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Greece: Severance pay/redundancy compensation

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 Greece

Phase:

Management

Type:

Severance pay/redundancy compensation

 Last modified: 21 March, 2023

Native name:

Νόμος 4611/2019: Ρύθμιση οφειλών προς τους Φορείς Κοινωνικής Ασφάλισης, τη Φορολογική Διοίκηση και τους Ο.Τ.Α. αἰ βαθμού, Συνταξιοδοτικές Ρυθμίσεις Δημοσίου και λοιπές ασφαλιστικές και συνταξιοδοτικές διατάξεις, ενίσχυση της προστασίας των εργαζομένων και άλλες διατάξεις; Ν. 4488/2017: Συνταξιοδοτικές ρυθμίσεις Δημοσίου και λοιπές ασφαλιστικές διατάξεις, ενίσχυση της προστασίας των εργαζομένων, δικαιώματα ατόμων με αναπηρίες και άλλες διατάξεις, (ΦΕΚ Α' 137/13-09-2017); Νόμος 4093/2012: Εγκριση Μεσοπρόθεσμου Πλαισίου Δημοσιονομικής Στρατηγικής 2013– 2016 – Επείγοντα Μέτρα Εφαρμογής του ν. 4046/2012 και του Μεσοπρόθεσμου Πλαισίου Δημοσιονομικής Στρατηγικής 2013– 2016

English name:

Law 4611/2019: Settlement of debts to social security institutions, the tax administration, and first-level local authorities, pension Regulations for civil servants, and other insurance and pension provisions, strengthening the employees' protection and other provisions (OJHR A-73/17.05.2019 and A-75/22-05-2019); Law 4488/2017: Pension regulations for civil servants, and other insurance provisions, strengthening the employees' protection, rights of persons with disabilities, and other provisions (Law No. 3863/2010 on social security, July 2010 (Government Gazette, Bulletin A 115/15.07.2010), as last amended by Law 4488/2017 of 13 September 2017; Law 4093/2012: Adoption of the medium-term fiscal Strategy 2013-2016 - Urgent measures for the implementation of Law 4046/2012 and the medium-term financial strategy 2013-2016

Article

Law 4611/2019: Articles 51 and 52; Amendment 36542/1007; Law 4488/2017: Article 38; Law 4093/2012: subparagraph IA.12, sections 2 and 3

Description

As of July 2019, employers must pay severance indemnities and corresponding taxes to the employees' bank accounts via wire transfer instead of using a bank cheque. The new law also states that the prescription periods for filing employees claims for severance pay (three and six months from the dismissal date) may be suspended if employees file a petition before the labour inspectorate for a labour dispute or conduct of a reconciliation procedure, until the procedure is finalised, and corresponding decision issued. As of August 2019 (amendment 36542/1007 of Law 4611/2019) the employer is obliged to provide a valid reason for termination of employment.

The employer is required to report the following terminations to the [ERGANI database](#) (that is the Information System of the Ministry of Labour and refer to the entire function of the employment relationship): voluntary termination of employment ([Law 4488/2017](#)); termination of an open-ended employment contract; and termination of a fixed-term employment contract. The notification must be made within four business days from the final day of employment, and must be accompanied by a scanned document signed by both the employer and the employee, or an extrajudicial declaration of the employer indicating that the employee is leaving the employment on a voluntary basis and that the departure will be reported via the ERGANI system. In the latter case, the extrajudicial declaration must be delivered to the employee within four business days after he/she leaves the employment and the ERGANI notification must take place on the day after the extrajudicial declaration is delivered. Failure to comply with these requirements will result in the employment contract being deemed to be terminated by the employer (meaning that the employer will be liable for severance payments).

Law 4093/2012: An open-ended employment agreement that has a duration of more than 12 months can be terminated after prior written notice from the employer. Specific periods of notice between one and four months are laid down depending on the length of service with the

employer (for further details see [notice period for employees](#)). In the case of an open-ended employment agreement terminated by the employer, the severance pay is calculated as detailed below.

