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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 government only

Thresholds

No, applicable in all circumstances

Sources

-  [Labour Code](#)
-  [EMCC support of restructuring](#)
-  [CCT Banques 2021-2023](#)

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