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## Estonia: Severance pay/redundancy compensation

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Estonia

Phase:

Management

Type:

Severance pay/redundancy compensation

Last modified: 09 July, 2021

Native name:

Töölepingu seadus; Töötuskindlustuse seadus

English name:

Employment contracts act; Unemployment insurance act

### Article

Employment contracts act: 97, 100, 139; Unemployment insurance act: 14.1, 14.2

### Description

In cases of termination of the employment contract due to redundancy, the employer must pay compensation in the amount of one month's average wage of the employee calculated on the basis of the previous six months' wage.

In case the cancellation of an fixed-term contract due to redundancy, the employer must pay compensation to the extent that corresponds to the wage that the employee would have been entitled to until the expiry of the contract term. No compensation shall be paid if the employment contract is cancelled due to *force majeure*.

If an employer gives advance notice of cancellation later than provided by law or a collective agreement, the employee has the right to receive compensation to the extent to which he or she would have been entitled to upon adhering to the term for advance notice.

If the employer wishes to terminate the employment contract with immediate effect, the employer may choose to remunerate the advance notice period in money.

Those employed with the same employer from 5 to 10 years are entitled to an additional one month's salary from the unemployment insurance fund (*Töötukassa*). For persons who have been working for the same employer 10 or more years, two months' salary is added by the fund.

These provisions apply to individual as well as collective dismissal cases.

### Comments

According to the employment contract act survey (Masso et al, 2013), 82%-92% of those who were made redundant estimated that compensation werepaid according to their rights.

These benefits are relatively high and provide a good income for those who have lost their jobs through redundancy. For example, the average gross salary reached €1,316 in 2019 and €1,379 in 2020, while the average redundancy benefit reached €2,030 in 2019 and 2020.

In 2020, 12,411 individuals received redundancy compensation, and the number was 7,177 in 2019. In 2018, 5,331 individuals received the benefit, whereas the number of beneficiaries in 2017 was 4,798. It is evident that the number of benefit recipients has greatly increased during the COVID-19 pandemic.

#### Cost covered by

Employer  
National government



#### Involved actors other than national government

Public employment service

## Thresholds

No, applicable in all circumstances

## Sources

-  Source in Estonian: Töölepingu seadus
-  Source in English: Employment contracts act
-  Source in Estonian: Töötuskindlustuse seadus
-  Source in English: Unemployment insurance act
-  Masso M., Järve J., Nurmela K., Anspal S., Räis , M. L., Uudeküll K., Osila L., 2013. Töölepingu seaduse uuring [Employment Contract Act Survey]. Tallinn: Poliitikauuringute Keskus Praxis.
-  Eurofound, 2009. Unions fear new regulations may lead to redundancy cover-ups, EIROnline Articles, ID# EE0910019I
-  Nurmela, K.,Vörk, A., 2010. National seminar - Estonia. Anticipating and managing restructuring. Tallinn: Praxis Center for Policy Studies.
-  EMCC legal framework of restructuring
-  EMCC support of restructuring
-  DG Employment, Social Affairs and Equal Opportunities/Héra, 2011. Selected companies' legal obligations regarding restructuring.
-  Average insurance benefit upon lay-off
-  Average monthly gross wages (salaries)
-  Beneficiaries in connection with reduction

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