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European Monitoring Centre on Change

## Finland: Wage guarantee in case of insolvency

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Finland

Phase:

Management

Type:

Wage guarantee in case of insolvency

Last modified: 10 December, 2021

Native name: Palkkaturvalaki (866/1998)

English name: Pay security act (866/1998)

### Article

Whole regulation

### Description

In case of employer insolvency, wages and other claims of employees resulting from the employment contract are secured by the national pay security system, which is financed by the employer's contribution to unemployment insurance.

An employer is considered insolvent if the employer is unreachable or has terminated the business activity and it can be proven that the amount in question cannot be paid from the assets, or if the employer has been declared bankrupt or else been established to be unable to pay its debts.

The guarantee covers all claims that has become due within the three months before applying for the guarantee, irrespective of the duration of the employment or the type of contract. The maximum amount to be paid per employee and employment contract with the same employer is €19,000. The employee can submit the application themselves or it can be done by a trade union on behalf of the employee.

Since 2016, the pay security system of the entire country is administered by the Uusimaa Centre for Economic Development, Transport and the Environment (ELY centre) in Helsinki. The centre makes decisions in pay security matters and handles other functions connected with enforcement of the act. An application for claiming pay security can be left at an ELY centre or at a local job centre (TE Office).

### Comments

According to statistics by the ELY centres and the Ministry of Economic Affairs and Employment, the total amount paid through the pay security system was:

- €26.3 million in 2017
- €31.2 million in 2016
- €27.4 million in 2015
- €35.4 million in 2014
- €39 million in 2013

The number of pay security beneficiaries was 5,800 in 2017 and 5,200 in 2016.

#### Cost covered by

Companies

#### Involved actors other than national government

Public employment service

Other

#### Involvement others

Public Employment and Business services ('TE services'); Centre for Economic Development, Transport and the Environment (ELY centre)

## Thresholds

No, applicable in all circumstances

## Sources

- Deutscher, A., (2011), Europäische Beispiele für die Insolvenzentgeltsicherung, Vienna, Federal Ministry of Labour, Social Affairs and Consumer Protection/IEF;
- Sargent, M., (2007), Implementation report directive 80/987 EEC amended by Directive 2002/74/EC [protection of employees in the event of the insolvency of their employer], Human European Consultancy/Middlesex University Business School
- [Pay security act \(866/1998\)](#)
- [Palkkaturvalaki \(866/1998\)](#)
- [ELY centres: Pay security \(in Finnish\)](#)
- [ERM database on restructuring support instruments - Pay security act \(866/1998\)](#)

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