

Finland

Wage guarantee in case of insolvency

Phase	Pay security act (866/1998)
Native name	Palkkaturvalaki (866/1998)
Type	Wage guarantee in case of insolvency
Added to database	08 May 2015
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Article

Whole regulation

Description

In case of employer insolvency, wages and other claims of employees resulting from the employment contract are secured by the national pay security system, which is financed by the employer's contribution to unemployment insurance. Pay security includes wages, holiday compensation and daily allowances.

An employer is considered insolvent if the employer is unreachable or has terminated the business activity and it can be proven that the amount in question cannot be paid from the assets, or if the employer has been declared bankrupt or else been established to be unable to pay its debts. Insolvency can also be based on if the employer has failed to pay the required employer contributions or the statutory pay-as-you-earn taxes on time.

The guarantee covers all claims that have been applied for as wage guarantee within three months of the pay or other claims falling due, irrespective of the duration of the employment or the type of contract. Exceptions to this time limit are applied in cases where the employer is either convicted of serious work-related exploitation and in cases where there are reasonable grounds to believe that such exploitation has occurred. In the first mentioned a claim can be made up to three months after the criminal judgment becomes final, and in the later up to 18 months after employment termination.

The maximum amount to be paid per employee and employment contract with the same employer is €19,000. The employee can submit the application themselves or it can be done by a trade union on behalf of the employee.

Between 2016 and 2024, the pay security system of the entire country is was administered by the Uusimaa Centre for Economic Development, Transport and the Environment (ELY centre) in Helsinki. The centre makes made decisions in pay security matters and handled other functions connected with enforcement of the Act. On 1 January 2025 the administrative responsibility is was however transferred to the Development and Administrative Centre (KEHA centre). Applications for claiming pay security must now be submitted to the KEHA centre or to the municipal or joint municipal authority responsible for organising public employment services.

Commentary

Ministry of Economic Affairs and Employment published every year the total amount paid through the pay security system.

Additional metadata

Cost covered by	Companies
Involved actors other than national government	Public employment service Other National government
Involvement (others)	Public employment services; Centre for Economic Development, Transport and the Environment (ELY centre); the Development and Administrative Centre (KEHA centre).
Thresholds	Affected employees: No, applicable in all circumstances Company size: No, applicable in all circumstances Additional information: No, applicable in all circumstances

Sources

- Deutsch, A., (2011), Europäische Beispiele für die Insolvenzentgeltsicherung, Vienna, Federal Ministry of Labour, Social Affairs and Consumer Protection/IEF~~~ Sargant, M., (2007), Implementation report directive 80/987 EEC amended by Directive 2002/74/EC [protection of employees in the event of the insolvency of their employer], Human

European Consultancy/Middlesex University Business School~~~ [Pay security act \(866/1998\)](#)~~~ [Palkkaturvalaki \(866/1998\)](#)~~~ [ELY centres: Pay security \(in Finnish\)](#)~~~ [Ministry of Economic Affairs and Employment \(2022\)](#)~~~ [Ministry of Economic Affairs and Employment \(2023\) Draft budget proposal 2024 \(Talousarvioesitys\)](#)~~~

Citation

Eurofound (2015), Finland: Wage guarantee in case of insolvency, Restructuring legislation database, Dublin