy z przyczyn niedotyczących pracowników; Ustawa z dnia 21.08. 2004 r. o świadczeniach opieki zdrowotnej finansowanych ze środków publicznych; Ustawa z dnia 26.07.1991 r. o podatku dochodowym od osób fizycznych; Rozporządzenie Ministra Pracy i Polityki Społecznej z dnia 18.12.1998 r. w sprawie szczególnych zasad ustalania podstawy wymiaru składki na ubezpieczenie emerytalne i rentowe
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Article 23(1) of the Act of 26.06.1974 -Labour Code; Article 8 and 10 of the Act of 13.03.2003 on special principles of termination of employment contracts with employees for reasons not related to employees - 'Collective Dismissals Act'; Article 81 section 1 of the act of 21.08.2004 on publicly-funded health care services; Article 12 of the Act of 26.07.1991 on the personal income tax; § 2 section 3 of the Regulation of the Minister of Labor and Social Policy on the detailed rules for establishing the basis of assessment of pension contributions

Description

The day after notice periods ends, employees are entitled to a severance payment equal to:

- the monthly remuneration, if the length of service is for less than two years;
- twice the monthly remuneration, if the length of service is from two to eight years;
- three times the monthly remuneration, if the length of service is over eight years.

The duration of employment is calculated including previous employment periods, if a transfer of undertakings had taken place before article 23(1) of the Labour Code . The amount of the severance payment cannot exceed 15 times the minimum remuneration for work as defined under separate provisions. The severance payment is calculated based on the way of calculating the cash in lieu of holiday leave.

Severance pay is paid by employers employing at least 20 employees and only in two situations:

- if the termination of employment is based on collective dismissal (within 30 days, dismissals of at least 10 workers in companies with 20-99 employees, at least 10% of workforce in companies with 100-299 employees or at least 30 dismissals in companies employing more than 300 employees);
- in case of individual termination of employment, if the termination is due to reasons not attributable to the individual employee.

In other words, employees in companies employing less than 20 employees have no right to the redundancy payment.

If the company is liquidated or bankrupt, the liquidator or official receiver is obliged to pay severance from the company assets. If this is not possible, he/she must apply to the Employee Benefits Guarantee Fund, for supplementing the missing funds. In any case the affected employee is compensated.

Commentary

Severance payment is not subject to social security contributions (§ 2 section 3 of the Regulation of the Minister of Labor and Social Policy on the detailed rules for establishing the basis of assessment of pension contributions) and health insurance contribution. The calculation of the latter is determined according to the provisions defining the basis for calculating pension insurance contributions (article 81 section 1 of the act of 21.08.2004 on publicly-funded health care services). In the absence of social contributions, no deduction

is made for health insurance.

Severance payment is the employee's income from the employment relationship within the meaning of article 12 of the Act of 26.07.1991 on the personal income tax and is subject to tax on a general basis for the employee, including all other income earned in a taxable year on a tax scale.

If a collective agreement exists in the company, it can be only in favour of redundant employees so it cannot derogate from the legal provisions.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	National government
Involvement (others)	None
Thresholds	Affected employees: 10 Company size: 20 Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Poland: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Portugal

Severance pay/redundancy compensation

Phase	Labour Code (Law 7/2009 of 12 February); Law 69/2013 of 30 August; Decree-Law 210/2015 of 25 September; Law 70/2013 of 30 August; Law 13/2023 of 3 April
Native name	Código do Trabalho (Lei 7/2009 de 12 Fevereiro); Lei 69/2013, de 30 de Agosto; Decreto-Lei 210/2015 de 25 Setembro; Lei 70/2013 de 30 Agosto; Lei 13/2023 de 3 de Abril
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Labour Code, Article 366; Decree-Law 210/2015 of 25 September; Law 69/2013 of 30 August; Law 70/2013 of 30 August; Law 13/2023 of 3 April

Description

In 2011, severance entitlements were reduced from 30 to 20 days pay per year of service. Law 69/2013 further reduced severance entitlements to a maximum of 12 times the individual's base salary plus seniority pay or 240 times the statutory minimum wage (or 18 times the individual's base salary plus seniority pay in case of fixed-term or temporary contracts). Law 13/2023 of 3 April changes the calculation of the compensation.

