

Job retention schemes in Europe

Latvia

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Note on ETUI classification of job retention schemes (JRSs): All job retention schemes (JRS) share the objective of preserving the ties between companies and their employees in times of temporary economic difficulties. They support incomes of workers who keep their employment contract even if the work is fully suspended. Depending on the primary objective and the nature of support, three different categories of JRS can be distinguished:

(1) Short-time Work Scheme (STW): The key objective of STW schemes is to provide support to companies to retain their employees in times of economic difficulties. The company receives financial support for the employees' wages paid for the time not worked. The extent of working time reduction can vary, including also a full work suspension.

(2) Furlough Scheme (FS): FSs can be best understood as temporary unemployment. The financial support is thus paid directly to the worker for the period of partial or full working time suspension. The aim of a FS is to enable companies to reduce their wage bill by temporarily laying off (parts of) their workforce. While retaining the ties with the employer, workers on the FS scheme are available to seek alternative employment. Integrated into the existing system of unemployment insurance, FSs can be seen as a tool to facilitate the transition towards a new job.

(3) Wage Subsidy (WS): The main objective of WS is to preserve employment through subsidizing companies' wage bills. For this purpose, a company in temporary financial difficulty receives financial support per employee, regardless of whether or not working time of specific employees is reduced. The employees keep receiving their wages. Permissible wage adjustments are not directly related to working time reductions.

Key characteristics of the job retention scheme

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| ETUI classification of the job retention scheme (JRS) | Short-time work scheme (STW) | |
| Name of the scheme | 14 March 2020–30 June 2020 <i>Dīkstāves pabalsti</i> (STW allowance); <i>Dīkstāves palīdzības pabalsts</i> (assistance STW allowance) | 9 November 2020–17 January 2021 <i>Atbalsts par dīkstāvi</i> (STW support); <i>Atbalsts algu subsīdijai</i> ('Aid for wage subsidies', classified by ETUI as STW with partial working time reduction) |
| Start date of the implementation of the special Covid-19 JRS rules | As provided for by the Labour Code if an employer cannot provide work for their employees, they can suspend their employment. This is generally specific to a situation in which a company's operations are suspended or run down during an economic crisis. The employer is obliged to pay employees their full wage in the event of STW. Within the STW scheme the state compensates the employer by paying the STW allowance in their place. STW allowance is paid directly to employees by the State Revenue Service (SRS) upon application by their employer. | The state of emergency was declared from 9 November 2020 until 7 February 2021 by Cabinet Order No. 655 Regarding the Declaration of the State of Emergency. The Law on the Suppression of the Consequences of the Spread of Covid-19 Infection provided the basis for Cabinet Regulation No. 709 (adopted 24.11.2020, coming into force 28.11.2020), Regulation regarding STW Support for Taxpayers to Continue their Activities in the Context of the Covid-19 Crisis, including procedures for STW allowances for workers, as well as support for self-employed persons. |

1. Latvijas Brīvo Arodbiedrību Savienība – LBAS.

The STW allowance was originally part of the Law on Measures for the Prevention and Suppression of Threats to the State and Its Consequences Due to the Spread of Covid-19, adopted on 20 March 2020 (and coming into force on 22 March 2020). The allowance was paid for the two months from 14 March 2020 until 14 May 2020.

On 6 June 2020, the Law on the Suppression of Consequences of the Spread of Covid-19 Infection was adopted and replaced the law mentioned above. The STW allowance for employees was extended for another one and a half months until 30 June 2020.

To support employees whose STW allowance was calculated as below €180 or who did not qualify for STW allowance, a new type of support – assistance STW allowance – was provided by Cabinet Regulation No. 236 (adopted 23 April 2020), Regulations Regarding the Assistance Allowance for Furloughed Employees or Self-employed Persons Affected by the Spread of Covid-19.

Cabinet Regulation No. 675 (adopted 10 November 2020), Regulations on the Provision of Aid to Taxpayers for the Continuation of their Activity in the Circumstances of the Covid-19 Crisis provides for special assistance for part-time workers (aid for wage subsidy).

