



ESPN Thematic Report on Access to social protection of people working as self-employed or on non-standard contracts

Latvia

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European Social Policy Network (ESPN)

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Summary

Self-employment in Latvia has grown in recent years: from 8.9% of the working population in 2008 to 11.8% in 2015, or from 94,000 to 105,600 people. Two-thirds of the self-employed are own-account workers without employees, and one-third are employers. The relative number of part-time employees has remained stable in recent years, not exceeding 10% of the working population. In contrast to the rest of the EU, temporary contracts in Latvia are more popular among men (4.6%) than among women (3.0%). Temporary contracts are more prevalent among the youngest group of employees aged 15-24. In 2015, the rate of involuntary temporary employment was 2% in Latvia, as opposed to 8.8% in EU-28.

A very important and actively debated type of non-standard work relationship is that found under the micro-enterprise tax regime. The Law on Micro-enterprise Tax came into force in September 2010 and was aimed at reducing unemployment, encouraging citizens to start their own business, and simplifying tax payment procedures. In 2011, already existing taxpayers were also allowed to switch to the micro-enterprise taxpayer regime, provided they met the conditions stipulated in law. This micro-enterprise taxpayer group is not homogeneous: it includes small limited-liability companies, individual merchants, sole proprietorships, farms and fisheries, and natural persons performing a registered economic activity (e.g. leasing out their flat). A person may be employed at several micro-enterprises at one time. People covered by the regime have very limited social insurance cover.

Self-employed persons must be registered on the Tax Payers' Register of the State Revenue Service. As self-employed people have no wages, the contribution basis is determined by the self-employed themselves. The Cabinet of Ministers sets the minimum amount of the contribution basis (EUR 4,440 per year in 2016). Contributions are paid every three months.

In Latvia, the scope of social protection coverage for non-standard workers depends mainly on their insured wage, rather than on the type of their contract. They are insured against the same risks as the employees with a standard contract, but at much lower levels. About one-third of all the employed (in all types of employment and tax regime) make social insurance contributions on the basis of amounts lower than the statutory minimum wage.

There are some areas of social security in Latvia where employment type does not play any role. This includes healthcare services, social assistance, and some flat-rate or means-tested family allowances. On the other hand, most benefits are strongly linked to the individual's contribution wage (also known as the 'insured wage'): this includes old-age, invalidity and survivors' pensions; unemployment benefit; sickness benefit; maternity/paternity and parental benefits; and insurance against accidents at work and occupational disease. For most of these benefits (sickness, maternity/paternity and parental benefits, unemployment benefit) only the last year of contributions is taken into account: but invalidity pensions depend on the last five years; and old-age and survivors' pensions depend on contributions throughout the working life. The self-employed do not pay social insurance contributions against the risk of occupational accidents or unemployment. The minimum levels of the majority of the benefits – except for the recently increased family benefits – are set inadequately low, while a proposed 'minimum income level' (expected to be enacted in 2017) is still under elaboration.

The social insurance system in Latvia is fully individualised: each person's contributions are registered on a separate account, keeping redistribution as low as possible. Individual social security accounts allow acquired rights to be attached to the individual, rather than the work contract. When moving to a less regulated work relationship, for instance from a permanent job to self-employment, people may begin accumulating fewer rights, but they would not lose the rights previously accumulated.

1 Context: self-employment and non-standard work relationships in the national economy and labour market

The relative share of self-employment in the working population in Latvia is below the EU average: 11.8% in 2015 as opposed to 14.8% in EU-28¹. However, the self-employment rate has grown during recent years, from 8.9% in 2008 to 11.8% in 2015. Two-thirds of the self-employed are own-account workers without employees, and one-third are employers² (see Table 1).

Table 1. Number of self-employed in Latvia aged 15-74 in 2008-2015

	2008	2009	2010	2011	2012	2013	2014	2015
Self-employed without employees, thousands	57.4	56.5	52.3	56.6	57.4	58.2	59.8	67.1
<i>annual growth, % to the preceding year</i>	-9.9	-1.6	-7.4	8.2	1.4	1.4	2.7	12.2
Self-employed with employees, thousands	36.6	34.2	33.5	31.5	34.1	37.5	35.2	38.5
<i>annual growth, % to the preceding year</i>	6.7	-6.6	-2.0	-6.0	8.3	10.0	-6.1	9.3
Total self-employed, thousands	94.0	90.7	85.8	88.1	91.6	95.7	95.0	105.6
Share in all working population, %	8.9	10.0	10.0	10.3	10.5	10.7	10.8	11.8
<i>% among men</i>	11.4	12.8	12.4	12.6	12.8	12.7	13.3	14.8
<i>% among women</i>	6.3	7.4	7.9	8.0	8.3	8.7	8.3	8.9

Source: Central Statistical Bureau of Latvia

It is interesting to note that although the number of the self-employed decreased during 2008-2010 in absolute terms, their relative share in the working population increased. This may demonstrate that this group is more robust in crisis situations, or alternatively that people were pushed into self-employment by the adverse conditions in the labour market. The rate of self-employment is consistently higher among men.

The statistics distinguish one more group of self-employed persons, that of contributing unpaid family workers: these are employed in a relative-owned enterprise or a farm/fishery, unpaid but bringing a benefit to the family. Their number nearly halved during the period under review: from 14,100 to 7,400, and in 2015 they constituted less than 1% of the total working population (the EU-28 average was 1.2%).

As shown in Table 2, self-employment is a popular way of holding an additional job: people combine employment with additional earnings from self-employment (strictly speaking, such people cannot be considered as self-employed according to the ILO definition). In around 30% of cases where employees had more than one job, the second job was self-employed. However, holding more than one job is not widespread: in 2015 only 5.4% of all Latvian employees had more than one job.

¹ Age group 15-74.

² Whereas Eurostat treats the self-employed with employees as a subgroup of the self-employed, Latvian statistics treat them as two separate groups: the [solo] self-employed and employers. The absolute figures, however, are the same: our comparison shows that 'employers' in the tables of the Central Statistical Bureau of Latvia are the same persons as 'self-employed with employees' in Eurostat tables. Therefore, we shall follow the Eurostat approach and consider both groups under the self-employed.

Table 2. Number of self-employed in a second job in Latvia (thousands)

	2008	2009	2010	2011	2012	2013	2014	2015
Persons	15.6	10.8	11.5	9.9	12.9	13.3	11.2	14.3
% of all in 2nd job	24.8	26.2	30.8	28.0	30.3	32.4	28.1	29.3

Source: Central Statistical Bureau of Latvia

Compared with other EU Member States, the share of people working part-time in Latvia is rather small – in 2015 only 7.9% of employees had a part-time job, whereas the EU average was 20.3%. The incidence of part-timework has remained stable in recent years, not exceeding 10% of the total working population. The highest absolute and relative numbers were observed in 2010–2012. These were the years when many enterprises faced severe problems due to the economic crisis, with part-time employment used to keep people in their jobs if the employer was unable to pay them a full-time salary. The relative increase in part-time employment was much more pronounced among men: from 4.9% in 2008 to 8.0% in 2010 (or by 63%) as opposed to a smaller increase from 8.5% to 11.4% (or by 34%) among women (see Table 3).

