



Riga, November 5th, 2020

To **Sanita Osipova**,
Chairperson of the Constitutional Court of the Republic of Latvia
To **Krisjanis Karins**,
Prime Minister of the Republic of Latvia
To **Andris Skride**,
Chairman of the Social and Labor Affairs Committee
of the Saeima of the Republic of Latvia
To **Juris Jansons**,
Ombudsman of the Republic of Latvia
To **Ramona Petravica**,
Minister of Welfare of the Republic of Latvia

On execution of the judgment of the Constitutional Court of the Republic of Latvia in the case regarding the setting of the guaranteed minimum income level

With this application letter, the association EAPN-Latvia (Latvian organization, which is a part of the European Anti-Poverty Network) wishes to express its position on the issue of measures taken in order for the Cabinet of Ministers and the Saeima of the Republic of Latvia to responsibly comply with the judgment of the Constitutional Court of the Republic of Latvia of June 25th, 2020 regarding the setting of the guaranteed minimum income (GMI) level in Latvia. Practices of the EAPN-Latvia network have been developed since 2013 within the framework of the European Minimum Income Network projects; they also have been coordinated and have received support from the European Commission, which has co-financed these EMIN projects.

Now we see that the Ministry of Welfare of the Republic of Latvia has prepared a package of draft laws on minimum income thresholds, including the GMI level, setting this level at 20% of the median income for the reporting year. The Ministry of Welfare presents such a calculation of GMI level as an execution of a judgment of the Constitutional Court, to which the EAPN-Latvia cannot agree.

EAPN-Latvia network has the following objections to this GMI calculation methodology proposed by the Ministry of Welfare, because:

1) The decision of the Ministry of Welfare as to why this calculation sets the GMI level at 20% of the median income (while the previous calculations of the Ministry indicated it at 40%) is not justified. Also, we'd like to note that in several EU countries, as much as 60% of



the median income is used to characterize the at-risk-of-poverty rate. (https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:At-risk-of-poverty_rate)

2) It is not justified whether such a GMI level ensures a decent standard of living. The so-called relative method proposed by the Ministry of Welfare does not provide such an assessment. This can be obtained by using the absolute method to calculate the minimum regulatory consumption budget. We believe that it would be appropriate to base the GMI level calculations on this method.

3) The relative method is not applicable in poor countries with low income level and low median income, such as Latvia. According to calculations performed by using the relative method, the poor people in Latvia will receive much smaller benefits compared to the poor people in other, much richer EU countries, and this is incompatible with the principles of decent human consumption.

4) By using the calculations of the regulatory consumption budget, it is possible to follow up and respond to the rising cost of living by indexing the size of the benefits accordingly so that their real content would not decrease.

5) The indexation of the benefits should happen annually (instead of once every three years, as it is proposed in the project), because a significant increase in the cost of living can be seen even within one year.

6) The use of statistical information with a deviation of several years should not be allowed (for example, for the calculation of the GMI level in 2021 references were made to the 2018 data). This means that if the indexation is performed once every three years, then the deviation will already be 6 years. Consequently, these calculations will not correspond to the real income and consumption situation. We believe that these calculations should be based on a forecast of expected performance or, at the very least, on the report for the previous year.

With its position, EAPN-Latvia wants to contribute to the preparation of the reasonable GMI calculation methodology in our country that will result in a GMI level for decent human consumption, which should not be below the at-risk-of-poverty threshold.

Sincerely yours,

Laila Balga, EAPN-Latvia Chairperson of the Board

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