Eligibility

Eligibility criteria for STW allowance are provided by Cabinet Regulation No. 165 (adopted 26 March 2020), Regulations on Employers Affected by the Crisis Caused by Covid-19 which are Eligible for the Furlough Allowance and Payment of the Penalty for Late Tax Payments in Instalments or Deferral Thereof for up to Three Years.

The support is available for employees and taxpayers (employers) on STW that fulfil the following criteria:

(1) whose income from economic activity in March, April, May or June 2020, in comparison with the average income for 2019 or the average income of the months in which the company actually operated in the period from 01.01.2019 to 01.03.2020, decreased by 30%;

(2) whose income from economic activity in March, April, May or June 2020, compared with the average income for the 12 months of 2019 or the average income for the months in which the company actually operated in the period from 01.01.2019 to 01.03.2020, have decreased by 20% **and** they meet at least one of the following criteria:

a) the volume of exports of goods and services by the employer affected by the crisis and the volume of supply of goods and services within the territory of the EU in 2019 is 10% of total turnover or not less than €500,000;

b) the average monthly gross wage in 2019 paid by the employer affected by the crisis was not less than €800;

c) long-term investments in fixed assets as of 31.12.2019 were at least €500,000.

Eligibility criteria for STW support are provided by Cabinet Regulation No. 709 (adopted 24.11.2020).

Employees, self-employed persons and so-called 'license fee payers' (as defined in Latvian tax law²) who are not employed in the period 9.11.2020 to 30.06.2021 during the period of government restrictions on economic activities, and whose income from economic activity for a given month of support has decreased by not less than by 20% of the average monthly income in August, September and October 2020.

If an employee is employed by several employers or in different forms of employment, STW support is granted to only one of the employers or in one of the forms of employment.

Eligibility criteria for part-time workers aid for wage subsidies are provided by Cabinet Regulation No. 675.

The wage subsidies compensate the remuneration of part-time workers of employers whose revenue from economic activity has decreased by at least 20% in the specific aid month of 2020 and 2021 in comparison with the average income of August, September, and October of 2020 when the undertaking was actually operating.

2. <https://likumi.lv/ta/en/en/id/56880-on-personal-income-tax>

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| Exceptions (category of workers or companies excluded from support) | In the public sector, newly hired employees who started their employment relationship after 1 March 2020, temporary agency workers, works council members, workers on paid sick leave, workers of employers with tax arrears or in insolvency are not eligible. (Please see section 'Special conditions for support to avoid misuse of the system'.) | In the public sector, newly hired employees who started their employment relationship after 1 November 2020, temporary agency workers, works council members, workers on paid sick leave and workers of employers in insolvency are not eligible. (Please see section 'Special conditions for support to avoid misuse of the system'.) |
| Duration of support (maximum duration for which JRS support is paid) | The scheme ran for 2 months (14 March until 14 May) and was extended for another 1.5 months until 30 June 2020. | 8 months: from 9 November 2020 to 30 June 2021, but not longer than the period during which the restrictions on economic activities specified in the legislation related to epidemiological safety measures are in force. |
| Level of support for employees (percentage of gross or net wage, please also specify whether social security contributions are covered) | <p>The STW allowance is calculated in proportion to the period of STW and covers 75% of the original wage and is not taxed. The STW allowance is available in the following amounts:</p> <p>1) for an employee – 75% of the average monthly gross work remuneration for the period of last six months before the declaration of the emergency situation, or in accordance with the actual data declared in respect of the employee within the previous six months, but not exceeding €700 per calendar month.</p> <p>If an employee works for several employers which have been affected by the crisis, the STW allowance shall be granted according to the employer affected by the crisis which is the principal place for earning income.</p> <p>2) for an employee of a micro-enterprise - 50% of the average monthly gross work remuneration in the micro-enterprise for the third and fourth quarter of 2019 (the information indicated in the quarterly return of micro-enterprise tax in respect of the specific employee of a micro-enterprise), but not exceeding €700 per calendar month.</p> <p>3) for the employers affected by the crisis whose operation does not exceed six months - 75% of the average monthly gross work remuneration for the months worked before the declaration of the emergency situation, but not exceeding €700 per calendar month.</p> <p>4) for the micro-enterprise taxpayers affected by the crisis who have commenced their operation in the status of a micro-enterprise taxpayer after 1 October 2019, the STW allowance for the employees of micro-enterprises – in the amount of 50% of the average monthly gross work remuneration in the micro-enterprise for the first quarter of 2020 (the information indicated in the quarterly return of micro-enterprise tax in respect of the specific employee of a micro-enterprise) but not exceeding €700 per calendar month.</p> <p>5) for the persons who, during the period of STW, return to work after child-care leave, in the amount of 100% of the parent's benefit granted for the six-month period before the declaration of the emergency situation, but not more than €700 per calendar month.</p> <p>A supplement of €50 euro is granted to the employee who receives STW allowance for each dependent child up to 24 years of age for whom the personal income tax relief is being applied to the employee. The State Social Insurance Agency grants and disburses the supplement for the time period for which the STW allowance is granted. The supplement will be transferred to the account of the employee to which the STW allowance is transferred.</p> | <p>STW support is calculated in proportion to the period of STW in the following amounts:</p> <p>1) for an employee: 70% of average monthly gross pay for the period 1.08.2020–31.10.2020, not less than €500 and not exceeding €1,000 per calendar month.</p> <p>2) for an employee of a micro-enterprise: 50% of the average monthly gross pay for the third quarter of 2020, not less than €500 and not exceeding €1,000 per calendar month.</p> <p>3) for persons who, during the period of STW, return to work after child-care leave: 70% of parent benefit granted for the period August–October 2020, not less than €500 and not exceeding €1,000 per calendar month.</p> <p>A supplement of €50 is granted to employees who receive STW allowance for each dependent child up to 24 years of age for whom personal income tax relief is applied. The State Social Insurance Agency disburses the supplement to the employee for the period during which STW allowance is granted.</p> <p>The aid for wage subsidy for an employee is 50% of the average monthly gross pay declared for the period between 1 August 2020 and 31 October 2020, however, not more than €500 per calendar month.</p> <p>The employer has an obligation to disburse to the employee the difference between the amount of aid received and their wage.</p> |

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| | <p>During the period when the STW allowance is awarded to an employee, sickness benefit is not paid and a local government benefit during crisis situation is not disbursed.</p> <p>The assistance allowance for workers is paid by the State Social Insurance Agency in the maximum amount of €180 per month. The assistance allowance for workers is not taxable with the personal income tax and not subject to the mandatory State social insurance contributions.</p> <p>STW allowance can be provided also to workers who receive pension and work simultaneously.</p> | |
| Cap on support (maximum amount of JRS support payable) | The maximum amount of STW allowance is €700 per month. | The maximum amount of STW support is €1,000 per month. |
| What share of the support is covered by the state and by the employer? | The state covers 100% of the STW allowance (75% of the original wage). | <p>The state covers 100% of the STW support (70% of the original wage).</p> <p>The employer may optionally cover the difference.</p> <p>In the case of aid for wage subsidy, the employer is obliged to cover the difference.</p> |
| Dismissal protection | The general dismissal rules apply. | The general dismissal rules apply. |
| Role of collective bargaining in the adoption and implementation of JRS support | <p>(1) By agreeing on amendments to a collective agreement concluded with a trade union, employers have the right, without reducing the overall level of protection for employees, to impose part-time work. In such a case, the employee shall receive at least the 2020 national minimum monthly wage of €430. In addition, if the employee has a dependent minor or child who is pursuing general, vocational, higher or special education but has not yet reached the age of 24, the employer has to guarantee funds for each child in the amount of the minimum maintenance set by the state.</p> <p>An employee who does not agree to the proposed part-time work has the right to terminate the contract of employment without complying with the notice period provided by the Labour Code. In this case, too, the employer is obliged to pay the employee severance pay.</p> <p>(2) Employers have the right to reduce STW payment and disregard the employee's wishes regarding when they would like to take their paid annual leave. This right is provided only for socially responsible employers: participants in the special government in-depth cooperation programme. The in-depth cooperation programme or the 'white list' of companies – which includes 4,375 companies – is a special form of cooperation with taxpayers who have demonstrated themselves to be honest, namely, companies that pay their taxes in full and do not participate in the shadow economy. Consequently, these companies enjoy different advantages and benefits, depending on the level of the programme, in terms of services provided by the public authorities.</p> <p>Employers can reduce the STW remuneration of employees from 100% of the wage, as required by the Labour Code, to 70%.</p> | <p>(1) By agreeing on amendments to a collective agreement concluded with a trade union, employers have the right, without reducing the overall level of protection for employees, to impose part-time work. In such a case, the employee shall receive at least the 2021 national minimum monthly wage of €500. In addition, if the employee has a dependent minor or child who is pursuing general, vocational, higher or special education but has not yet reached the age of 24, the employer has to guarantee funds for each child in the amount of the minimum maintenance set by the state.</p> <p>An employee who does not agree to the proposed part-time work has the right to terminate the contract of employment without complying with the notice period provided by the Labour Code. In this case, too, the employer is obliged to pay the employee severance pay.</p> <p>(2) Employers have the right to reduce STW payment and disregard the employee's wishes regarding when they would like to take their paid annual leave. This right is provided only for socially responsible employers: participants in the special government in-depth cooperation programme.</p> <p>Employers can reduce employees' STW pay from 100% of the wage, as required by the Labour Code, to 70%.</p> <p>In any case, as a result of reduced STW employees cannot receive less than the national monthly minimum wage of €500. In addition, if an employee has a dependent minor or child who is pursuing general, vocational, higher or special education but has not yet reached the age of 24, the employer has to guarantee funds for each child in the amount of the minimum maintenance set by the state.</p> |

