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Sweden: Wage guarantee in case of insolvency

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Sweden

Phase:

Management

Type:

Wage guarantee in case of insolvency

Last modified: 10 December, 2021

Native name: Lönegarantilag (1992:497)
English name: Wage guarantee act (1992:497)

Article

Whole regulation

Description

In the case of employer insolvency, employees are eligible for wage guarantee. The wage guarantee aims at giving employees time to look for other jobs. Claims are not only guaranteed in cases of employer insolvency (permanent inability of the employer to pay the debts), but also in cases of restructuring events (current or foreseeable inability of the employer to pay the debts at due date, but there are activities to make the company survive a temporary crisis and avoid insolvency).

The wage guarantee is independent of the duration of the employment contract. It covers all claims that arose within the previous three months before registering for insolvency and one month after the decision of the insolvency court. The maximum amount per employee for 2021 amounts to around €18,600 (SEK 190,400) ([Länsstyrelsen Stockholm, 2021](#)). The guarantee is financed by the payroll tax and the state; there is no specific fund, but the financial means are registered as a special element in the national budget.

The benefit is paid out to employees by the Swedish government. Non-eligible workers include those who have been hired with the intervention of the public employment service and those who, alone or together with close relatives, own 20% or more of the company.

Comments

Examples of wage costs that can be replaced by the wage guarantee:

- Salary for the time the employee worked before the application for business reconstruction was submitted (usually a maximum of three months), as well as salary for the first month after the decision to reconstruct;
- Vacation pay for the current and the previous year (if still employed in the company);
- Termination salary and vacation allowance during the termination notice period, if terminated during the reconstruction.

There have been numerous cases of fraud related to the regulation. Wage guarantee payments were originally processed by the county administrative boards. In order to improve the decision-making information base for paying agents, the government decided in 2017 ([DS 2017:67](#)) that the state would be responsible for processing wage guarantee payments. The government can accordingly appoint the authority responsible for the payment. The amendments entered into force on 1 January 2019.

Cost covered by

Employer
National government

Involved actors other than national government

Regional/local government

Thresholds

No, applicable in all circumstances

Sources

- Deutsch, 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
- [Lönegarantilag](#)
- [ERM database on restructuring support instruments](#)
- SOU 2017:37 Kvalificerad välfärdsbrottslighet – förebygga, förhindra, upptäcka och beivra
- DS 2017:67 Lönegaranti och utbetalande myndighet
- Länsstyrelsen Stockholm - Lönegaranti

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