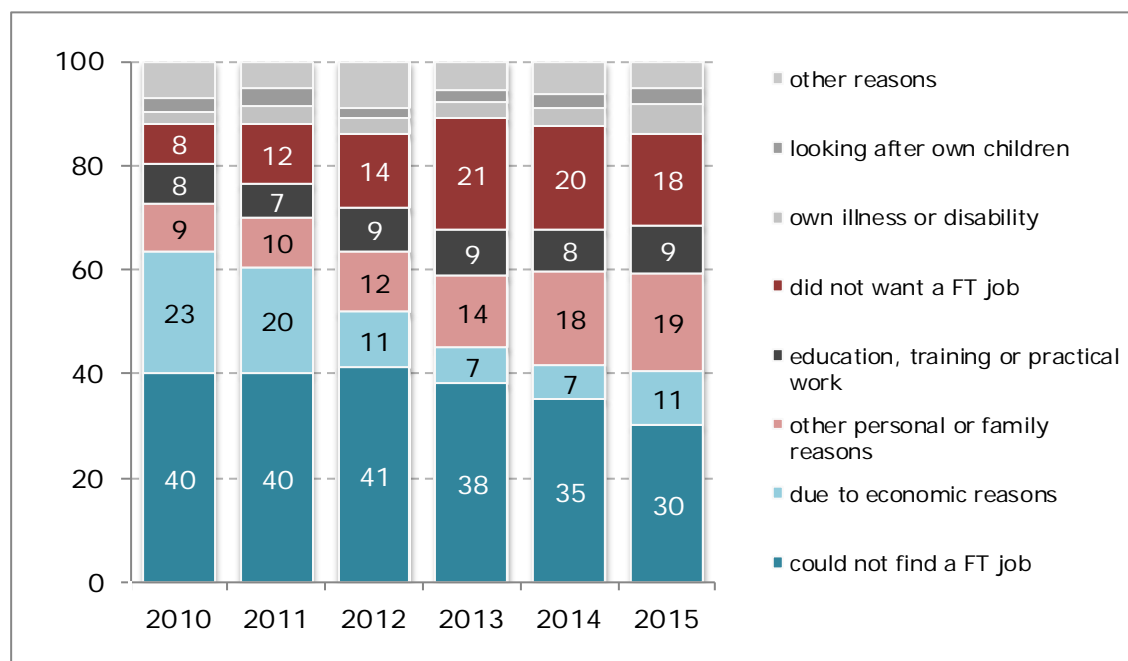
Table 3. Full-time and part-time employees in Latvia (thousands)

	2008	2009	2010	2011	2012	2013	2014	2015
Full-time employees	985	825	767	782	793	820	818	825
Part-time employees	70.1	79.5	83	79.3	82.2	72.1	65.4	70.4
% of all employed	6.6	8.7	9.8	9.2	9.4	8.1	7.4	7.9
% among men	4.9	7.3	8.0	7.3	7.1	6.1	5.1	4.9
% among women	8.5	10.1	11.4	10.9	11.6	10.0	9.6	10.7

Source: Central Statistical Bureau of Latvia

Figure 1 below demonstrates that the inability to find a full-time job, and other 'economic' factors, decreased in importance as a reason for part-time employment from 63% of the total in 2010 to 41% in 2015³. The share of 'other personal or family reasons' increased from 9% to 19%, as did the share of those not wanting a full-time job (from 8% to 18%).

³ These reasons were more often provided by men: in 2010 men chose these two reasons in 68.8% of all cases, while women chose them in 60.1% of cases. As might be expected, family reasons and unwillingness to work full time were quoted more often by women.

Figure 1. Reasons for part-time employment in Latvia in 2010–2015, % of all part-time employees

Source: Central Statistical Bureau of Latvia

Part-time workers as well as employed persons except employees are much more exposed to the risk of poverty than other workers: in 2015, the poverty risk of both groups was more than twice as high as that of standard employees (Table 4). The situation was improving, however, as the differences were less pronounced than in the years immediately following the onset of the crisis.

Table 4. In-work at-risk-of-poverty rates (% of all employed aged 16+, cut-off point: 60% of median equivalised income after social transfers)

	2008	2009	2010	2011	2012	2013	2014	2015
Employed persons^E	10.5	10.8	9.4	9.3	8.6	8.9	8.1	9.2
Employed persons except employees^E	..	30.9	25.6	21.6	18.2	22.9	21.2	21.5
Full-time workers^C	9.3	7.9	7.9	7.1	7.7	6.8	8.2	..
Part-time workers^C	26.0	23.6	25.1	23.1	20.5	18.7	18.4	..

Source: C – Central Statistical Bureau of Latvia, E – Eurostat

The Latvian State Labour Inspectorate in their most recent annual reports (2014 and 2015) pointed out that the incidence of bogus part-time employment schemes (where not all working hours are registered officially) is increasing, as well as other forms of tax evasion. For instance, a taxi driver's monthly working time is declared as 25 hours (or less than one hour per day) and their monthly wage as EUR 66. The 'classical' forms of undeclared employment are becoming less prevalent, being replaced by new ones: bogus self-employment and part-time employment, dummy service providers, tenants, bogus volunteers, etc. These forms are hard to detect and prove in court, and investigation is quite time-consuming and therefore impractical. No official statistics or estimates of bogus self-employment and/or dependent self-employment in Latvia can be found; and there does not appear to have been any recent research in this field, apart from some newspaper articles on isolated cases.

Temporary employment is not common in Latvia. According to Eurostat, in 2015 only 3.8% of all employees aged 15-74 had contracts of limited duration, compared with 14.1% in EU-28. In contrast to the rest of the EU, temporary contracts in Latvia were more popular among men than among women: 4.6% and 3.0% respectively, as opposed to the EU averages of 13.8% for men and 14.5% for women. As in other EU countries, temporary contracts were also more often found among the youngest group of employees aged 15-24: 10.3% among women, 9.9% among men, and 10.1% overall (the respective EU-28 averages were 39.5%, 41.3% and 40.3%). In 2015, the rate of involuntary temporary employment was 2% in Latvia as opposed to 8.8% in EU-28.

These low levels are due to the fact that Latvian labour law restricts the use of temporary contracts to:

- Areas of activity where temporary contracts are allowed by special Cabinet regulations. There are 28 areas, grouped into seven categories:
 - culture (professionals engaged in concerts, performances at theatres, opera, ballet and circus; cinematographic films and video films, cultural and recreational events; organisation of exhibitions and production of photographs);
 - banking, finances and trade (intermediation transactions in investments, and administration of property);
 - sports (sportsmen and sportswomen, trainers, referees, sports events organisers);
 - management of specially protected territories – parks, public gardens and conservation areas;
 - education (adolescents and young adults in professional training⁴; teaching staff whose teaching curriculum does not exceed nine months a year; guest teaching staff);
 - technical personnel of diplomatic missions;
 - other activities: organisation of exhibitions, fairs, congresses, conferences and seminars; development and implementation of projects; forest fire protection; leading excursions and tourist group guiding; activities on markets and annual fairs, visiting trade and street trade; cadastral, geodesic and topographical surveys; fashion models and artists' models.
- Seasonal work where temporary contracts are allowed by special Cabinet regulations. There are 43 types, including: agriculture (sowing, planting, livestock feeding and grazing, etc.); fish raising and crayfish raising, fishing in the Baltic Sea and inland waters; land treatment, amelioration works and forestry; building and maintenance of roads; work in retail outlets that operate only in certain months of a year (e.g. beach café); reception and serving of visitors in 'high season' in cultural institutions; and others.
- Replacement of an employee who is absent or suspended from work; casual work which is normally not performed in the undertaking; specified temporary work related to short-term expansion of the scope of work; emergency work in order to prevent the consequences caused by force majeure or other exceptional circumstances; and some other minor cases.

