

Changes to average pay calculation for benefits affecting new parents (3/16/20)

The average national insurance wage ("ANIW") is a key component when it comes to calculating national insurance benefits. From 1 January 2022, significant changes are expected to the ANIW calculation that will adversely affect persons who were on childcare leave directly before their insurance case arose (i.e. before the benefit was awarded). To pick up where we left off on the subject of benefits in our [Flash News edition of 6 April](#), this article looks at some of the expected changes to the ANIW calculation.

The ANIW calculation for various national insurance benefits is currently governed by a number of separate pieces of legislation. To equalise this calculation, the lawmaker has drafted proposals for new rules to determine the ANIW calculation for measuring, awarding and paying national insurance benefits, which were debated at the meeting of state secretaries on 30 January 2020. Once the new rules are adopted and necessary amendments made to the Maternity and Sickness Insurance Act and the Unemployment Insurance Act, the ANIW for different national insurance benefits will be calculated in the same way from 2022.

Equalising the ANIW calculation is not, however, the most important change made by the proposed rules. In our view, the fact that the calculation of benefits will no longer take account of any employment income received before childcare leave is what matters.

This will have no significant effect, for example, on a maternity benefit awarded after the person received employment income for a long time. However, if the person has another baby or becomes unemployed or entitled to a sickness benefit during their childcare leave or right after returning to work, then any salary earned before the childcare leave will be ignored for benefit purposes under the proposed rules.

For someone who has worked for some time after their childcare leave, the ANIW calculation will consider only the period of employment after the childcare leave. So the proposed rules will not significantly affect such persons.

For someone with an insurance case (e.g. unemployment or sickness) arising right after their childcare leave, the average pay in Latvia will be considered for benefit purposes (so the benefit size will depend on the average pay in Latvia rather than the person's pre-leave income). Also, the person will have two coefficients applicable for benefit purposes:

- For a sickness, parentage or funeral benefit, the ANIW is set at 40% of the average pay in Latvia;
- For a maternity or paternity benefit, the ANIW will be 70% of the average pay in Latvia.

Under the proposed rules and amendments to the two Acts, any bonuses the employer has paid to the worker for past periods will no longer count for ANIW purposes during their childcare leave.