

# Unemployment benefit: aspects to consider this year (2/14/20)

This week we have posted a separate article about some of the measures supported by the government to overcome the consequences of the COVID-19 outbreak, including measures concerned with the unemployed and their involvement in paid temporary jobs. However, amendments effective from 1 January 2020 have changed the duration and sizing of unemployment benefit. This article explores how the National Social Insurance Agency calculates unemployment benefit. This issue is likely to become topical now that Latvia has declared an emergency situation, with many employers being forced to terminate their employment relationships with their workers.

In late 2019, Parliament adopted the Welfare Ministry's amendments to the Unemployment Insurance Act, which significantly affect the duration and sizing of unemployment benefit from 1 January 2020.

## Duration and sizing

From 1 January 2020 the maximum nine-month period for unemployment benefit has been reduced to eight months. The rate at which unemployment benefit shrinks has also changed, i.e. it used to shrink every three months, but now this is every two months.

Unemployment benefit is currently paid according to the duration of unemployment in four different sizes:

- The full monthly award in each of the first two months;
- 75% of the full award in months 3 and 4;
- 50% in months 5 and 6; and
- 45% in months 7 and 8.

The calculation is based on the person's average wage that was subject to insurance contributions over a period of 12 calendar months, ignoring two months before the month in which unemployed status was acquired (in certain cases ignoring two months before the month in which unemployment benefit was claimed) and the amount is calculated according to the length of the person's insurance period:

Length of insurance period	Unemployment benefit as a percentage of average insurance wage
1-9 years	50%
10-19 years	55%
20-29 years	60%
30+ years	65%

## Case studies

To illustrate the amendments effective from 1 January 2020 let us analyse two cases.

### Case 1. Unemployed status acquired in 2020

Jon acquired unemployed status earlier this year, the monthly amount of benefit is €600, and it is payable for eight months:

- €600 (100% x 600) in each of the first two months;

- €450 (75% x 600) in months 3 and 4;
- €300 (50% x 600) in months 5 and 6;
- €270 (45% x 600) in months 7 and 8;
- €3,240 total.

## Case 2. Unemployed status acquired in late 2019

For someone who acquired unemployed status before 2020, unemployment benefit will be awarded, calculated and paid according to the version of the Unemployment Insurance Act effective before 2020, i.e. on more generous terms.

Martha acquired unemployed status for the first time in late 2019, her benefit is payable for nine months, and the monthly amount is also €600:

- €600 (100% x 600) in each of the first three months;
- €450 (75% x 600) in each of the next three months;
- €300 (50% x 600) in each of the last three months;
- €4,050 total.

These examples show that the amendments may result in a situation where two persons acquired unemployed status quite close in time but their benefit sizes differ by 20%.

## Unemployment benefit may be received in a foreign account

The amendments have added new section 13.1 to the Unemployment Insurance Act, under which a benefit must be paid into an account at a Latvian credit institution or with a postal payment system designated by the claimant. However, if unemployment benefit has been awarded according to one of Latvia's international social security agreements or under the Regulation,<sup>1</sup> and the claimant resides in an EU or EEA member state or in a country that has an effective social security agreement with Latvia (e.g. Russia) the benefit can be paid into an account at a foreign credit institution.

On 30 January 2020 the meeting of state secretaries debated proposals for amending the Cabinet of Ministers' Rule No. 270, which lays down procedures for calculating the average insurance wage and procedures for awarding, calculating and paying national social insurance benefits, in order to present them to a cabinet committee for review. In our next article we will be writing about legislative proposals expected to change the unemployment benefit calculation formula from 1 January 2022.

<sup>1</sup> Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems