

Changes to minimum wage from 1 January 2023

1/51/22

On 13 December 2022 the Cabinet of Ministers passed amendments to Rule No. 656 of 24 November 2015, setting a new monthly minimum wage for normal working hours and laying down procedures for calculating the minimum hourly tariff rate. The amendments are coming into force on 1 January 2023.

The new wage levels

We have informed our MindLink.lv subscribers about amendments to the Labour Code. Please also be aware that the transitional provisions of the Labour Code came into force on 25 November 2022, stating that the monthly minimum wage for normal working hours under Rule No. 656 is at least EUR 620 from 1 January 2023.

As you may know, the monthly minimum wage for normal working hours has been EUR 500 since 1 January 2021, and the new amendments to Rule No. 656 raise it to EUR 620 from 1 January 2023.

Although the proposals for this rule and the transitional provisions of the Labour Code provide for raising the monthly minimum wage to EUR 700 from 2024, the effective amendments to Rule No. 656 do not yet contain any information on 2024.

Calculating the minimum hourly tariff rate

As the monthly minimum wage for normal working hours changes, so does the minimum hourly tariff rate, which needs to be considered in calculating pay for employees working aggregated hours.

The minimum hourly tariff rate (TRmin) is calculated as follows:

$$TR_{min} = MW / H, \text{ where}$$

TRmin is the minimum hourly tariff rate in EUR

MW is EUR 620 (in 2023)

H is normal working hours for the month, including public holiday hours if a worker does no work on a public holiday that falls on a working day assigned to them.

The hours may vary according to the agreed terms of employment:

- 40 hours a week for employees working a 5-day week
- 40 hours a week for employees working a 6-day week
- 35 hours a week for employees at particular risk and minors working a 5-day week
- 35 hours a week for employees at particular risk and minors working a 6-day week

As the minimum hourly tariff rate changes, so does the average minimum hourly tariff rate, which needs to be considered in calculating overtime pay:

$$TR_{mina} = MW \times N / HP, \text{ where}$$

TRmina is the average minimum hourly tariff rate for the financial period for overtime

purposes in EUR

MW is EUR 620 (in 2023)

N is the number of calendar months in the financial period

HP is normal working hours for the month, including public holiday hours if a worker does no work on a public holiday that falls on a working day assigned to them

Necessary adjustments if the calculation results in less than the minimum wage

If workers are hired on piecework pay for normal working hours and they have worked all the hours set for the month but their wage is less than EUR 620, this will have to be increased by the difference between the old minimum (EUR 500) and the new minimum from January 2023.

It's important to remember that average earnings, too, are covered by the monthly minimum wage conditions for normal working hours. Specifically, average earnings cannot be less than average earnings with the monthly minimum wage. So, if the calculation results in lower daily or hourly average earnings, this must be increased by the difference.

For example, if a worker is employed on 1 January to work normal hours, their average earnings for January cannot be less than EUR 28.18 a day or $620/22$, where 22 is the number of working days in January for normal hours.

For workers hired on short hours, the monthly minimum wage is determined in proportion to the hours worked. Again, remember that the proportional wage calculated for a financial period cannot be lower than the proportional monthly minimum.

Calculating minimum national social insurance (NSI) contributions

Currently the quarterly minimum subject to mandatory NSI contributions is three monthly minimum wages set by the Cabinet of Ministers. As the level of the monthly minimum wage changes, so does the amount on which NSI contributions have to be paid. We encourage you to read about the proposed changes to the NSI Act.

As regards the changes to Rule No. 656, we would like to remind payroll accountants of the need to update your company accounting system in good time and contact those responsible for maintaining it about the proposed changes to ensure your wages are calculated correctly.