As a result of these and prior changes, severance will generally be based on three different formulas for periods of service before, during and after the following dates:

- Employment contracts prior to 1 November 2011: compensation is equivalent to one month of base salary per year of seniority.
- Employment contracts between 1 November 2011 and 30 September 2013: compensation is equivalent to 20 days of base salary per year of seniority.

- Employment contracts from 1 October 2013 to 30 April 2023: compensation is equivalent to 18 days of base salary per each complete year of seniority (in the first 3 years, when the contract has not reached 3 years on October 1 2013) and to 12 days of base salary per each complete year of seniority (in the subsequent years until the date of termination).
- Employment contracts before 1 May 2023 (Law 13/2023 of 3 April): compensation is increased from the current 12 to 14 days times the individual's base salary plus seniority pay per each complete year of seniority (article 366). The new amount will only be applicable as from the entering into force of the new law, which means that for older contracts the compensation will be calculated based on 12 days in relation to the previous years.

The compensation cannot exceed 20 times the minimum national wage (€760 in 2023, total €15,200).

This refers both to individual and collective dismissal.

Additionally, Law 13/2023 of 3 April amends Labour Code in its articles 344 and 345 and establishes the amount of the compensation as a result of the termination of fixed-term contracts is increased to 24 days times the individual's base salary plus seniority pay per each complete year of seniority.

The Compensation Fund (Fundo de Compensação do Trabalho) and the Guarantee Fund for Work Compensation (Fundo de Garantia de Compensação do Trabalho - FGCT) were extinguished since May 2023. They were used to partly finance severance payments and were applicable in situations of both individual and collective dismissals.

Commentary

The new regulation is based on the 'Agenda for Decent Work' that was approved in the Assembly of the Republic, with favorable votes of the Socialist Party (PS) and abstentions of the Social Democratic Party (PSD), Right Party (Chega), Animals and nature Party (PAN) and Livre Party. The Left Bloc, the Liberal Initiative and the Portuguese Communist Party (PCP) voted against.

Additional metadata

Cost covered by Employer

Involved actors other than national government National government Employer organisation Trade union Works council

Involvement (others) None

Thresholds Affected employees: No, applicable in all circumstances
Company size: No, applicable in all circumstances
Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Portugal: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Romania

Severance pay/redundancy compensation

Phase	Labour Code, Law no. 53/2003, republished in the Official Gazette of Romania no. 345 dated 18 May 2011
Native name	Codul muncii, Legea nr. 53/2003, republicată în Monitorul Oficial nr. 345 din 18 mai 2011
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Labour Code, Law no. 53/2003 [Codul muncii, Legea nr. 53/2003] - 67

Description

The Labour Code provides (only as a mere possibility) that employees dismissed for reasons which do not pertain to their person may benefit from redundancy compensation under the terms stipulated: * by the law. Such pieces of legislation were indeed applicable to certain industries (and in particular to state-owned units), but today they are no longer in force; * by the applicable collective agreement.

The Labour Code - as a general law - therefore does not include explicit provisions on redundancy compensation; compensatory payments are currently only provided in collective agreements.

Commentary

Today, redundancy compensation is not universally granted, but only to the extent that the company is subject to a collective agreement which contains provisions on redundancy compensation, usually correlated with seniority in the company.

Until 2010, a collective agreement concluded at the national level was in force which gave employees the right to redundancy compensation in the event of a collective dismissal. This collective agreement covered all employees. However, starting from 2011, a respective national collective agreement is no longer in force and, in addition, there are very few sectoral collective agreements. Today, we can find provisions on redundancy compensation mainly in the company level collective agreements. Indeed, some collective agreements provide compensations of 6-12 average wages in the event of redundancy, but in many cases there are either no applicable collective agreements or the applicable one does not provide any compensation in case of redundancy.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	National government
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Romania: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Slovakia

Severance pay/redundancy compensation

Phase	Labour Code
Native name	Zákonník práce
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

76, 63

Description

According [Act No. 311/2003 Coll. of the Labour Code](#), the employer is obliged to grant severance pay after giving notice to an employee, or if the employment relationship is ending by mutual agreement, for the following reasons:

- if the company or business is dissolved or relocated and the employee does not agree with the change;
- if an employee becomes redundant due to change in his or her duties, technical equipment or the reduction in the number of employees is aimed at securing work efficiency, or due to other organisational changes having an impact on employment;
- if the employee has lost his or her ability to perform the work due to changes in health conditions as a result of an occupational disease or the threat of such a disease.