Length of service with the same employer:

- from 1 day to 1 year no severance pay is due; and
- from 1 year to 4 years severance pay of 1 month is due if the employer complies with the statutory period of notice. If the employer does not comply with the period of notice, a severance pay of 2 months is due.

Correspondingly:

- from 4 to 6 years, a severance pay of 1.5 months is due if the employer has complied with the legislation on the notice period and 3 months if not;
- from 6 to 8 years, a severance pay of 2 months is due if the employer has complied with the legislation on the notice period and 4 months if not;
- from 8 to 10 years, a severance pay of 2.5 months is due if the employer has complied with the legislation on the notice period and 5 months if not;
- from 10 to 11 years, a severance pay of 3 months is due if the employer has complied with the legislation on the notice period and 6 months if not;
- from 11 to 12 years, a severance pay of 3.5 months is due if the employer has complied with the legislation on the notice period and 7 months if not;
- from 12 to 13 years, a severance pay of 4 months is due if the employer has complied with the legislation on the notice period and 8 months if not;
- from 13 to 14 years, a severance pay of 4.5 months is due if the employer has complied with the legislation on the notice period and 9 months if not;
- from 14 to 15 years, a severance pay of 5 months is due if the employer has complied with the legislation on the notice period and 10 months if not;
- from 15 to 16 years, a severance pay of 5.5 months is due if the employer has complied with the legislation on the notice period and 11 months if not;
- from 16 and above, a severance pay of 6 months is due if the employer has complied with the legislation on the notice period and 12 months if not.

There are no differences for the above according to dismissal types (individual or collective) or contract types (for instance, part-time or full-time). In case of dismissal (for any reason, including redundancies) of a blue-collar worker, severance pay varies according to the length of service, from 5 days to 165 days' wages, regardless if the employer complies with the statutory period of notice.

A fixed-term contract can be terminated before its end without notice period for a significant reason, either by the employer or by the employee. 'Significant reason' consists of the existence of events during the contract which make it impossible to continue the agreement in good faith (for instance, breach of contractual obligations and damage caused by the employee with failure to comply with the essential terms of the contract and detraction of the employee by the employer, and so on). If a significant reason exists, the employer is not obliged to pay compensation. If the contract is terminated and no significant reason exists, the employee can go to court to claim the wages that would have been received until the end of the contract.

Comments

Amendment 36542/1007 abolished:

1. The provision of the 4611/2019 Law, which provides that for a dismissal to be legal, the employer had to state a 'justified reason' such as, for example, employee behaviour as defined by the European Social Charter. With the abolition introduced by the amendment, the employer does not need to justify anymore the employee's dismissal.
2. A provision of the 2019 Act, which suspends the time-limits for employees to take legal action against their employer during the conciliation procedure (this applies mainly to illegal dismissals).
3. The 'joint and solidarity responsibility of a contractor and subcontractor towards workers' (Law of 2018) which provided that if a contractor's employees have requirements that are not met by their direct employer, they may turn to the contractor of the project to meet their requirements (for example, salary claims).

Under the previous legal framework, the severance pay was paid after two months of employment with the same employer. The laws that reduced the level of severance pay are part of a series of laws implementing commitments made by the Greek government to its creditors with the signing of successive Memorandums of Understanding in the framework of Greece's accession to the Financial Stability Mechanism to bring about recovery from the economic crisis. Reducing the amount of severance pay was considered by the government as a necessary measure to alleviate business costs in the context of the economic crisis, while it was heavily criticised by the unions.

Under the previous framework, following the 'employment-at-will' principle, employers could dismiss employees without reason and without cause, in other words without being obliged to provide a legitimate business-related justification.

Cost covered by

Employer





Involved actors other than national government

National government only

Thresholds

No, applicable in all circumstances

Sources

-  Eurofound (2010), New law facilitates dismissals and cuts labour costs, EurWork Articles
-  Law 4093/2012
-  International Labour Organization
-  Law 4488/2017
-  Law 4611/2019
-  Keep Talking Greece (2019), New democracy abolishes basic rights for laborers' protection, 9 August.

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