

Cyprus

Wage guarantee in case of insolvency

Phase	Law 25(I)/2001 - The Protection of the Rights of Employees in the Event of Insolvency of the Employer Law of 2001, as amended by by law 14 (I)/2006, law 89(I)/2006 and law 20(I)/2008, law 13(I)/2014, law 37(I)/2023
Native name	N. 25(I)/2001 - Ο περί της Προστασίας των Δικαιωμάτων των Εργοδοτούμένων σε Περίπτωση Αφερεγγυότητας του Εργοδότη Νόμος του 2001, όπως τροποποιήθηκε από Ν. 14(I)/2006, Ν. 89(I)/2006, Ν. 20(I)/2008, Ν. 13(I)/2014, Ν. 37(I)/2023
Type	Wage guarantee in case of insolvency
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Article

Articles 3.1 and 4.1 of law 25(I)/2001; Article 2 of law 13(I)/2014; Article 3 of the Protection of the Rights of Employees in the Event of Insolvency of the Employer Law of 2001 to 2023, as amended by law 37(I)/2023

Description

The law regulating the protection of employees' rights in case of employer's insolvency aims to protect workers in the event of bankruptcies. In particular, all outstanding payments by employers to employees are safeguarded thanks to a special fund established for this particular purpose. The fund is financed exclusively by employers' contributions: 16.6% of employers' contributions paid to the redundancy fund (correspond to approximately 0.2% of total gross salaries) are reserved for the insolvency fund.

Over a period of 78 weeks prior the date the employer's insolvency commenced, the employee is entitled to the following payments from the fund:

- the overdue wages of up to 13 weeks of employment prior to the insolvency declaration;
- the equivalent of all unclaimed paid leave for the above mentioned 13 weeks (in the event that the employer possesses a certificate of exemption from payment of contributions to the Central Holidays Fund);
- the equivalent of the 13th and 14th salary or the wages of the 53rd–54th weeks for the same period.

Excluded from eligibility for payments from the fund are employees that:

- employees who have special links and common interests with their employer, leading to collusion between employee and employer;
- employees who are shareholders and members of the board of directors;
- employees of the naval, military and air forces of the UK government;
- employees who do not habitually reside in Cyprus;
- employees who alone or with first generation relatives own a substantial part of the business;
- officers working for the government.

Commentary

For annual data on received, rejected and approved insolvency fund applications, visit [the Social Insurance Services](#).

Employer organisations are from time to time raising the demand to reduce their contribution to the insolvency fund, as the fund has built up huge reserves. Trade unions, nevertheless, consider the legislation as insufficient. They suggest the revision of the current legislation with the view to ease procedures, so as to facilitate more dismissal cases to qualify for consideration by the insolvency fund.

In 2020, the Ministry of Labour, Welfare and Social Insurance has prepared a draft law amending the basic law. The draft law is aiming at extending coverage to employees who had been dismissed prior to the declaration of insolvency. However, at the time of dismissal, the bankruptcy procedure on the basis of the bankruptcy law or part V of the companies law had already begun and the employer has been eventually made insolvent. Following the presentation of the draft law in the House of Representatives, trade unions have requested further changes to extend the scope of the law. The Pancyprian Federation of Labour (PEO), for example, requested a written intervention to extend the definition of insolvency to cover following cases:

- when the competent court has issued a declaratory judgment certifying that the employer has ceased economic activity and does not have sufficient means to cover pending wages and salaries of his/her employees;
- when on the basis of an agreement an official receiver has been appointed who has then proceeded to dismissals and the assets of the employer are not sufficient to cover the pending wages and salaries of affected employees; and
- the employer has ceased operations and has no assets or other means to cover the pending wages and salaries of redundant employees.

With the amendment of the Law in 2023 the demands of the trade unions were satisfied, at least partially.

The Law now provides that the following are entitled to a payment from the Fund :

- a) an employee whose employment is terminated because his employer has become insolvent,
- b) an employee whose employment is terminated by the initiation of liquidation proceedings of the employer pursuant to the provisions of Part V and Part VI of the Companies Law or pursuant to of the provisions of the Bankruptcy Law, if the employer ultimately becomes insolvent, and
- c) an employee whose employment is terminated following the appointment of a receiver or administrator pursuant to the provisions of Part VI of the Companies Act, provided that the receiver or administrator certifies that the employer has ceased to carry on any work and there are no sufficient assets to pay his wages.

Additional metadata

Cost covered by	Companies
Involved actors other than national government	Other
Involvement (others)	The insolvency fund
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

- [A.R.E.N.A.S project, National Background Paper Republic of Cyprus](#)~~~ [European Commission, 2011, Report on the implementation and application of certain provisions of Directive 2008/94/EC on the protection of employees in the event of the insolvency of their employer, Brussels, COM\(2011\) 84 final](#)~~~ [Law regulating the protection of the rights of employees in the event of the employer's insolvency law 25\(I\)2001 \(Ο Περί της Προστασίας των Δικαιωμάτων των Εργοδοτούμένων σε Περίπτωση Αφερεγγυότητας του Εργοδότη Νόμος του 2001 \(25\(I\)/2001\)\)](#)~~~ [Ministry of Labour, Welfare and Social Insurance / Social Insurance Services](#)~~~ [Labour department, Statistics](#)~~~

Citation

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