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Estonia: Wage guarantee in case of insolvency

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Estonia

Phase:

Management

Type:

Wage guarantee in case of insolvency

Last modified: 09 July, 2021

Native name:

Töötuskindlustuse seadus

English name:

Unemployment insurance act

Article

Chapter 4

Description

Insolvency is understood as either the bankruptcy of the employer or the abatement of bankruptcy proceedings (if the assets cannot meet the costs of liquidation).

The trustee in bankruptcy or an interim trustee submits a standard format application to the unemployment insurance fund (*Töötukassa*) which pays insolvency benefits to employees in case of company bankruptcies.

Benefits upon insolvency of the employer include:

- unreceived salary from the period before the declaration of the employer as insolvent;
- unreceived holiday pay from the period before the declaration of the employer as insolvent;
- benefits from the period before or after the declaration of the employer as insolvent which were not received at the time of cancellation of the employment contract.

In case of unreceived salary, the amount paid is up to the employee's gross wages for the last three months of work but not exceeding in total the amount equal to three average gross monthly wages in Estonia during the quarter preceding the declaration of the employer as insolvent (according to the data published by the Statistical Office).

In case of unreceived holiday pay, the maximum paid amount is one gross monthly wage of the employee but not exceeding the amount equal to one average gross monthly wage in Estonia during the quarter preceding the declaration of the employer as insolvent (according to the data published by the Statistical Office).

In case of unreceived benefits, the maximum paid amount is equal to the employee's two gross monthly wages but in total not exceeding the amount equal to one average gross monthly wage in Estonia during the quarter preceding the declaration of the employer as insolvent (according to the data published by the Statistical Office).

Entitled are all employees, public servants, natural persons providing services on the basis of a contract, non-working spouses accompanying and officials serving in a foreign mission of the Republic of Estonia who have paid the unemployment insurance premiums pursuant to the procedure provided for in this act, including part-time and fixed-term workers, irrespective of the duration of the employment.

Exempted are sole proprietors, notaries, bailiffs, sworn translators, other independent persons engaging in a profession in public law, creative persons engaged in a liberal profession, management or controlling bodies of a legal person, some civil servants, those who have reached pensionable age and persons receiving early retirement pension.

Employers are defined as legal persons or structural units thereof if granted the rights of an employer, or a natural person with active legal capacity.

Comments

As shown from the table below, the number of people entitled to benefit upon insolvency of the employer was significantly higher during the economic downturn. The COVID-19 pandemic has also increased the number of cases.

Year	Number of insolvency cases	Number of people entitled to benefit	Average size of the benefit in EUR
2008	176	2,249	1,912
2009	491	6,709	2,020
2010	567	6,341	1,712
2011	289	2,467	1,749
2012	179	2,225	1,678
2013	172	1,493	2,232
2014	147	1,578	2,063
2015	142	1,212	2,334
2016	145	1,614	2,385
2017	146	1,217	2,628
2018	117	1,229	2,920
2019	154	1,033	2,979
2020	210	2,419	3,363

Source: Estonian unemployment insurance fund

Cost covered by

National government

Involved actors other than national government

Public employment service

Other

Involvement others

The trustee in bankruptcy or an interim trustee


Thresholds


No, applicable in all circumstances

Sources


 [Source in Estonian: Töötuskindlustuse seadus](#)

 [Source in English: Unemployment insurance act](#)

 [EMCC support of restructuring](#)

 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

 [ERM database on restructuring support instruments](#)

 [Estonian unemployment insurance fund statistics](#)

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