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Lithuania: Severance pay/redundancy compensation

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Lithuania

Phase:

Management

Type:

Severance pay/redundancy compensation

Last modified: 10 December, 2021

Native name:

Darbo kodeksas Nr. XII-2603, LR garantijų darbuotojams jų darbdaviui tapus nemokiam ir ilgalaikio darbo išmokų įstatymas Nr. XII-2604, LR Vyriausybės nutarimas Nr. 576 „Dėl ilgalaikio darbo išmokų fondo nuostatų patvirtinimo“, Vidutinio darbo užmokesčio skaičiavimo tvarkos aprašas, patvirtintas LR Vyriausybės nutarimu Nr. 496

English name:

Labour code No XII-2603, Law on guarantees for employees in the event of employer insolvency and long-term service allowances No XII-2604, Resolution No 576 of the government of the Republic of Lithuania on the approval of regulations of the Long-term Allowance Fund, Description of the average wage calculation procedure approved by the resolution of the government of the Republic of Lithuania No 496

Article

Labour code (56, 57, 59, 60, 62, 69), Law on guarantees for employees in the event of employer insolvency and long-term service allowances (9,10,11), Resolution No 576 (5-11), Description of the average wage calculation procedure (5)

Description

In compliance with the Labour code, dismissed employees are paid different severance payments depending on the reasons for termination, the length of service, the type of contract and other factors.

When terminating an employment contract on the initiative of the employee for valid reasons (article 56), the employer must pay the employee a severance pay in the amount of two times the average salary (see last paragraph for details of calculation). The amount is reduced to one average salary for employment relationships that last for less than one year.

When terminating an employment contract on the initiative of the employer without any fault on the part of the employee (article 57), the employer must pay the employee a severance pay in the amount of two times the average salary. The amount is reduced to half the average salary for employment relationships that last less than one year.

The Law on guarantees for employees in the event of employer insolvency and long-term service allowances establishes a procedure to pay the dismissed employee a long-term service allowance, taking into account the continuous length of employment in the same workplace. According to articles 9-11, a long-term service allowance requires at least five years of continuous employment relationship under the terminated contract on the date of dismissal, provided that the employee is dismissed on the initiative of the employer without any fault on the part of the employee. Eligible employees are paid this allowance from the Long-term Service Allowance Fund. In the case of employees dismissed from budgetary establishments and from the Bank of Lithuania, the allowance is paid by their employer. Redundant and eligible employees receive the following compensation from the Long-term Service Allowance Fund, unless a new employment contract is signed between the employee and an employer within three months from the date of redundancy:

- compensation amounts to 77.58% of the employee's average salary for one month if the length of service with the employer is from 5 to 10 years on the day of termination;
- compensation amounts to 77.58% of the employee's average salary for two months if the length of service with the employer is from 10 to 20 years on the day of termination;
- compensation amounts to 77.58% of the employee's average salary for three months if the length of service with the employer is 20 years or more on the day of termination.

For the calculation of the allowance, the employee's salary is defined as the income from employment received in the previous 12 months, as set in the regulations of the Long-term Service Allowance Fund (articles 5-11). The Long-term Service Allowance Fund is administrated by the State Social Insurance Fund Board under the Ministry of Social Security and Labour.

According to the Labour code (article 59), an employer is entitled to terminate an employment contract with an employee due to reasons not specified in article 57(1) by giving notice 3 working days in advance and paying a severance pay in the amount of no less than six times the employee's average salary. This provision does not apply to state and municipal institutions or establishments funded by the state or municipal budget.

When terminating an employment contract without the will of the parties to the employment contract (article 60), the employee is paid a severance pay in the amount of his or her average salary for one month. The amount is reduced to half the average salary for employment relationships that last less than one year.

When terminating an employment contract in the case of employer bankruptcy (article 62), the employee is paid a severance pay in the amount of two times the average salary. The amount is reduced to half the average salary for employment relationships that last less than one year.

The Labour code (article 69) provides for a severance pay in case of fixed-term employment. If an employment relationship under a fixed-term employment has lasted for over two years and has expired at the end of its term, the employee is paid a severance pay in the amount of one monthly wage.

The average pay for employees is calculated on the basis of their salary over the three calendar months prior to their dismissal in accordance with Description No 496 of the average wage calculation procedure (21 June 2017). In accordance with this legal document, the period covered is the last three calendar months preceding the month (or any part thereof) for which average wage is payable (paragraph 5).

Comments

No information available.

Cost covered by

Companies

Involved actors other than national government

Other





Involvement others

The Long-Term Service Allowance Fund is administrated by the State Social Insurance Fund Board under the Ministry of Social Security and Labour.

Thresholds

No, applicable in all circumstances

Sources

-  [Labour code No XII-2603](#)
-  [Law on guarantees for employees in the event of employer insolvency and long-term service allowances No XII-2604](#)
-  [Resolution No 576 of the Government of the Republic of Lithuania on the approval of regulations of the Long-Term Allowance Fund](#)
-  [Description of the average wage calculation procedure](#)

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