If an employment contract does not indicate its duration, or if the period is indicated but the contract does not qualify under one of the above listed provisions, the contract shall be deemed as permanent.

Employees with temporary employment contracts enjoy the same rights as those with permanent employment contracts with regards to social insurance and labour

⁴ This is the main reason for higher temporary employment rates among the youngest group of workers.

protection. They pay social insurance contributions at the same rate as permanent employees. The only exception is a very small group of seasonal agricultural workers who have a specific tax regime: in 2015, there were only 1,198 persons (or 0.1% of all waged employees) who registered themselves under this tax regime.

Indeed, it is mainly the tax regime that determines the scope of social protection in Latvia, and not the type of employment contract. Thus, a self-employed person within the Eurostat definition may be registered as a

- Natural person:
 - Self-employed, paying personal income tax at general tax rate plus social contributions
 - Self-employed, paying patent fee
 - Self-employed, paying micro-enterprise tax
 - Individual merchant
- Employer – owner of a legal person:
 - Individual company / limited liability company / farm / fishery owner (or owner of an enterprise of another type) paying corporate and personal income tax at general rates plus social contributions
 - Individual company / limited liability company / farm / fishery owner paying micro-enterprise tax

Although these tax regimes are quite different, all the persons concerned meet the definition of self-employment used by the ILO and Eurostat. By contrast, the State Social Insurance Agency (SSIA) in its statistical tables groups employees according to tax regime, and treats only people in the first two groups (natural persons, registered as self-employed and paying either personal income tax plus social contributions or a patent fee) as self-employed. This results in very different figures: whereas Eurostat found there were 105,600 self-employed people in Latvia in 2015, the SSIA recorded only 15,900, and the average quarterly indicator was even lower, at 9,400⁵.

On the other hand, employees who are considered as employed on absolutely 'standard' contracts – e.g. waged workers with full-time permanent contracts at a limited liability company with no part of their wage paid 'under the table' – may experience very different levels of social protection, depending on the tax regime chosen by the owner of the company they are employed at.

A very important and actively debated taxation scheme is the micro-enterprise tax regime. The Micro-enterprise Tax Law came into force in September 2010 and was designed to reduce unemployment by encouraging citizens to start their own business, and to simplify tax payment procedures by replacing several taxes with one, which is paid only once a quarter.

According to the law, the right to become a micro-enterprise taxpayer is granted to:

- an individual merchant or person who performs an individual work;
- a farm or fishing enterprise;
- a natural person registered as a performer of economic activity at the State Revenue Service;
- a limited liability company, if its turnover does not exceed EUR 100,000 in a calendar year, the monthly wage of its employees does not exceed EUR 720, and the number of employees does not exceed five.

In 2011, already existing taxpayers were also allowed to change their previous status and tax regime from a standard one to the micro-enterprise regime, provided they

⁵The annual figure includes all those who were registered as self-employed for at least one quarter in the calendar year, whereas quarterly figures provide the then-current numbers. Therefore, the quarterly averages are more indicative.

met the conditions stipulated by the law, and the number of micro-enterprises has grown very quickly: it had increased sevenfold by October 2016. The total number of employees in micro-enterprises is also growing: in the second quarter of 2016 there were more than 100,000, making up 11% of all Latvian employees. Men are more often employed at micro-enterprises than women: 57.3% of micro-enterprise employees in 2015 were men, as against 49% in the total working population. However, the difference between men's and women's insured wages was less pronounced at micro-enterprises: women got 94.9% of men's wages on average, compared with 85.4% among all employees. A person may be employed at several micro-enterprises at one time. Legal and natural persons covered by the micro-enterprise tax regime have very limited social insurance cover. Other specific tax regimes include those for patent fee payers and seasonal agricultural workers (as already mentioned), but these types of employment have very limited popularity.

The Micro-enterprise Tax Law has been amended seven times since its introduction in September 2010, and tax rates and social contribution rates are changing each year which quite often discourages people from starting business on their own. A handbook for business start-ups published at the end of 2012, with co-financing from the European Regional Development Fund, is today out-of-date on almost each of its 85 pages. All of this instability quite often discourages people from starting their own business.

According to data from the Central Statistical Bureau of Latvia, the share of standard employment in total employment (i.e. waged employment on a permanent full-time contract) was 82.5% in 2008, 78.2% in 2012 and 79.1% in 2015. The share of non-standard work (i.e. self-employment, temporary and part-time contracts) was thus about 20%.

2 Description and assessment of social protection provisions for the self-employed and people employed on non-standard contracts

2.1 Description of social protection provisions for the self-employed and people employed on non-standard contracts

According to the Law on State Social Insurance, the social insurance system of Latvia is made up of mandatory and voluntary social insurance contributions. All those employed under standard labour contracts make contributions on a mandatory basis. The mandatory contribution base is the gross wage. The minimum annual contribution base is 12 times the statutory minimum monthly wage (in 2017, EUR 380 per month or EUR 4,560 per year). Part-time employees pay contributions based on their actual gross wage (which may be lower than EUR 380 per month). The maximum contribution base is EUR 52,400 per year (no contributions are paid on the amount exceeding this threshold). There is no difference between permanent and temporary employment contracts in terms of contribution rates, minimum and maximum contribution bases and mode of payment. When analysing social protection provision in Latvia, it is very important to distinguish between the 'wage' and the 'insured wage'. Earnings-related benefits are related to the latter, which – as will be demonstrated later – may be either higher or lower than actual wages.

In the context of social insurance contributions, the Law on State Social Insurance defines self-employed persons as a person who earns income as:

- a person who performs individual work or is an individual merchant;
- a person whose permanent place of residence is in the Republic of Latvia and who receives a copyright remuneration;
- a sworn notary, advocate, bailiff or an auditor;
- a doctor or pharmacist in practice;
- an owner of a fishery or agriculture farm;

- a person whose permanent place of residence is in the Republic of Latvia and whose work is remunerated from foreign technical assistance resources and loans from international financial institutions granted to the Republic of Latvia; or
- any other natural person whose permanent place of residence is in the Republic of Latvia and who has registered as an income tax payer based on an economic activity.

For taxation purposes, the State Revenue Service collects data on all natural entities who pay tax on income gained from a registered economic activity: as a result these data do not match Central Statistical Bureau data, which are based on the Labour Force Survey (self-estimations of respondents). A self-employed person may also be an employer, either as a natural person or a company representative (when an employee is recruited by a legal entity – e.g., a farm).

The self-employed may freely choose their mandatory social insurance contribution base: contributions can be paid on any fraction of the person's income earned from the production of goods, performance of work, provision of services, creative or professional activity, and other revenue from an economic activity. The only constraint is that the amount chosen must lie between the minimum and maximum limits defined by the government on a yearly basis; and many self-employed people choose to make the contributions on the lowest possible sum. A self-employed person may make no social insurance contributions at all if their income (calculated as the difference between operating revenues and expenditure) is below the minimum monthly amount.

