



Ombudsman of the Republic of Latvia

**Alternative report on the
Ad hoc report of the Republic of Latvia
on the cost-of-living crisis**

2024

Terms

Charter – Revised European Social Charter

Ombudsman – Ombudsman of the Republic of Latvia

Report - Ad hoc report by the Republic of Latvia on the cost-of-living crisis

Introduction

The Government of the Republic of Latvia has provided a comprehensive and exhaustive Ad-hoc report on the cost-of-living crisis, which points both to the measures taken in response to the significant increase in consumer prices experienced in 2021 and 2022 and to the regular measures required by law.

As the national human rights institution of the Republic of Latvia, the Ombudsman provides this alternative report as a supplement to the national report. The alternative report provides additional information to questions 1, 2, 5, 6 and 7.

Questions

- 1) **Please provide information on whether and how statutory minimum wages are regularly adjusted/indexed to the cost of living. Please indicate the last time when it was done, in particular, whether it has been adjusted/indexed since the end of 2021.**

In addition to the Report, the Ombudsman points out that the review of the minimum monthly wage in Latvia is **irregular**. From 1 January 2021, the minimum monthly wage was set at EUR 500 per month. Prior to this, it was increased in 2018 and set at EUR 430 per month but remained unchanged for the next three years (2018, 2019 and 2020). In 2022, the minimum monthly wage was not revised; it remained at the level set in 2021 – EUR 500 per month.

As the Government pointed out in the Report, exceptionally, in 2022 the legislator established that the minimum monthly wage should not be less than EUR 620 per month in 2023 and EUR 700 per month in 2024.

It should be noted that the minimum monthly wage, despite its increase, does not reach the standard laid down in Article 4(1) of the Charter, according to which a wage not lower than 60% of the net national average wage is considered to be a fair minimum wage. In Latvia, the minimum monthly wage within normal working time was EUR 500 in 2022, which was 36.4% of the average gross monthly wage, while in 2023 it was EUR 620, which was 40.4% of the average gross monthly wage.¹ In 2024, the minimum monthly wage is EUR 700, corresponding to 43.2% of the average gross monthly wage in the first quarter of 2024.²

An assessment of the ratio of the minimum monthly wage to the average wage after tax (gross wage) also shows that it does not meet the requirements of Article 4(1) of the Charter. Namely, in 2022, the minimum monthly wage (for an employee without dependants, applying the maximum monthly non-taxable minimum of EUR 500; see also answer to question 2) was EUR 447.50 after taxes, which was 44.5% of the average gross monthly wage; in 2023, the minimum monthly wage, applying the differentiated non-taxable minimum, was EUR 534.70, which was 47.8% of the average gross monthly wage; and in 2024, the minimum monthly wage after taxes is EUR 585.80, which is 49.7% of the average gross monthly wage in the first quarter of 2024.

¹ Informative description. Changes in wages and salaries in 2023. Central Statistical Bureau, 2024. Available at: https://admin.stat.gov.lv/system/files/publication/2024-04/Nr_11_Darba_samaksas_parmainas_2023_gada_%2824_00%29_LV.pdf

² Press release. In the 1st quarter, the average salary is 1 623 euros. Central Statistical Bureau, 03.05.2024. Available at: <https://stat.gov.lv/lv/statistikas-temas/darbs/alga/preses-relizes/20873-darba-samaksas-parmainas-2024-gada-1-ceturksni?themeCode=DS>

The average net wage in 2022 was EUR 1 006 or 73.3% of the gross wage, which increased by 7.1% compared to 2021. However, given the increase in consumer prices in 2022, net wages fell by 8.7%, reflecting the sharp decline in the purchasing power of wage earners.³ In 2023, the average net wage was EUR 1 119, or 72.9% of the gross wage, and the real increase in net wages, considering the increase in consumer prices by 8.9% in 2023, was 2.2%.⁴

Although the minimum monthly wage in Latvia has been revised annually since 2021 (in 2022 because of the increase in the minimum non-taxable minimum), it is still not sufficient to ensure that Latvian residents can receive a fair wage.

2) Provide information on any additional measures taken to preserve the purchasing power of the minimum wage since the end of 2021.

In 2016, the annual differentiated non-taxable minimum was introduced in Latvia. The annual differentiated non-taxable minimum and the forecasted monthly non-taxable minimum shall be calculated in accordance with the formulas specified by the Cabinet of Ministers, considering the amount of annual taxable income or income in the previous period accordingly. The differentiated non-taxable minimum shall be applied by the summary procedure to all income of the taxpayer when submitting the annual income declaration.

In 2022, the differentiated non-taxable minimum of the personal income tax shall be calculated separately for the period from 1 January to 30 June and from 1 July to 31 December. From 1 January⁵ to 30 June, the maximum non-taxable minimum was EUR 2100 or on average EUR 350 per month; EUR 3 000 from 1 July to 31 December, or on average EUR 500 per month. **In 2023 and 2024**, the maximum non-taxable minimum is EUR 6 000 per year, or on average EUR 500 per month. The maximum non-taxable minimum applies to income up to EUR 6 000 per year, or on average EUR 500 per month. This figure has not been revised since 2020. Thus, it is the low-wage earners who are most affected by the increase in the maximum non-taxable minimum. However, it should be noted that due to the differences between the forecasted non-taxable minimum applied to the salary and the differentiated non-taxable minimum applicable in the declaration, the overpayment of the calculated tax (if such has arisen) is repaid to the person in accordance with summary procedures, submitting the annual income declaration.