The minimum amount of severance pay depends on the employee's number of years in service for the employer.

When employment is terminated by notice, the minimum amount of severance pay is equal to one to four times the employee's average monthly earnings, according to the number of years in service (at least from 2 to 20 years). For instance, employees that have been working for the employer for at least 2 years but less than 5 years are entitled to one

monthly earning, employees that have been working from 5 to less than 10 years are entitled to two monthly earnings, etc. Employees who have been working for the employer for less than 2 years are not entitled to severance pay.

If employment is terminated by agreement (the employee leaves the company before the statutory notice period), the severance pay is between one and five monthly average earnings (employees in service less than two years are entitled to one monthly earning and other employees specified above from two to five monthly earnings).

A severance allowance applies also when an employer terminates an employee's employment contract (by notice or by agreement) for the reason that the employee cannot longer perform his or her job as a result of an occupational accident, occupational disease or the risk of such a disease. The allowance equals to at least 10 times the employee's average monthly earnings.

Commentary

The minimum amount of severance pay set by the Labour Code can be increased through collective bargaining ([Act No. 2/1991 Coll.](#)) with trade unions in collective agreements.

According to amendments to the Labour Code effective from 1 January 2013 ([Act No. 361/2012](#)), also employees who continue working for the employer during the notice period are entitled to redundancy pay.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	National government
Involvement (others)	None
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Slovakia: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Slovenia

Severance pay/redundancy compensation

Phase	Employment Relationship Act (ZDR-1)
Native name	Zakon o delovnih razmerjih (ZDR-1)
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

79 and 108

Description

An employer who cancels a permanent employment contract for a business reason (including cases of collective dismissals, that is at least 10 workers in companies with 21-99 employees, at least 10% in companies with 100-299 employees or 30 dismissals in larger firms) is obliged to pay the worker severance pay. The basis for the calculation of severance pay shall be the average monthly salary which the worker received during the last three months before cancellation. The worker is entitled to severance pay amounting to:

- one-fifth of the wage basis for each year of employment with the employer if the worker has been employed with the employer for more than one and up to ten years,
- one-quarter of the wage basis for each year of employment with the employer if the worker has been employed with the employer for a period from ten to twenty years,
- one-third of the wage basis for each year of employment with the employer if the worker has been employed with the employer for a period exceeding twenty years.

The amount of severance pay may not exceed tenfold the average monthly salary which the worker received during the last three months before cancellation, unless otherwise stipulated by a branch collective agreement. In proceedings of compulsory settlement, the worker and the employer may agree in writing about the method and the form of paying

severance pay or a reduction of the minimum statutory amount of severance pay if due to the payment of severance pay the existence of a larger number of jobs with the employer would be jeopardised.

The employer must pay severance pay to the worker upon the termination of the employment contract unless otherwise provided by a branch collective agreement.

A worker whose fixed-term employment contract has been terminated is also entitled to severance pay, except in cases when a worker has replaced a temporarily absent worker, performed seasonal work for less than three months in one calendar year or performed public works/job in the frame of active employment policy.

In the case of termination of a fixed-term employment contract concluded for a period of one year or less, the worker is entitled to severance pay in the amount of one fifth of the wage basis (i.e. average monthly salary of a full-time worker during the last three months prior to the termination of the employment contract). If the fixed-term employment contract exceeded the period of one year, the worker is entitled to severance pay increased by a proportionate part of severance pay for each month of work (i.e. $1/5$ of wage basis + $1/12$ of $1/5$ of wage basis for every month employed beyond one year of employment).