Micro-enterprise taxpayers do not make direct social insurance contributions. Instead, all micro-enterprises pay a 15% levy on their turnover (12% if the annual turnover is below EUR 7,000), which is split between social insurance contributions, personal income tax, company income tax and business risk duty (depending on the type of enterprise). The levy is increased where: 1) the number of employees is more than five – plus 2% for each additional employee; 2) an employee's wage exceeds EUR 720 – wages above EUR 720 are taxed at 20%; and 3) annual revenue exceeds EUR 100,000 – the revenue above EUR 100,000 is taxed at 20%. (This means that, with growing turnover and a growing number of employees, it is theoretically becoming more profitable to switch to the regular taxpayer regime; however, in practice, people tend to avoid this by breaking one company into several smaller ones.)

Should a micro-enterprise have more than one employee, the social insurance contributions are split between employees in proportion to their wages.

In addition, micro-enterprise employees can voluntarily join the state social insurance system and pay 34.09% on a freely selected fraction of their wage (but not exceeding EUR 380 per month).

Another group of employees with a specific tax regime are seasonal agricultural workers. According to the Law on Personal Income Tax, this group consists of people who:

- perform seasonal agricultural work for not more than 65 calendar days during the period from 1 April to 1 November;
- have total income not exceeding EUR 3,000 from all relevant disburers of work;
- had no other employment relationship with any disburser of agricultural seasonal work in the four months before starting work.

The seasonal agricultural worker income tax rate is 15%, subject to a minimum payment of EUR 0.70 per day.

One more type of tax regime consists of natural persons paying patent fees. The list of professions and respective patent fees is approved by the Cabinet of Ministers and includes 59 professions in nine groups (craftsmanship, making and repair of clothing and footwear, repair of watches and clocks, floristry, photography, video and audio

recording, beauty treatment services, private household services, home care services). The fee amounts vary from EUR 43 to EUR 100 per month and persons may buy a patent for one, three, six or 12 months. The majority of patent fee payers pay for one month only.

Table 5 brings together the regulated social insurance contributions for different employment groups in force in 2017

Table 5. Social insurance contribution rates for different types of employment in 2017

Type of employment	while also being recipient of pension ^a	Contribution rate, % (paid by employer + paid by employee)	Contribution base
Mandatory insured persons			
Employee with in a standard employment scheme (including part-time)	-	34.09 (23.59+10.50)	Gross wage Min €380 per month ^b Max €52,400 per year
	service/disability pension	31.57 (21.85+9.72)	
	old-age pension	29.73 (20.57+9.16)	
Employee in a place of confinement	-	28.74 (19.89+8.85)	Min €380 per month ^b Max €52,400 per year
	old-age pension	24.54 (16.98+7.56)	
Self-employed (not in micro-enterprise)	-	31.13	Freely selected fraction of income from economic activity Min €4,560 per year ^c Max €52,400 per year
	old-age pension	29.25	
Micro-enterprise-employee		70.4 ^d	Micro-enterprise tax amount
Natural persons paying patent fee		67.0	Patent fee Min €43 per month Max €100 per month
Seasonal agriculture worker		90.0	Seasonal agriculture worker income tax amount Min income €70 per month ^e Max income €3,000 per season
Voluntary insured persons			
Micro-enterprise employee (in addition to mandatory insurance)	-	34.09	Freely selected fraction of wage Max €380 per
	service / disability pension	31.57	

	old-age pension	29.73	month
Spouse of self-employed		31.71	Freely selected income
Seasonal agricultural worker		24.54	Min €4,560 per year ^c Max €52,400 per year
Voluntary insured for pension		24.54	
<p>^a – in relation to old-age pensions – not only recipients of old-age and premature old-age pensions, but also those persons who are eligible for them but are not yet in receipt of them for any reason</p> <p>^b - no lower limit for part-time employees</p> <p>^c - no mandatory contributions if income is lower than the minimum</p> <p>^d - 70.4% of the micro-enterprise tax is divided between all employees proportionally to their wages</p> <p>^e – no mandatory contributions if income is lower than the minimum</p>			

Source: State Social Insurance Agency

Some examples of the application of the contribution rates set out in Table 5 are shown below.

Let us consider a company that is a regular taxpayer; it has two employees, A and B, each with a gross wage of EUR 600 per month (this is also their insured wage). Let us further assume that B is a working old-age pensioner, and that neither employee has dependants.

Employee A's net wage will be EUR 430.746, or 71% of their gross wage. Employee B's net wage will be EUR 473.737, or 78.96% of their insured wage. The employer's total monthly direct labour costs will be EUR 1,465.688, and they would also need to pay corporate income tax separately on any business profit.

If the same employer decided to register as a micro-enterprise, they would not have to pay separate social insurance contributions, business risk duties, personal income tax and corporate income tax. Instead, a micro-enterprise tax is paid at the rate of 15% of the company turnover on a quarterly basis. Assuming quarterly turnover of EUR 5,000⁹ and gross wages as before of EUR 600, the employer's monthly labour costs would be EUR 1,450.00¹⁰ (and no additional corporate income tax). The employees' net wages would be the same as gross: EUR 600 each.

Thus in the short run both employer and employees are better off: the employer's costs are lower, and the employees have one-third more net income while being covered by state social insurance. However, the employees' insured wages in the case described are not equal to either their gross or net wages. The amount of the insured wage is imputed to be the gross wage of an employee under a regular taxation regime from which that level of social contributions would have been paid. In our example, the insured wage of employee A is EUR 258.14 and of employee B EUR 296.11, equal to less than one-half of their net wages.

⁶ EUR 600 less social insurance contributions EUR 63 (10.5% of the gross wage) less income tax EUR 106.26.

⁷ EUR 600 less social insurance contributions EUR 54.93 (9.16% of the gross wage) less income tax EUR 71.31 (the income tax exemption is higher for pensioners).

⁸ For the non-pensioner A the employer would pay per month EUR 141.54 (23.59% of gross wage) as social insurance contributions plus EUR 0.36 as business risk duty; for B (the pensioner) the employer would pay EUR 123.42 (20.57% of gross wage) as social insurance contributions plus EUR 0.36 as business risk duty. Thus, total direct labour costs would be EUR 600 x 2 + EUR 141.90 + EUR 123.78 = EUR 1,465.68.

⁹ Which is, actually, an over-optimistic assumption, since the average annual micro-enterprise turnover at the end of 2016 was EUR 14,000 and 67% of all micro-enterprises had incomes below the average.

¹⁰ The employer would pay EUR 600 to each employee plus one-third of the quarterly micro-enterprise tax EUR 5,000 x 15% / 3 = EUR 250.

¹¹ 70.4% of the micro-enterprise tax amount is directed to social insurance contributions. In our case, this would be EUR 250 x 70.4% = EUR 176. This amount is further divided between all employees in proportion to their wages. Since we have two employees with identical wages, EUR 88 would be registered for each of

However, entitlement to social insurance benefits – sickness, unemployment, maternity/paternity – is based on the insured wage amount, and not on the gross or net wage. For persons under a regular taxation regime (regardless of employment contract) the insured wage is equal to the gross wage, whereas it is significantly lower for employees of micro-enterprises, the self-employed, patent workers and seasonal agricultural workers. In the long run, therefore, these special tax regimes dramatically undermine both the current and the future social security of those involved, as the amounts of old-age pension are primarily depending on the paid contributions (i.e. the insured wage). The length of the contribution period is of a less importance, it influences only the lower limit of the old-age pension: from EUR 70.43 per month for 15 years of contribution to EUR 108.85 per month for 40 years of contributions and more.