³ [Press release. In 2022, the average wage before taxes – EUR 1 373 per month. 01.03.2023. Central Statistical Bureau](#)

⁴ [Informative description. Changes in wages and salaries in 2023. Central Statistical Bureau, 2024](#)

⁵ In 2021, the maximum non-taxable minimum was EUR 3 600 per year or EUR 300 per month and was applied to income up to EUR 6 000 per year, which is EUR 500 per month on average.

5) Please provide information on changes in social security and social assistance systems since the end of 2021. This should include information on benefits and levels of assistance, as well as on the granting of benefits.

The Government report provides detailed information on the changes made in the area of social security and social assistance. However, in addition to the information provided by the Government, it should be noted that the improvement made in the area of social security since 1 January 2021 has been achieved through the instrument protecting constitutional rights – the Constitutional Court. Minimum income thresholds – the level of the guaranteed minimum income, the level for determining the status of a poor and low-income household, the amount of the State social security benefit, as well as the amount of the minimum pensions – are determined using the relative method. Namely, the national minimum income thresholds have chosen to be calculated as a percentage of the current median income determined according to the equivalence scale chosen by Latvia - 1, 0.7, 0.7. The minimum income threshold shall not be lower than 20% of the current median income. The minimum pensions, on the other hand, are set at 25% of the median or 30% of the median for a disabled person from childhood, differentiated by disability group (disability pensions) or insurance period (old-age pensions). From 2024 onwards, the minimum income thresholds are to be reviewed annually on 1 January. In 2023, the minimum income thresholds were revised on 1 July.

As of 1 July 2023, the 2020 median income of EUR 626.57 was used to set the minimum income thresholds. When setting the minimum income thresholds as of 1 January 2024, the median 2021 income of 685.78 is used.⁶

Accordingly, the minimum income threshold (20% of the median income) is EUR 125 as of 1 July 2023 and EUR 137 as of 1 January 2024.

⁶ [NNM080. Minimal income \(MIL\) median \(disposable income per household member; scale 1, 0.7, 0.7\) \(euro\) 2004 - 2022 Median | Official statistics portal database](#)

It should be noted, however, that even after the changes made, there are shortcomings in the area of minimum income. Namely, the Constitutional Court, in its judgment of 5 October 2023 in case No 2022-34-01,⁷ recognised that the procedure for establishing the minimum income threshold in Latvia, together with other measures of the social security system, did not create an opportunity for every needy person to create a dignified life. There is still no such system of social assistance that would ensure transparent provision of support, so that both local governments, as well as policy makers and the legislator itself would have access to information on the amount and effectiveness of support provided to deprived persons. With the above judgement, the Constitutional Court recognised the norms, which established the minimum income threshold and the procedure for reviewing it, as being incompatible with Article 1 and Article 109 of the Constitution (the Satversme) of the Republic of Latvia and invalid as of 1 January 2025.

This suggests, in turn, that the other minimum amounts, starting with the State social security benefit for persons with group III disability and persons who have reached the age required for the grant of an old-age pension, which is set at 20% of the median, are also not considered sufficient to ensure a dignified life.

6) Please provide information on whether social security benefits and social assistance are indexed according to the living costs, as well as information in particular on how income replacement benefits such as pensions are indexed. Please indicate when the benefits and assistance were last adjusted/indexed.

As the Government has already pointed out, the only social transfer that is indexed to changes in consumer prices is pensions. Neither the revision of social assistance benefits nor the revision of State social benefits directly takes into account the inflation rate, which may lead to a significant loss of purchasing power of the recipients of those benefits.

⁷ [Judgment of the Constitutional Court of 5 October 2023 in case No 2022-34-01 \(available in Latvian\)](#)

7) Please provide information on whether specific measures have been adopted since the end of 2021 to ensure that individuals can cover their energy and food costs, such as price subsidies for energy, fuel and basic food products.

The Government has stated, inter alia, that since 2021, protected electricity customers, system services and mandatory procurement components are subject to specific payment reductions, excluding value added tax. Accordingly, depending on belonging to a particular group of protected customers (deprived or low-income households, families caring for a child/children with disabilities, persons with group I disability, large families), a reduction in payments of EUR 20 or EUR 25 per calendar month is applied to the amount of the invoice for electricity and system services from 1 August 2023.

However, it should be noted that some protected customers, especially those who are not direct contractors to an electricity service, but sub-users (residents of multi-apartment buildings, tenants of social apartments, etc.) do not receive the protected customer support if their or the electricity trader chosen by the direct contracting party provides the service to less than ten thousand households and has not voluntarily chosen to provide it.⁸ Thus, in the opinion of the Ombudsman, prima facie the principle of legal equality included in Article 91 of the Satversme (the Constitution) of the Republic of Latvia is not complied with.⁹

⁸ Paragraph 2 of Cabinet Regulation No 345 of 1 June 2021 laying down rules on trade services for protected customers stipulates that an electricity trader providing trade services for more than ten thousand household customers must provide such services. An electricity trader whose number of household customers is less than ten thousand shall provide the service on a voluntary basis

⁹ Currently, the Ombudsman is examining a case that has not yet been concluded