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Bulgaria: Wage guarantee in case of insolvency

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Bulgaria

Phase:

Management

Type:

Wage guarantee in case of insolvency

Last modified: 22 March, 2023

Native name:

Закон за гарантираните вземания на работниците и служителите при несъстоятелност на работодателя; Закон за държавно обществено осигуряване, Кодекс за социално осигуряване

English name:

Law for guaranteeing workers' and employees' receivables in the event of employer's insolvency; Law on the state social security budget; Social insurance code

Article

Articles 4 to 30 (Law for guaranteeing workers' and employees' receivables in the event of employer's insolvency); Annex 3 (Law on the state social security budget, published annually); Article 5(4) items 1 and 2, article 8(2) item 1, article 20(2) item 4 and (3) item 1, article 33(5) items 6 and 10 (social insurance code)

Description

The procedure to grant and pay guaranteed claims is regulated by the [law for guaranteeing workers' and employees' receivables in the event of employer's insolvency](#) and the [regulation on the procedure and manner for informing the employees and for granting and payment of secured claims in case of insolvency of the employer](#).

The purpose of the law is to provide a maximum degree of protection to workers when insolvency proceedings have been opened. A special Guarantee Fund (guaranteeing the claims of workers and employees in the event of insolvency of the employer) was established to secure the payment of parts of the unsettled claims of the workers affected, including wages and social security contributions and other compensations.

Article 4(1) of the law defines employees entitled to guaranteed claims in case of insolvency. These are employees that are or have been employed and have not been paid their wages, regardless of the type of contract.

Article 22(1) defines the guaranteed amounts, which are the last six accrued but unpaid monthly wages and cash benefits in the last 36 (formerly 12) calendar months, preceeding the month in which the decision of insolvency is entered pursuant but not more than the maximum amount of guaranteed claims, and in case the employee has been in employment with the same employer for at least three months.

Article 25 regulates the beginning of the procedure for receiving the guaranteed claims. The procedure starts based on an application filed by the employee to the [national social security institute](#). This application must be filed within 3 (formerly 2) months from the information to employees about the insolvency proceedings.

According to the [social insurance code](#) the insurers shall provide to the [national revenue agency](#) data on their instalments to the fund for guaranteed claims for each insurable employee. Such obligation also applies to social insurance funds (established by freelancers, cooperatives and so on).

According to article 33(5) item 6, the [national social security institute](#) maintains an information system about paid guaranteed claims and payment of guaranteed claims.

Employers are obliged to pay mandatory monthly contributions to the fund for guaranteeing workers' and employees' rights in the event of employer's insolvency. The amount of these contributions is determined by the law on the state social security budget for each calendar year. The employers' contributions can not be higher than 0.5% of the gross salary and are not bound by the minimum monthly amount of the insurance income by activities and groups of professions. In 2019, according to article 15, paragraph 1 of the [law on the state social security budget 2019](#), employers do not have to pay contributions to the fund. According to paragraph 2 of the same article, in 2019 the maximum amount of the guaranteed claim that can be paid to an employee amounts to BGN 1,400 (€716).

Comments

The adoption and application of the [law for the budget of the state social security](#) marks considerable progress in the development of the Bulgarian labour law. It strengthens the protection of employees and widens the protective function of Bulgarian labour law as a whole.

In 2018, the maximum amount granted for secured claims was BGN 1,300 (€664.68). The maximum amount for secured claim for the period 2013-2017 was BGN 1,000 - BGN 1,200 (about €510 - €610).

The total budget of the fund for guaranteeing receivables in case of insolvency for 2018 was BGN 6.5 million (€3,323,397), according to the law for the budget of the state social security. The fund had a budget surplus of BGN 6,166,300 (€3,149,000) in 2017 (annex 3, law on the state social security budget 2017). The total accumulative budget for 2016 was BGN 244,212,358 (about €124,864,000). In 2014, the total budget of the fund was BGN 2,403,000 (about €1,229,000).

In 2012, 485 employees from 47 companies were beneficiaries of the fund. The average compensation was BGN 1,702 (€870). In 2015, the fund paid guaranteed compensations to 280 employees with BGN 1,118,634 (about €572,000). By the end of August 2016, the fund guaranteed payment for 3,132 employees with BGN 9,855,167 (about €5,039,000).

Cost covered by

Companies
National government






Involved actors other than national government

Employer organisation
Trade union

Thresholds

No, applicable in all circumstances

Sources

-  [Law for guaranteeing workers and employees' receivables in the event of employer's insolvency \(BG\)](#)
-  [Law on the state social security budget 2019 \(BG\)](#)
-  [ERM database on restructuring support instruments](#)
-  [National social security institute, Guaranteed benefits in case of insolvency](#)
-  [Law for guaranteeing workers and employees' receivables in the event of employer's insolvency \(EN\)](#)

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