Social insurance contributions are split between different areas of social insurance: pension insurance (further divided between old-age pensions under the first-pillar public notional defined-contribution scheme, old-age pensions under the second-pillar statutory funded scheme, survivor's pensions and funeral benefits), unemployment insurance, insurance against accidents at work and occupational diseases, disability insurance, maternity and sickness insurance, and parental insurance. The exact proportions between these insurance types are revised annually by the government, and with them contribution rates. In 2017 the total rate for standard workers remained the same as in 2016, at 34.09% of the gross wage: but for almost all other groups it increased. The largest part of contribution income is directed to pension insurance: in 2017 this represented 24.54% of gross wages, with the remaining 9.55% divided among five other social insurance areas. Not all groups are covered by all types of insurance. All employees are mandatorily covered for old-age pensions, even those who are already receiving them (as they continue to acquire pension rights and have their pension amounts recalculated each year). But working old-age pensioners¹² (irrespective of their employment type and whether they make voluntary contributions) are not covered by insurance against unemployment or disability (and in any case unemployment benefit or disability pension cannot be combined with old-age pension). Self-employed people are not covered against unemployment, accidents at work and occupational diseases. Patent fee payers are covered only for old-age and disability pensions (before 2012 they were also covered for sickness benefits, maternity/paternity benefits and parental benefits). The detailed breakdown is shown in Annex I.

2.1.1 Healthcare and sickness: cash benefits and benefits in kind

Healthcare

Healthcare in Latvia is not part of the state social insurance system. It is financed separately, from the general budget, and access to healthcare services does not depend on the type of employment or income of service recipients.

In recent years there have been several proposals to either include healthcare (at least partially) in the state social insurance system, divert part of social insurance contributions to the healthcare budget, or link healthcare access to payment of income tax (persons who paid less than a certain amount as income tax in a calendar year would pay a much higher patient's fee). But so far these proposals have not been accepted.

Private insurance companies offer health insurance policies, but mainly to legal entities with a sufficient number of employees. Many large and medium-sized companies buy such policies for their employees, but for small companies it is often not affordable. Until recently, private persons had no opportunity to buy a health

them. A person in standard employment would pay those contributions if their gross wage equalled EUR 258.14: $\text{EUR } 258.14 \times 34.09\% = \text{EUR } 88$. A working pensioner in standard employment would pay those contributions if their gross wage equalled EUR 296: $\text{EUR } 296 \times 29.73\% = \text{EUR } 88$. These amounts are then taken as the insured wages.

¹² As well as those who are eligible for an old-age or premature old-age pension but due to some reason have not yet claimed it.

insurance policy: this market is now opening up, but prices are much higher than for legal entities, and few people can afford them.

Sickness

Sickness benefits are included in state social insurance and are dependent on contributions. There are three categories of worker not covered: 1) employees in a place of confinement; 2) natural persons paying patent fees; and 3) seasonal agricultural workers. In addition, self-employed people are not covered if their monthly incomes are below the minimum wage (and hence they pay no contributions).

During the first ten days of sickness, a benefit of 75%-80%¹³ of the person's average wage is paid by their employer. After that it is paid by the state social insurance system, at 80% of the person's average insured wage in the latest 12-month period. The maximum length of sickness benefit is six months: after that an expert disability assessment is carried out. There is no minimum contributory period: however, there is also no lower limit on the benefit amount (there are benefits equal to EUR 0.03 per day).

Only employed persons paying contributions are eligible for sickness benefit. If contributions cease, sickness cover is withdrawn in the following month (i.e. there is no sickness cover for employees on unpaid leave, maternity/paternity leave, childcare leave, or unpaid study leave; or for unemployed people).

People who pay social insurance contributions on a very low base (such as micro-enterprise employees and many self-employed people) receive very low levels of sickness benefit.

2.1.2 Maternity/paternity cash benefits and benefits in kind

Like sickness benefits, maternity cash benefits are part of state social insurance and are dependent on contributions. Maternity benefit is paid for 56 days prior to delivery and 56 days after delivery (if there are complications, these periods may be extended, up to 70 days). The amount of the benefit is 80% of the average insured wage in the year preceding the start of leave.

Paternity leave is for ten days after delivery, and during this period the father receives 80% of his average insured wage in the preceding year. There are no requirements as to contributory period, but the person has to be a member of the state social insurance scheme.

As before, micro-enterprise employees, and self-employed people whose insured wages are low, receive very low maternity/paternity benefits. The Ministry of Welfare has analysed State Revenue Service data and identified a strategy used by women employed in micro-enterprises: when a woman learns about her pregnancy she voluntarily joins the state social insurance scheme and makes contributions in order to improve her average insured wage on the eve of delivery.

The same three categories of worker as before are not covered by this type of insurance: 1) employees in a place of confinement; 2) natural persons paying patent fees; and 3) seasonal agricultural workers. And self-employed people are not covered if their monthly incomes are below the minimum wage (and hence they pay no contributions).

2.1.3 Old-age and survivors' pensions

Social insurance coverage for old-age and survivors' pensions is mandatory for all categories of employee with no exclusions. It is worth mentioning that old-age pensions in Latvia are fully contributory, and there is no 'basic pension' or other flat-rate or variable component not dependent on contributions paid. The minimum contributory period (15 years) and the statutory pensionable age (in 2017, 63 years for both men and women) do not depend on the type of employment contract.

¹³ No payment for the first day, 75% for the second day and the third day, 80% for days 4-10. These are lower limits, employers can pay more at their discretion.

State old-age pension is based on the notional defined contribution (NDC) principle, where the contributions paid by employees during their working life are registered on individual notional accounts and uprated annually. On retirement the accumulated notional pension capital is converted into an annuity, i.e. after taking into account life expectancy at that point. An individual's pension is therefore proportional to their lifetime contributions. Since micro-enterprise employees, the self-employed, and natural persons paying patent fees pay social insurance contributions only on a fraction of their wage/income, their accumulated pension capital is very low, which will result in very low pensions in due course. However, this will not affect individuals in the near future, since those retiring over the next 3-5 years as a rule will have sufficient rights acquired before the current system was introduced.

The position is similar for part-time employees. They accumulate a relatively small amount of pension capital on their notional accounts and, in the absence of any basic pension component and taking into account their very low statutory minimum pension level, their old-age pension benefits will be very low in future.

Survivors' pensions in Latvia are granted to: 1) children of the deceased person if they are under 18 years (and also older children if they became disabled before reaching the age of 18); and 2) family members incapable of work, who had been supported by the deceased person: this includes any brothers, sisters and grandchildren who are under 18 and have no parent capable of work; as well as any brothers, sisters and grandchildren who are over 18, became disabled before 18, and have no parent capable of work. Widows/widowers in Latvia are not granted a survivors' pension. Survivors' pension is calculated by reference to the imputed old-age pension of the deceased: for one child, 50% of the imputed pension; for two children, 75%; and for three or more children, 90%. However, it may not be less than EUR 41.62 per month for each child. As survivors' pensions depend solely on the contributions paid by the deceased person, the dependants of those in non-standard employment are much less well secured.