In any case, as a result of reduced STW, employees cannot receive less than the national monthly minimum wage of €430. In addition, if an employee has a dependent minor or child who is pursuing general, vocational, higher or special education but has not yet reached the age of 24, the employer has to guarantee funds for each child in the amount of the minimum maintenance set by the state.

If the employee does not agree to the reduction of remuneration, they have the right to terminate the contract of employment without complying with the notice period specified in the Labour Code, namely, one month before termination of employment. In this case, the employer is obliged to pay the employee severance pay.

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Special conditions for support to avoid misuse of the system (for instance, ban on paying out dividends or bonuses; ban on share buybacks or operating from tax havens)

The employer has to certify that the employee for whom the STW allowance is requested is not on leave because of incapacity for work (sick leave) and will not be released from work by a decision of the employer within a month after the application is submitted.

Payment of STW allowance is suspended if the employer hires new employees during its receipt.

The STW allowance is not granted:

- if the employer has not submitted to SRS all tax returns and annual statements for the last 12 months before the emergency situation;
- if the employer has tax arrears of more than €1,000;
- if the employer has been excluded from the SRS Register of Value Added Tax Taxable Persons within the past two years, or their economic activity has been suspended;
- if insolvency proceedings are in effect for the employer affected by the crisis;
- if within the last six months before the declaration of the emergency situation the employer affected by the crisis has claimed, on average, that its taxes payable to SRS are below €200 per month;
- if the employer has not provided justification for the necessity of STW or employee STW is not connected with the crisis;
- if the employee commenced employment after 1 March 2020;
- to board members of the employer affected by the crisis if the employer employs workers who are not on STW;
- to works council members;
- for those calendar days for which sickness benefit has been granted;
- to employees who are at the same time employed by a state or local government authority or state- or municipally owned company, except for pedagogical or creative work in a state or local government authority or company, and whose income from such work does not exceed €430 per month; or employees who at the same time perform economic activity and whose income from such activity does not exceed €430 per month;
- to employees working for the state and local government budget institutions and also for merchants controlled by state or local governments;

The employer has to provide a statement that the employee for whom the STW support is requested will not be dismissed during the period for which the support is granted, as well as one month after that.

Payment of STW support is suspended if the employer hires new employees during its period of receipt.

STW support is not granted:

- if the employer has not submitted to SRS all tax returns and annual statements for the period of the last 12 months before the emergency situation;
- if the employer has been excluded from the SRS Register of Value Added Tax Taxable Persons within the past two years, or its economic activity is or has been suspended;
- if insolvency proceedings are in effect for the employer affected by the crisis;
- to works council members of the employer;
- for those calendar days for which sickness benefit has been granted;
- to an employer affected by the crisis whose staff has been leased to another taxpayer;
- to employees working for the state and local government institutions and also for merchants controlled by the state or local government;
- if the employee commenced employment after 1 November 2020.

