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Greece: Wage guarantee in case of insolvency

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Greece

Phase:

Management

Type:

Wage guarantee in case of insolvency

Last modified: 21 March, 2023

Native name:

ΠΟΛ.1027/2018 Τροποποίηση του Πτωχευτικού Κώδικα (ν. 3588/2007 - Α' 153) με τους ν. 4446/2016 (Α' 240), ν. 4472/2017 (Α' 74), ν. 4491/2017 (Α' 152) και ν. 4512/2018 (Α' 5): Επισήμανση βασικών μεταβολών στη διαδικασία της πτώχευσης και παροχή οδηγιών; Ν. 1836/1989 - Προώθηση της απασχόλησης και της επαγγελματικής κατάρτισης και άλλες διατάξεις

English name:

Circular no. 1027/2018 Amendment of the bankruptcy code (Law 3588/2007 - GG A 153) by Law 4446/2016 (GG A 240), Law 4472/2017 (GG A 74), Law 4491/2017 (GG 152) and Law 4512/2018 (GG A 5): Key changes in the bankruptcy process and provision of directions; Law 1836/1989 - Promoting employment and vocational training and other provisions

Article

Circular no. 1027/2018 whole regulation; Article 17 of Law 4472/2017; Law 1836/1989 Article16

Description

The inclusion of employees in the list of creditors in cases of the bankruptcy of an enterprise has changed, with absolute priority being given to the payment of compensation to unpaid workers for a six-month period, calculated as 2.75 multiplied by the minimum wage of €586.08, for example €1,611.72 per month. Essentially, this sum of €1,611.72 multiplied by six months (corresponding to €9,670.32) will be the maximum limit for the absolute priority of unpaid employees over all the other creditors of an enterprise ([Circular no. 1027/2018](#)).

The purpose of the 'account to protect employees in the event of an employer's insolvency' is to pay salary arrears of up to three months to employees in a dependent employment relationship who have not been paid because of the insolvency of their employer. The labour force employment organisation ([OAED](#)) takes the place of the employer in respect of the rights of employees and pays the relevant social security contributions in respect of their salaries. Any outstanding salaries paid to beneficiaries must fall within the six-month period prior to the date of the employer's application for the business to be declared bankrupt or the date of publication of the ministerial decision withdrawing the operating licence (for liquidation of a business). Thereof, the maximum amount that the beneficiaries can claim is up to three months' salary, including credits such as holiday payments, among others. Severance pay is not reimbursed.

Beneficiaries

The recipients of benefits due to employer insolvency are employees:

- of a business declared bankrupt by a judicial decision ruling that the undertaking has definitively closed down and that there is no need to initiate bankruptcy proceedings due to insufficient assets;
- of a business which has entered liquidation;or
- of an (insurance) business whose operating licence has been revoked due to violation of the provisions of private insurance legislation.

Deadlines

The right of an employee to receive salary in arrears from the account to protect employees in the event of an employer's insolvency is exercised by the employee's written application to the competent service of the OAED (public employment service), no later than six months after:

- the publication of the decision declaring the employer's bankruptcy;
- the date that the undertaking entered into liquidation; or
- the date that the operating licence of the (insurance) undertaking was revoked due to violation of the provisions of private insurance legislation.

Entitlement to these benefits lapses after six months.

Comments

The wage guarantee in case of insolvency has been provided to many individuals, given that since 2010 the number of enterprises which become insolvent has grown substantially. However, there are no data published by the OAED regarding how many individuals exactly have received the wage guarantee.

The wage guarantee in case of insolvency is an important benefit for people who lose their job in Greece, where the rate of enterprises closing down is high (estimations by the Hellenic Confederation of Professionals, Craftsmen and Merchants - [GSEVEE](#) - show that between 2010 and 2015 230,000-250,000 SMEs closed down, which led to 800,000 people losing their job), and the unemployment benefit is low (approximately €360 per month in 2017 and 2018) compared to the [cost of living](#) and provided for a limited time only (approximately one year). Since February 2019, the benefit increased to €399.25 per month.

Even if the wage guarantee in case of insolvency is a relief for people entering unemployment, it is provided for a limited time and given that social protection in Greece is in general limited, it cannot guarantee in the mid- and long-term a living standard above the limit of poverty for the people who lose their jobs.

An extra provision (not in the sense of wage guarantee but in the sense of taking extra steps to guarantee a proper income for a limited period of time) in case of insolvency is provided for in the law (Law 4472/2017, Article 17: In Article 3 of Law 1387/1983 (GG A 110), paragraph 4): 'In the framework of consultations with employee representatives, the employer may suggest a social plan for the workers being made redundant, that is measures to alleviate the effects of redundancy, such as sums to cover self-insurance, sums available through corporate social responsibility for training and counselling for reintegration into the labour market, actions to exploit special OAED programmes for dealing with the threatened unemployment of the workers being made redundant, and the possibilities, methods and criteria for their priority rehiring.'

Cost covered by

Employer
National government

Involved actors other than national government

Public employment service

Thresholds

No, applicable in all circumstances

Sources

- [OAED, Account for the protection of employees in case of insolvency](#)
- [ERM Restructuring support instruments database](#)
- [Law 1836/1989](#)
- [Circular 1027/ 2018](#)
- [Law 4472 / 2017](#)
- [Numbeo \(2019\), Cost of Living in Greece.](#)
- [GSVEE \(2019\), IME GSEVEE 2019 report on small and medium-sized enterprises.](#)

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