2.1.4 Unemployment benefits and social assistance benefits

Unemployment benefit

Unemployment benefit is part of the social insurance system. The benefit is paid to those in standard employment (including part-time workers), and to micro-enterprise employees, provided they are not receiving service pension or disability pension or old-age pension (and are not eligible for the last one). The person should have paid insurance contributions for at least a year in total, including for at least nine months out of the last 12. In Autumn 2016 parliament approved more strict eligibility conditions for receiving unemployment benefit: from 1 April 2017 contributions must have been paid for at least 12 months during the last 16. The benefit amounts to 50%-65% (depending on the length of the insurance record) of the person's average insured wage in the preceding year. The benefit is paid for a maximum of nine months: for the first three months it is paid at 100%, for the second three at 75%, and for the last three at 50%.

Self-employed people, natural persons paying patent fees and seasonal agricultural workers are not covered by this type of social insurance.

Social assistance benefits

Social assistance benefits are not part of state social insurance system, and are paid by local municipalities to all those eligible for them irrespective of employment status and type of employment. For example, local authorities pay means-tested housing allowances and the guaranteed minimum income (EUR 50 per month, means-tested, conditional on undertaking certain activities such as job seeking, and paid for 3-6 months).

2.1.5 Long-term care benefits

Long-term care as such is not defined in Latvian legislation. It is not part of the state social insurance system and is not connected with a person's previous employment

status or insurance contributions. In 2008 a state social benefit for heavily disabled people needing care was introduced; in 2017 the amount was EUR 213.43.

2.1.6 Invalidity, accidents at work and occupational injuries benefits

Invalidity benefits

State social insurance for invalidity covers workers of all employment types, except for seasonal agricultural workers. There are three invalidity groups, distinguished according to severity. In the case of severe disability (groups I and II) the amount of the individual's invalidity pension benefit depends on contributions paid (the best consecutive 36 months in the last five years are taken into account). For group I the minimum monthly invalidity pension is EUR 102.45; for group II it is EUR 89.64; and for group III (mild disability) it is a flat-rate EUR 64.03. An invalidity pension can be combined with work income, but not with service pension or old-age pension. Therefore employees of all employment types eligible for old-age pension or service pension are not making contributions to invalidity insurance.

Accidents at work and occupational disease

These risks are covered by the state social insurance system for those in standard employment, part-time workers and micro-enterprise employees. Self-employed people, patent workers, seasonal agricultural workers and workers in place of confinement are not covered.

There are three kinds of benefit:

- sickness benefit;
- compensation for incapacity for work;
- compensation for additional expenses due to medical treatment and rehabilitation, care of a person, purchase and repair of special equipment, and transport costs for a doctor's visit (max EUR 1,600.75).

In the case of an accident of work, sickness benefit is paid as normal (see Section 2.1.1). In the case of an occupational disease, sickness benefit is paid by the state social insurance system starting from the first day of sickness.

The compensation for loss of capacity for work is calculated according to the degree of incapacity and the individual's average contribution wage.

If a person dies as a result of an accident at work or occupational disease, family members are entitled to survivors' benefit and a funeral allowance. The amount of survivors' benefit depends on the number of persons provided for and the diseased person's average contribution wage.

Since the contribution base of micro-enterprise employees is very low, both their sickness benefit and compensation for incapacity for work or survivors' benefits for family members are very low as well.

Employees in a place of confinement, self-employed people, natural persons paying patent fees and seasonal agricultural workers are not protected against the risk of accidents at work and occupational disease.

2.1.7 Family benefits

Family benefits in Latvia are of two types: non-contributory and earnings-related.

Non-contributory family benefits are not dependent on the employment status and type of employment of the beneficiary.

- Child birth allowance

One of the parents (at their choice) is eligible for EUR 421.17 for each child who has reached the age of 8 days.

- Parental allowance

One of the parents (at their choice) is eligible for EUR 171 per month per child aged 0-18 months, and EUR 42.69 per child aged 18-24 months.

- Family allowance

For a child aged 1-15 years (up to 19 years if the child is a full-time student) one of the parents (at their choice) is eligible for EUR 11.38 per month for the first child; EUR 22.76 for the second; EUR 34.14 for the third; and EUR 50.07 for the fourth.

Earnings-related family benefits are linked to the insured wage and therefore disadvantage those in non-standard employment.

Parental benefit

The benefit can be taken by either parent. There is an option to choose the duration of the benefit, and the amount of the benefit varies accordingly: either 60% of the recipient's average monthly insured wage during the first year of the child's life, or 43.75% for the first 18 months. These rates apply where the beneficiary is on childcare leave and not working. Should the beneficiary return to work within the chosen period, the benefit is cut by 70%.

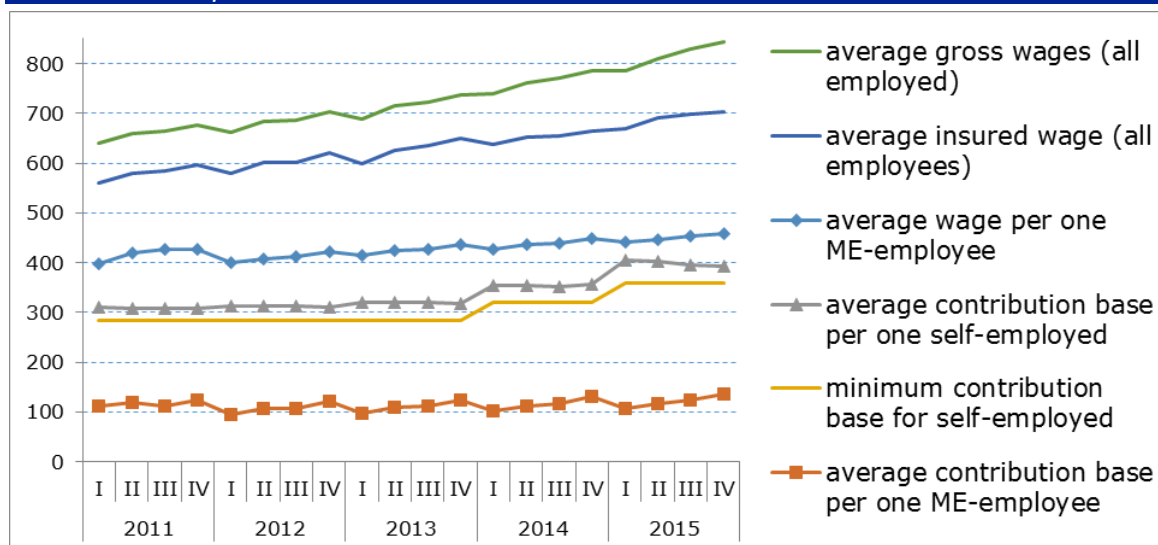
2.2 Assessment of the existing social provisions and of the impact of possible extension of their coverage

Self-employment, freelance working, and part-time employment are becoming increasingly common. In 2015 researchers from Riga Stradins University investigated perceptions of creative professionals regarding the existing and the desired social security system in Latvia. Creative professionals have a higher probability of facing social risks than many other employees, as they frequently work on short-term projects. This leads them to make irregular tax payments or even none at all because of low remuneration: this was the main problem behind partial or total tax evasion, according to 53% of respondents. Another reason given for tax evasion was informal working resulting from an employer's wish to avoid legal obligations (12% of respondents). 8% of respondents considered tax evasion was a good way to make savings, as they did not trust the state social security system. 7% indicated that the tax burden was unacceptably high. The researchers discovered differences of view as to what the government should regulate, but most respondents regarded the presence of state intervention as an important driving force in their careers and social protection. The researchers concluded that "the fatalistic and cynically pessimistic view on state social security support mechanisms combined with tax evasion practice makes this problem solving even more impossible. Further research must be targeted toward other self-employed groups in Latvia with the objective to clarify whether trust in the social security system in general is declining and why" (Brigsa, S.).

