Republic of Latvia

Cabinet

Regulation No. 563

Adopted 18 August 2016

**Procedures for the Determination and Review of the Minimum Monthly Salary**

*Issued pursuant to*

*Section 61, Paragraph three of the Labour Law*

**1.** This Regulation prescribes the procedures for the determination and review of the minimum monthly salary.

**2.** Every year the Ministry of Welfare together with the Ministry of Finance and the Ministry of Economics shall asses the economic situation in the State and develop proposals for the amount of minimum monthly salary (to any whole number with accuracy of up to one euro) for the following year by taking into account the following:

2.1. the macroeconomic forecasts prepared by the Ministry of Economics and the Ministry of Finance, and changes in the economic situation in the previous year, including the development of labour productivity;

2.2. the information at the disposal of the State Revenue Service regarding the average labour income of employees and the number of hours worked per month in the previous calendar year according to the information indicated in employer reports on the mandatory State social insurance contributions from the labour income of employees, personal income tax and State duty of the business risk in the reporting month;

2.3. the assessment conducted by the Ministry of Welfare of the impact on social security and tax burden of labour force, including with regard to the changes in the object of the mandatory State social insurance contributions of employee and employer in the reporting month;

2.4. the information provided by the State Employment Agency on the unemployment rate divided by cities and municipalities of the Republic;

2.5. the proportion of the minimum monthly salary to the average work remuneration in the State in the previous year calculated by the Central Statistical Bureau;

2.6. the labour cost index calculated by the Central Statistical Bureau (against the relevant period of the previous year);

2.7. the proposals developed by the Ministry of Finance for changes in the tax system for the following year (changes in the personal income tax rate, the minimum not subject to the personal income tax, and amount of relief for a dependant);

2.8. the assessment conducted by the Ministry of Welfare of the amount of the existing minimum monthly gross and net salary and its possible changes in the following year in other European Union Member States, as well as the comparison of the proportion of the minimum monthly salary to the minimum work remuneration in those countries;

2.9. the proposals developed by the Ministry of Welfare for changes in rates of the mandatory State social insurance contributions for the following year;

2.10. the proportion calculated by the Central Statistical Bureau: the number of the employees whose work remuneration is equal to or smaller than the amount of the minimum monthly salary to the total number of employees.

**3.** Each year by 15 July, the Ministry of Welfare shall submit a proposal regarding the retention or increase of the minimum monthly salary for the following year and the date for the implementation of the relevant changes for examination and coordination at the meeting of the Social Security Sub-council of the National Tripartite Cooperation Council (hereinafter – the Sub-council). Other competent experts are also invited to participate in the meeting.

**4.** Within two weeks after examination of the proposal referred to in Paragraph 3 of this Regulation at the meeting of the Sub-council, the Ministry of Welfare shall submit it for examination to the National Tripartite Cooperation Council (hereinafter – the Council). The Council shall invite the Latvian Association of Local and Regional Governments to the examination of the abovementioned proposal.

**5.** Within two weeks after examination of the proposal referred to in Paragraph 3 of this Regulation by the Council, the Ministry of Welfare shall submit it to the Cabinet. The Cabinet shall take the decision on the minimum monthly salary for the following year.

**6.** If the Cabinet takes the decision to retain the minimum monthly salary in its previous amount for the following year, the measures referred to in Paragraphs 7, 8, 9, and 10 of this Regulation shall not be taken.

**7.** Within two months after taking of the decision by the Cabinet on the increase in the minimum monthly salary for the following year and the date of implementation of the relevant changes, the Ministry of Finance shall draw up proposals for the review of the scale of monthly salaries of officials and employees of State institutions of direct administration in relation to the increase in the minimum monthly salary for the following year, increasing this scale as equally as possible to the increase in the minimum monthly salary according to the budget possibilities and taking into account the impact of the increase in the minimum monthly salary on the balance of the general government balance and macroeconomic situation in the State.

**8.** In accordance with the proposals referred to in Paragraph 7 of this Regulation the Ministry of Finance shall perform the relevant calculations and inform the budget department thereon.

**9.** Within two weeks after receipt of a request from the Ministry of Finance, the Ministry of Health shall prepare and submit to the Ministry of Finance information on the division of medical practitioners, considering the scale of currently lowest monthly salaries with regard to medical practitioners directly involved in the provision of health care services covered by State budget.

**10.** After taking of the decision by the Cabinet on the increase in the minimum monthly salary for the following year and the date of implementation thereof:

10.1. the Ministry of Welfare shall, within two months, prepare a draft legal act on amendments to Cabinet regulations regarding the amount of minimum monthly salary within the scope of regular working time and calculation of minimum hourly salary rate and shall submit for review to the Cabinet in accordance with specific procedures;

10.2. the responsible ministries shall, within three months, prepare draft legal acts on amendments to Cabinet regulations related to the minimum monthly salary and where necessary – amendments to Cabinet regulations in relation to changes in the amount (scale) of monthly salary and shall submit such for review to the Cabinet in accordance with specific procedures.

**11.** Cabinet Regulation No. 390 of 17 May 2011, Procedures for the Determination and Review of the Minimum Monthly Wage (*Latvijas Vēstnesis*, 2011, No. 86; 2013, No. 148), is repealed.

**12.** This Regulation shall come into force on 1 January 2017.

Prime Minister Māris Kučinskis

Minister for Welfare Jānis Reirs