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Latvia: Wage guarantee in case of insolvency

Go to list page

Latvia

Phase:

Management

Type:

Wage guarantee in case of insolvency

Last modified: 10 December, 2021

Native name:

Par darbinieku aizsardzību darba devēja maksātnespējas gadījumā

English name:

On protection of employees in case of insolvency of the employer

Article

Whole law

Description

For cases where the company becomes bankrupt, an Employee Claims Guarantee Fund has been established in Latvia, operated by the Insolvency Control Service (state agency). The employee can submit the claim to the fund after the court's decision on the company's insolvency (as defined by the insolvency law). No claims can be submitted before.

All employees are eligible to the fund in case of insolvency of the employer. Employer's insolvency applies from the day when a court judgement regarding insolvency of the employer enters into legal effect.

There is no minimum duration of the employment contract required for workers to qualify.

From the resources of the Employee Claims Guarantee Fund, the following payments have to be covered: work remuneration, reimbursement for annual paid leave, reimbursement for other types of paid leave, severance pay in connection with the termination of an employment relationship, reimbursement for injury in connection with an accident at work or an occupational disease.

Employee claims are satisfied according to the following rates:

- work remuneration for the last three months of employment relationship in the 12 months before the insolvency of the employer came into effect;
- reimbursement for annual paid leave, the right to which has been acquired in the 12 months before the insolvency of the employer came into effect;
- reimbursement for other types of paid leave for the last three months of employment relationship in the last 12 months before the insolvency of employer came into effect;
- severance pay as prescribed by the labour law, the right to which has been acquired not earlier than 12 months before the insolvency of the employer came into effect;
- reimbursement for damages for the whole period of unpaid time;
- reimbursement of damages for the four subsequent years.

Resources of the Employee Claims Guarantee Fund consist of the share of the state entrepreneurial risk fee (employers' contribution for each employee, amount determined by the Cabinet of Ministers), gifts and donations, and resources recovered by administrators. The risk fee is €0.36 per employee.

Comments

In 2009, due to the economic crisis the amount of resources in the Employee Claims Guarantee Fund went critically low, and the government limited the payout amount. The maximum payout was linked to the national minimum wage. In 2018, the size of the Employee Claims Guarantee Fund exceeded €10 million, and the government decided to increase the limit set in 2009, when due to the economic crisis the amount of resources in the Employee Claims Guarantee Fund was critically low, and the government limited the payout amount, to 1.5 times the amount of the national minimum wage.

In 2018, 1,552 employees' claims to the fund were satisfied, for a total amount of €1,278,486.

In 2019, 1,269 employees' claims to the fund were satisfied, for a total amount of €1,711,943.

In 2020, 1,376 employees' claims to the fund were satisfied, for a total amount of €1,980,915.

In the first half of 2021 296 employees' claims to the fund were satisfied, for a total amount of €389,729.

Cost covered by

Companies
National government

Involved actors other than national government

Other




Involvement others

Insolvency Control Service (state agency)

Thresholds

No, applicable in all circumstances

Sources

-  [ERM database on restructuring support instruments](#)
-  [On protection of employees in case of insolvency of the employer](#)
-  [Insolvency Control Service](#)

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- Environmental policy
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Contact us

Eurofound, Wyattville Road, Loughlinstown, Co. Dublin, D18 KP65, Ireland

Phone: (00) 353 1 2043100

E-Mail: information@eurofound.europa.eu

Press: media@eurofound.europa.eu



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