Figure 2 demonstrates the low levels of social protection for self-employed people and micro-enterprise employees. The upper line shows the average gross wage for all employed (full- and part-time employees in standard employment contracts, employees of micro-enterprises, self-employed, seasonal agricultural workers). For those in standard employment, their gross wage is also the social insurance contribution base¹⁴. The second-from-the-top line shows the average insured wage of employees, i.e. their average contribution base. It is lower than the average all-employed gross wage.

¹⁴There is no publicly available information on average wages for this group of employees, but it is self-evident that it will be above the all-employed average.

Figure 2. Contribution bases and average wages for different groups in Latvia in 2011-2015, EUR



Source: Central Statistical Bureau of Latvia, Ministry of Welfare

On average self-employed people pay contributions on an amount only slightly above the minimum possible base. In fact, 85%-90% of the self-employed pay contributions on the minimum monthly wage only. However, the graph does not show at all the group of self-employed people whose income does not exceed EUR 380 per month (EUR 4,560 per year) and who are not employed elsewhere. Such self-employed people do not make any social insurance contributions, thus increasing the burden on future public welfare budgets and other contributors. The Ministry of Welfare notes that there are cases where self-employed people declare incomes below the statutory minimum and pay no contributions for a long time, and then start making contributions shortly before applying for a social insurance benefit— usually maternity/paternity and/or parental benefit. This may explain why, in 2015, the average insured wage of a self-employed woman was 14.3% higher than a self-employed man's, making this the only group in Latvia where this is true.

The least protected group shown in Figure 2 is the micro-enterprise employee. In the first quarter of 2016 the average micro-enterprise employee's wage was EUR 455.16 per month, or 26% lower than the average net wage for the total working population. And social insurance contributions were paid only on a fraction of this amount: the average insured wage at micro-enterprises was equal to EUR 110.67 – less than one-quarter of the net wage.

Although employees of micro-enterprises can pay additional voluntary contributions (on a maximum from 2017 of EUR 380 per month), very few of them exercise this right: in the first quarter of 2016 there were only 81 such persons, 68 of them women. As in the case of the self-employed, women contrive to improve their insured wage history prior to childbirth— 93% of all voluntary contributors made payments for less than a year.

The director of the Direct Taxes Department of the Ministry of Finance has revealed that in 2016 31.2% of social insurance contributors were making payments on a base below the minimum wage: these were part-time workers with monthly wages below the statutory minimum, patent workers, and most micro-enterprise employees. This situation threatens the sustainability of the social security budget. The present level of contributions paid by micro-enterprise employees is so low that they would need to work three times longer than regular taxpayers to accumulate the notional pension capital sufficient for the minimum statutory pension (Kaļāne 2016).

In practice, the introduction of the micro-enterprise tax regime has meant that many self-employed people have been provided with a way of reducing their overall tax burden. It depends on the type of the business as to whether it is more profitable to

stay in the general tax payment regime or become a micro-enterprise taxpayer. If a self-employed person has high production costs, it is better to stay in the general tax regime, as income tax is calculated on profit. For a self-employed person with low production costs and turnover it is more profitable to become a micro-enterprise taxpayer.

The introduction of the micro-enterprise tax regime, on the one hand, promoted the development of small and medium-sized enterprises during the aftermath of the crisis; but on the other hand, it reduced the social protection level of micro-enterprise employees. At the time of introduction this tax regime was seen as a temporary crisis measure for creating new job places; it was anticipated that micro-enterprise taxpayers would retain this status for 2-3 years and then convert into a 'normal' company under a standard tax regime with full social insurance guarantees for the employees. Instead, the micro-enterprise regime has been chosen by many existing companies and self-employed people for the purposes of tax optimisation.

No comprehensive procedure for ending the micro-enterprise tax regime was elaborated and communicated to the public. The number of micro-enterprise taxpayers increased from 7,200 in January 2011 to 50,800 in October 2016, or by seven-fold. The number of persons employed at micro-enterprises increased from 19,600 at the beginning of 2011 to 100,900 in the second quarter of 2016, or by more than five-fold. Their share in the total number of employees increased over the same period from 2.5% to 11.3%. Meanwhile, the number of 'standard' self-employed persons (not using the micro-enterprise tax regime) decreased from 9,204 in the first quarter of 2011 to 7,660 in the first quarter of 2015, i.e. by 17%. The majority of them paid contributions on the lowest allowed base (i.e. the minimum monthly wage), and not always in every month within a year.

For example, in 2013 a large company, Baltic Taxi, was split into numerous small companies, of which taxi drivers became the nominal owners. Ownership of the taxis was transferred to these companies, while the common call centre remained. By doing this, the actual owners of the business avoided payment of VAT(21%) as well as social insurance contributions. It brought a big profit for them, but did not promote small business development (the officially declared goal of the micro-enterprise tax regime), while the losers were the taxi drivers, with sharply decreased social guarantees.

As early as 2015, the Ministry of Finance together with the representatives of employers and employees elaborated amendments to the Law on State Social Insurance. The amendments were accepted in November 2015 and included the requirement that the minimum state social insurance contributions base for micro-enterprise employees and for part-time employees should be the same as for standard workers, namely, the statutory minimum monthly wage. As a compromise with employers, it was agreed that the amendments would come into full force in 2018, while in 2017 transition rules would apply under which the minimum contribution base was set at 75% of the minimum monthly wage. At the same time, some groups were granted a reduced (halved) rate: persons of pension age; long-term unemployed persons within five years of statutory retirement age; people in disability groups I or II; new entrants to the labour market during their first three months of employment; and persons in a place of confinement. Meanwhile the micro-enterprise tax was to be reduced from 9% to 5% of turnover in 2017 and to exclude all social insurance contributions. These amendments, however, were not properly communicated to the public and resulted in mass protests, causing the State President to return the bill to the parliament. Eventually in 2017 the micro-enterprise tax rate was increased from 9% to 15%, with 70.4% of this tax directed to social insurance; and in 2018 the share of social contributions in the micro-enterprise tax will be raised to 80%. The idea of introducing a minimum contributory base for the whole working population has not been shelved, though. The government is planning a comprehensive tax reform in the near future, the Ministry of Finance is drafting recommendations, and consideration of them is scheduled for the coming months. The current policy debate is mainly focused on how to control tax evasion in specific tax regimes and to make people pay higher

social contributions rather than on how to foster self-employment and non-standard employment.

3 Conclusions and recommendations

Self-employment has grown during recent years in Latvia, from a rate of 8.9% in 2008 to 11.8% in 2015 or from 94,000 to 105,600 people. Two-thirds of the self-employed are own-account workers without employees, and one-third are employers. The relative number of part-time employees has remained stable in recent years, not exceeding 10% of the whole working population. In contrast to the EU average, temporary contracts in Latvia are more common among men than among women: in 2015 4.6% of men were in temporary work, and 3.0% of women, as opposed to 13.8% and 14.5% respectively in the EU as a whole. As in other EU countries, temporary contracts were also more often found among the youngest group of employees aged 15-24: 10.3% among women, 9.9% among men, and 10.1% overall (the respective EU-28 averages were 39.5%, 41.3% and 40.3%). In 2015, the rate of involuntary temporary employment was 2% in Latvia as opposed to 8.8% in EU-28.