- to employers affected by the crisis whose staff has been leased to another employer;
- if within the past three years, and at the moment of evaluating the submission, other sums owed to the state exceed 3% of the employer's revenues;
- to board members, if within the previous year and at the moment of evaluating the submission, the employer or a member of its board has been punished for a violation in relation to tax liabilities of the employer, customs offences or violation of the laws and regulations governing employment, except when a warning has been issued or a fine of not more than €151 has been imposed for an individual violation, and the total amount of fines does not exceed €500 within a year.

Special provisions as regards training/ requalification/ reorientation of employees on JRS

No special provisions.

No special provisions.

Quantitative data

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| How many workers were on JRS each month? (Please indicate whether these are applications for JRS or the actual numbers of workers on JRS) | March 2020 | 23,074 |
| | April 2020 | 44,401 |
| | May 2020 | 38,925 |
| | June 2020 | 27,057 |
| | July 2020 | 0 |
| | August 2020 | 0 |
| | September 2020 | 0 |
| | October 2020 | 0 |
| | November 2020 | 0 |
| | December 2020 | For the period 01.12.2020–17.01.2021 the number of people receiving support from the various schemes was as follows: (1) 38,680 employees based on an application by their employer: <ul style="list-style-type: none"> • 25,879 received STW support; • 12,801 received aid for wage subsidies; (2) 4,198 natural persons received support from the scheme for the self-employed; (3) 1,499 'license fee payers' received support. |

Note: The information in this table refers to the actual number of workers who received STW allowances.

Which sectors were most affected at the beginning of the pandemic in March/April and towards the end of the period studied in November/December? (as a percentage of overall number of workers on JRS)

According to Eurofound data, between 25 March and 31 July the distribution of STW allowance across different sectors was as follows: 25% of employees were employed in accommodation and food services, 19% in manufacturing, and 15% in the wholesale and retail trade.

According to SRS data: 20% of employers whose employees have received STW benefits are in the wholesale and retail trade, and automotive and motorcycle repair; 13.9% are accommodation and food service providers; 9.5% are in manufacturing and 9.5% provide professional, scientific and technical services.

Among the self-employed, the largest proportion of STW benefits have been granted to the following sectors: 16% arts, entertainment and recreation; 9.8% professional, scientific and technical services; and 9% education.

(<https://www.vid.gov.lv/lv/dikstaves-pabalstu-perioda-teju-55-tukstosiem-cilveku-vid-izmaksajis-dikstaves-pabalstus-vairak-0>)

For the period 01.12.2020–17.01.2021 (Statistical data from the Ministry of Finance)

| Economic activity | No. of workers receiving STW support | No. of workers receiving aid for wage subsidies |
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| Accommodation and food services | 9,660 | 3,696 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 4,914 | 3,639 |
| Arts, entertainment and recreation | 3,588 | 501 |
| Professional, scientific and technical services | 725 | 526 |
| Administrative and support service activities | 1,728 | 499 |
| Manufacturing | 1,725 | 1,553 |
| Transport and storage | 419 | 452 |
| Construction | 491 | 262 |
| Information and communication services | 419 | 166 |
| Real estate activities | 364 | 300 |
| Education | 337 | 242 |

Is there any data on how much money the state spent on JRS and over time? (in absolute figures and as a percentage of GDP)

For the period 12.03.2020–30.06.2020 the SRS paid STW allowance to 133,462 people in the amount of €53,784,481, of which 52,867 employees in the amount of €51,516,671 and 2,381 self-employed in the amount of €2,337,810 (<https://www.lrvk.gov.lv/lv/revizijas/revizijas/noslegtas-revizijas/finansu-ministrijai-pieskirta-finansejuma-izlietojums-dikstaves-pabalsta-izmaksai>)

By 16.09.2020 the SRS had recovered wrongly allocated STW allowance for 536 people in the amount of €170,444.

In the two periods the state spent a total of €70,973,789 on JRS support (€51,516,671 during the first period and €19,457,118 during the second period). This amounts to 0.24% of GDP in 2020 which according to Eurostat was €29,334 million at current prices.

