

Latvia

Wage guarantee in case of insolvency

Phase	On protection of employees in case of insolvency of the employer
Native name	Par darbinieku aizsardzību darba devēja maksātspējas gadījumā
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Article

The law on protection of employees in case of insolvency of the employer

Description

For cases where the company becomes bankrupt, an Employee Claims Guarantee Fund has been established in Latvia, operated by the Insolvency Control Service (state agency). The employee can submit the claim to the fund after the court's decision on the company's insolvency (as defined by the insolvency law). No claims can be submitted before.

All employees are eligible to the fund in case of insolvency of the employer. Employer's insolvency applies from the day when a court judgement regarding insolvency of the employer enters into legal effect. There is no minimum duration of the employment contract required for workers to qualify.

From the resources of the Employee Claims Guarantee Fund, the following payments have to be covered: work remuneration, reimbursement for annual paid leave, reimbursement for other types of paid leave, severance pay in connection with the termination of an employment relationship, reimbursement for injury in connection with an accident at work or an occupational disease.

Employee claims are satisfied according to the following rates:

- work remuneration for the last three months of employment relationship in the 12 months before the insolvency of the employer came into effect;
- reimbursement for annual paid leave, the right to which has been acquired in the 12 months before the insolvency of the employer came into effect;
- reimbursement for other types of paid leave for the last three months of employment relationship in the last 12 months before the insolvency of employer came into effect;
- severance pay as prescribed by the labour law, the right to which has been acquired not earlier than 12 months before the insolvency of the employer came into effect;
- reimbursement for damages for the whole period of unpaid time;
- reimbursement of damages for the four subsequent years.

Resources of the Employee Claims Guarantee Fund consist of the share of the state entrepreneurial risk fee (employers' contribution for each employee, amount determined by the Cabinet of Ministers), gifts and donations, and resources recovered by administrators. The risk fee is €0.36 per employee.

Commentary

In 2009, due to the economic crisis the amount of resources in the Employee Claims Guarantee Fund went critically low, and the government limited the payout amount. The maximum payout was linked to the national minimum wage. In 2018, the size of the Employee Claims Guarantee Fund exceeded €10 million, and the government decided to increase the limit set in 2009, when due to the economic crisis the amount of resources in the Employee Claims Guarantee Fund was critically low, and the government limited the payout amount, to 1.5 times the amount of the national minimum wage.

For annual data on the Employee Claims Guarantee Fund, visit the [Insolvency Control Service](#).

Additional metadata

Cost covered by	Companies National government
Involved actors other than national government	Other Court
Involvement (others)	Insolvency Control Service (state agency)

Thresholds

Affected employees: No, applicable in all circumstances

Company size: No, applicable in all circumstances

Additional information: No, applicable in all circumstances

Sources

- [On protection of employees in case of insolvency of the employer](#) ~~~ [Insolvency Control Service](#) ~~~

Citation

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