Self-employed persons in Latvia are a very heterogeneous group. They include people working in liberal professions, family doctors, craftsmen, taxi drivers, and seasonal workers. At least 30% of them also have a regular job and are therefore covered by the state social security system.

There are some areas of social provision where employment status and type of employment do not play any role in Latvia. This includes healthcare services, social assistance, and some flat-rate or means-tested family allowances. On the other hand, most benefits are strongly linked to the individual's contribution wage (also known as the 'insured wage'): this includes old-age, invalidity and survivors' pensions; unemployment benefit; sickness benefit; maternity/paternity and parental benefits; and insurance for accidents at work and occupational disease. For some of these, only the last year of contributions is taken into account: this applies to sickness benefit, maternity and paternity benefits, parental benefit, and unemployment benefit. On the other hand, invalidity pensions depend on the last five years of contributions; and old-age and survivors' pensions depend on contributions paid throughout the whole working life.

The minimum levels of most benefits – except for the recently increased family benefits - are set inadequately low, while the proposed minimum income level (due to be enacted in 2017) is still under elaboration.

The social insurance system in Latvia is fully individualised: each person's contributions are registered on a separate account, keeping redistribution as low as possible. Individual social security accounts allow acquired rights to be attached to the individual, rather than the work contract. When moving to a less regulated work relationship, for instance from a permanent job to self-employment, people may begin accumulating fewer rights, but they would not lose the rights previously accumulated.

The individual's responsibility for their own social well-being is over-emphasised, whereas the spirit of solidarity (both inter- and intra-generational) is not reflected in the social security system, accompanied by very low trust in state institutions.

Since the very beginning of restored independence for Latvia, the liberal approach has dominated social policy. People were made responsible for their individual well-being. The long-supported shift to individual responsibility, together with changes of tax regulations and poor communication between politicians and society, has weakened the social sustainability of the social security system in Latvia.

Indeed, the type of tax regime is the main factor determining the scope of social protection in Latvia, and not the type of employment contract. Ill-conceived initiatives – like the micro-enterprise tax regime – have led to inadequately low contributions to the social insurance budget and weakened social protection for the employees concerned.

Different tax regimes are available for the self-employed: either to buy a patent for one, three, six or 12 months; to submit quarterly reports to State Revenue Service and pay social contributions on a freely chosen part of their income (starting from the minimum wage); or to register as an individual merchant or company, or outside the micro-enterprise tax regime. In some cases, they can also join the state social insurance system voluntarily, though this is very rare.

A privileged tax regime was introduced during the crisis time in 2010, in the form of the Law on Micro-enterprise Tax. The law was aimed at stimulating the development of small and medium-sized enterprises. Under it, a micro-enterprise pays only one tax: a quarterly flat-rate tax of 15% on the company's turnover, which covers social insurance contributions and personal income tax for the company employees; business risk duties; and corporate income tax (if the micro-enterprise is a company). Simple procedures for registration and payment of tax were very attractive for already existing self-employed persons and small enterprises, and many of them reregistered themselves as micro-enterprises. Many unemployed persons considered this law as a chance to start a new business or to legalise an already existing one. At the same time there were employers who used the new tax regime as a legal opportunity to optimise taxes. The overall effect has been a rapid decrease in social budget reserves, because one-third of the employed population now make social contributions on a base that is lower than the minimum wage, threatening their social security.

There is a need for comprehensive tax reform in Latvia. The system was analysed by World Bank experts in spring 2016, and wide discussions were organised by the Ministry of Finance in December 2016, but debate within the ruling coalition was prolonged till April 2017. It is expected that new, better-weighted tax incentives for small and medium-sized business will be introduced.

Annex 1

Table 6. Areas covered by social insurance for different types of employment (2017)

Type of employment	while also being recipients of pensions ^a	Type of insurance					
		pension	Un-employment	Occupational disease	disability	Maternity and sickness	parental
Employee with in a standard employment scheme (including part-time), employee in a micro-enterprise	-	x	x	x	x	x	x
	service / disability pension	x	-	x	x	x	x
	old-age pension	x	-	x	-	x	x
Employee in a place of confinement	-	x	x	-	x	-	-
	old-age pension	x	-	-	-	-	-
Self-employed (not in a micro-enterprise)	-	x	-	-	x	x	x
	old-age pension	x	-	-	-	x	x
Natural persons paying patent fee	-	x	-	-	x	-	-
	old-age pension	x	-	-	-	-	-
Seasonal agricultural worker (mandatory or voluntary)		x	-	-	-	-	-
Spouse of self-employed (voluntary)		x	-	-	x	x	x
Voluntary pension insurance		x	-	-	-	-	-

Source: State Social Insurance Agency

Table 7. SUMMARY TABLE ACCESS SOCIAL PROTECTION: CONTRACTUAL EMPLOYMENT (NON-STANDARD CONTRACTS)

	Full-time employee	Part-time employee	Fixed-term employee	Casual and seasonal workers	Temporary agency workers	On-call workers	Apprentices	Paid trainees	Zero-hour workers	Seasonal agricultural workers	Imprisoned employees
	Depends only on the tax regime										
	Regular tax regime				Microenterprise tax regime						
Healthcare - cash benefits and benefits in kind		FL				FL			n/a	FL	FL
Sickness - cash benefits and benefits in kind		F				P				N	N
Maternity/paternity - cash benefits and benefits in kind		F				P				N	N
Old age pensions (preretirement benefits and pensions)		F				P				P	F
Survivors pensions and death grants		F				P				P	F
Unemployment benefits		F				P				N	N
Social assistance benefits		FL				FL				FL	n/a
Long-term care benefits		FL				FL				FL	FL
Invalidity benefits I and II group		F				P				N	F
III group		FL				FL				N	FL
Accidents at work and occupational injuries benefits		F				P				N	N
Family benefits		FL				FL				FL	FL
Parent's benefit		F				P				N	N

Note: Filling codes: F – Full, P – Partial, N – None, FL - Flat-rate protection not depending on employment status and contribution history, n/a - not applicable/no such category

Table 8. SUMMARY TABLE ACCESS SOCIAL PROTECTION: SELF-EMPLOYED

	On her/his own account	With employees (self-employed employer)	Dependent on single client	Dependent on contractual relationship with client	Liberal professions (e.g. doctor, notary, lawyer)	Patent fee payer
	Depends only on tax regime					
	Regular	Microenterprise	Self-employed	Patent		
Healthcare - cash benefits and benefits in kind	FL	FL	FL	FL	FL	FL
Sickness - cash benefits and benefits in kind	F	P	P	P	P	N
Maternity/paternity - cash benefits and benefits in kind	F	P	P	P	P	N
Old age pensions (preretirement benefits and pensions)	F	P	P	P	P	P
Survivors pensions and death grants	F	P	P	P	P	P
Unemployment benefits	F	P	N	N	N	N
Social assistance benefits	FL	FL	FL	FL	FL	FL
Long-term care benefits	FL	FL	FL	FL	FL	FL
Invalidity benefits I and II group	F	P	P	P	P	P
III group	FL	FL	FL	FL	FL	FL
Accidents at work and occupational injuries benefits	F	P	N	N	N	N
Family benefits	FL	FL	FL	FL	FL	FL
Parent's benefits	F	P	P	P	P	N

Note: Filling codes: F – Full, P – Partial, N – None, FL - Flat-rate protection not depending on employment status and contribution history, n/a - not applicable/no such category

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