For the period 01.12.2020–19.01.2021 (Statistical data from the Ministry of Finance) the SRS paid STW support in the amount of €19,457,118:

- STW support: €14,779,927;
- support for wage subsidies: €4,677,191.

Information on non-standard workers and JRS³

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| <p>Do non-standard workers (NSW) have access to the regular JRS scheme or are there other support schemes, for instance for the self-employed?⁴</p> | <p>Regulation No. 179 (adopted 31 March 2020), Regulations on the Allowance for Furlough for Self-employed Persons Affected by the Spread of Covid-19 laid down conditions for furlough allowance for the self-employed.</p> <p>STW allowance is disbursed to self-employed persons whose economic activity has been affected by the crisis. The period of STW was a fixed period from 14 March 2020 until 30 June 2020.</p> | <p>Cabinet Regulation No. 709 laid down conditions for STW support for self-employed and 'license fee payers'.</p> |
| <p>What are the eligibility criteria?</p> | <p>A self-employed person affected by the crisis means a natural person who has registered with the SRS as an enterprise, has made the mandatory state social insurance contributions as a self-employed person, or is a 'license fee payer' or a micro-enterprise, or individual trader, and during the period of STW has not obtained income from economic activities, except for the royalties received by authors and performers, and income received from collective management organisations of copyrights or related rights, and also from part-time employment if the income from part-time employment does not exceed the minimum monthly wage for 2020.</p> | <p>Self-employed persons and 'license fee payers' who are not employed in the period 9.11.2020–30.06.2021 during the legal restrictions on economic activities and whose income from economic activity for a given month of support has decreased by not less than 20% of their average monthly income in August, September and October 2020.</p> |
| <p>How is the financial support for non-standard workers calculated?</p> | <p>For a self-employed person in the general tax regime: 75% of the average amount on which mandatory social insurance contributions were paid in the last two full quarters of 2019, but not more than €700 per month.</p> <p>For persons who, during the period of STW, return to work after child-care leave, the allowance is 100% of parent benefit granted for the six-month period before the declaration of the emergency situation, but not more than €700 per calendar month.</p> <p>The benefit has to be returned if the self-employed person terminates STW during the payment of the STW benefit and earns income from economic activity.</p> | <p>Support for STW for self-employed persons and 'license fee payers' shall be as follows:</p> <ul style="list-style-type: none"> • for a self-employed person under the general tax regime: 70% of average income from economic activity for the third quarter of 2020, but not less than €500 and not exceeding €1,000 per calendar month; • for a self-employed person who is a micro-enterprise taxpayer: 50% of the average monthly income of the micro-enterprise taxpayer from economic activity for the third quarter of 2020, but not less than €500 and not exceeding €1,000 per calendar month; • for 'license fee payers': €500, if the patent is valid during the support period or if the patent has been valid for at least six months before the declaration of the emergency situation. |

3. Non-standard workers include workers with a temporary work contract, platform workers, temporary agency workers, multiparty employment, disguised employment/dependent self-employment, freelance workers, etc.
4. The following questions refer to any existing schemes for non-standard workers.

Which sectors were most affected in terms of providing support to non-standard workers?

Among self-employed persons, the largest proportions of STW benefits have been granted to the following sectors: 16% arts, entertainment and recreation; 9.8% professional, scientific and technical services; and 9% education.

(<https://www.vid.gov.lv/lv/dikstaves-pabalstu-perioda-teju-55-tukstosiem-cilveku-vid-izmaksajis-dikstaves-pabalstus-vairak-0>)

Number of successful applications by self-employed persons (Statistical data from the Ministry of Finance)

| Economic activity | STW support paid |
|--|------------------|
| Arts, entertainment and recreation | 548 |
| Professional, scientific and technical services | 337 |
| Education | 225 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 151 |
| Manufacturing | 164 |
| Health and social care | 139 |
| Construction | 119 |
| Administrative and support service activities | 151 |
| Real estate activities | 106 |
| Agriculture, forestry and fisheries | 84 |

Are there any measures for training/requalification/reorientation for non-standard workers?

No.

No.