Commentary

The regulation on severance payments was considerably modified by the last labour reform (the 2013 amendment of the Employment Relationship Act). With the aim to reduce the segmentation of the labour market and differences in labour costs of various types of employment contracts, social partners agreed to lower severance payments for permanent employees and to introduce severance payments for fixed-term employees who had not been entitled to such payments before. The intention of this measure was supposedly to avert employers from hiring workers on fixed-term contracts. However, the results were mixed; the measure has stimulated employment for indefinite periods, but also employment on the basis of civil contracts.

Additional metadata

Cost covered by	Employer
Involved actors other than national government	National government

Involvement (others)	None
Thresholds	Affected employees: 10 Company size: 21 Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Slovenia: Severance pay/redundancy compensation, Restructuring legislation database, Dublin

Spain

Severance pay/redundancy compensation

Phase	Statute of Workers' Rights; Royal Decree law 10/2010 of 16 June on urgent measures to reform the labour market; Law 3/2012 of 6 July on urgent measures to reform the labour market
Native name	Estatuto de los Trabajadores (ET); Real-Decreto ley 10/2010, de 16 de junio, de medidas urgentes para la reforma del mercado de trabajo; Ley 3/2012, de 6 de julio, de medidas urgentes para la reforma del mercado laboral
Type	Severance pay/redundancy compensation
Added to database	08 May 2015
Access online	Click here to access online

Article

Art. 33; 47 (modified by article 13.1 of Law 3/2012); 49 (modified by article 1.7 of Royal-Decree law 10/2010); 51 (modified by article 18.3 of Law 3/2012) ; 52; 56 (modified by article 18.7 of Law 3/2012) of Statute of Workers' Rights

Description

In the event of fair dismissal, legislation requires that employees are paid a minimum legal compensation of 20 days' pay for each year of service, up to a maximum of 12 months' pay.

In the event of unfair dismissal of an employee who had an open-ended contract, legislation requires that employees are paid a minimum legal compensation of 33 days' pay for each year of service, up to a maximum of 24 months' pay.

In enterprises of fewer than 25 employees, the Public Fund of Wage Warranty (Fondo de Garantía Salarial) will pay 40% of the legal indemnification of employees in collective redundancies (within 90 days, more than 5 employees made redundant if the whole workforce is affected; at least 10 employees in companies with fewer than 100 employees; 10% of the employees in companies between 100 and 299 employees; and at least 30

employees in companies with more than 299 employees).

Severance pay for temporary contracts was modified by Royal Decree 10/2010. It established that the severance pay will increase annually by one day per year of service, from the eight days per year of service paid in 2010 to 12 days as of 1 January 2015. Thus, severance pay for temporary contracts is now fixed at 12 days per year worked. If the employer dismisses a temporary worker before his/her contract expires and dismissal is declared unfair, severance pay will be equal to 33 days' pay for each year of service, up to maximum of 24 months' pay.

Temporary substitutes that replace workers (for example, for maternity leave) do not receive severance payment.

Commentary

Prior to the 2012 reform severance pay for unfair dismissal was 45 days per year worked, up to a maximum of 42 months' pay. The 2012 labour market reform also removed the worker's right to interim wages between the effective date of dismissal and the final court ruling. It also redefined the conditions for a fair dismissal in a less restrictive way. Dismissing a worker for economic reasons is now considered valid if a company makes or foresees a loss, or experiences a persistent drop (defined as occurring for nine consecutive months) in its revenues or sales. In addition, the company does not have to prove that the dismissal is essential for the future profitability of the company.

On the other hand, a new open-ended contract has been created for enterprises with fewer than 50 employees. Under this contract, the trial period lasts one year.

The union section or work council can agree a higher severance pay with the company.

A ruling by the Court of Justice of the European Union that temporary and permanent workers in Spain should receive the same severance pay has led to some confusion, with different Spanish courts coming to different decisions in separate cases. Despite the different courts' decisions, current Spanish regulation on severance payments remains the same, stressing the differences for different types of contracts ([Eurofound, EURWork, 2017](#)).

Additional metadata

Cost covered by

Employer National government

Involved actors other than national government	Other
Involvement (others)	Public Fund of Wage Warranty
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

Citation

Eurofound (2015), Spain: Severance pay/redundancy compensation, Restructuring legislation database, Dublin