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Luxembourg: Severance pay/redundancy compensation

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Luxembourg	Phase:	Management
	Type:	Severance pay/redundancy compensation

🛗 Last modified: 10 December, 2021

Native name: Code du travail
English name: Labour Code

Article

L.124-7

Description

A dismissed employee, except in the case of gross misconduct, is entitled to a severance allowance (*Indemnité de départ*) if they have at least five years of service within the organisation. Employees are entitled to:

Severance allowance and notice period according to length of service

Employee's length of service	Severance allowance	Notice
Less than 5 years	0	2 months
Between 5 and less than 10 years	1 month	4 months
Between 10 and less than 15 years	2 months	6 months
Between 15 and less than 20 years	3 months	6 months
Between 20 and less than 25 years	6 months	6 months
Between 25 and less than 30 years	9 months	6 months
30 years and more	12 months	6 months

The allowance is calculated on the basis of wages or salaries effectively paid to the employee for the previous 12 months which immediately preceded the notification of termination. The following items are included in the wages or salaries: financial allowances in the case of illness; standard allowances and supplements, etc. The following items are excluded from wages and salaries: overtime pay; bonuses; allowance for incidental expenses.

The employer must pay the Severance allowance at the end of the notice period (whether the notice was worked out or not). The amount is not subject to income tax or social contributions.

Employers of fewer than 20 workers can opt for an extended period of notice in case of redundancy instead of Severance allowance; applicable for employees dismissed for economic reasons with a seniority of more than five years.

Option without allowance (businesses with fewer than 20 employees)

Employee's length of service	Notice extended without allowance
Less than 5 years	0
Between 5 and less than 10 years	5 months
Between 10 and less than 15 years	8 months
Between 15 and less than 20 years	9 months
Between 20 and less than 25 years	12 months
Between 25 and less than 30 years	15 months
30 years and more	18 months

Comments

In the insurance banking sector, for example, according to the latest collective agreement of the banking sector 2021-2023, the severance pay is higher and is the following:

Monthly payments	Years of service
1 monthly payments	After 1 year
2 monthly payments	After 8 years
3 monthly payments	After 13 years
7 monthly payments	After 18 years
11 monthly payments	After 23 years
15 monthly payments	After 28 years
18 monthly payments	After 33 years

Cost covered by

Employer

Involved actors other than national government

National goverment only

Thresholds

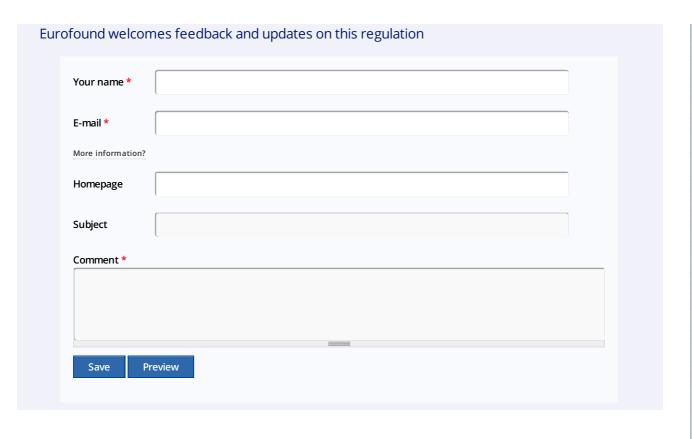
No, applicable in all circumstances

Sources

Labour Code

EMCC support of restructuring

E CCT Banques 2021-2023



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