

RESEARCH

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RECOMMENDATIONS

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COLLECTIVE BARGAINING DEVELOPMENT IN LATVIA IN THE CONTEXT OF THE ADEQUATE MINIMUM WAGE DIRECTIVE (ART. 4)

INSTITUTE OF
PUBLIC AFFAIRS

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WAGE DIRECTIVE (ART. 4)**

INSTITUTE OF PUBLIC AFFAIRS
Social Policy Programme

This report is one in a series presenting the findings of research carried out in Bulgaria, Czechia, Croatia, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Serbia, Slovakia and Slovenia as part of the project CEE CAW ‘Challenges for Organising and Collective Bargaining in Care, Administration and Waste collection sectors in Central and Eastern European Countries’, which was led by the Institute of Public Affairs (Warsaw). The other partners were the: Bulgarian Academy of Sciences (Sofia), Central European Labour Studies Institute (Bratislava), Lithuanian Centre of Social Sciences (Vilnius), and Centre for Democracy Foundation (Belgrade).



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1. Methodological preface

A document review was conducted for this report, including the database and informative materials of the Central Statistical Bureau of the Republic of Latvia and state laws and regulations. Additionally, the report uses information gathered at the annual conversation festival “Lampa” during a public discussion on collective bargaining initiated by the Employers’ Confederation on July 6, 2024. This included representatives from employers’ organisations and trade unions. After the discussion, two face-to-face in-depth interviews were conducted: one with a representative of the Employers Confederation of Latvia (LDDK) and one with a representative of the Free Trade Union Confederation of Latvia (LBAS). Additionally, two telephone interviews with trade union leaders in the care and public administration sectors were conducted, providing useful information on the state of trade unions in the country and insights into organising strikes. After Directive 2022/2041/EC came into force, an additional phone interview was conducted with a spokesperson from LBAS.

2. General characteristics of the labour market and industrial relations system

2.1. Labour market performance

According to statistics, 62% of Latvia’s population was at working age (15–63 years) in 2023. Of the working age population, 76% are employed, and 6.5% are unemployed job seekers (Centrālā statistikas pārvalde, 2024). Of those employed, 50.46% are women, who earn on average 16.5% less than men. More than one-third of those employed work in large companies. Medium-sized enterprises, small businesses, and microenterprises each employ between 18% and 20% of the workforce. Among those aged 15–24, 29% of the population are employed, while for the age group 25–63, between 72% and 80% are employed. After reaching retirement age, 25% of the population continue to work for the next 10 years, with 3.5% of the population employed between the ages of 75 and 89. Overall, 5.2% of those employed in Latvia have secondary employment.

Concerning the scale of segmentation of the labour market, in 2023, only 19,800 workers had fixed-term contracts, representing 2.6% of the workforce.

In addition, 68,000 people, or 7.7%, of the employed population, were self-employed workers running their own businesses without employing others, and 44,000, or 5%, were employers, while the remainder were workers.

Data from 2022 available for the NEET index (Young people neither in employment nor in education and training) shows that 11.3% of young people in Latvia aged 15–29 were in that category. This figure is on a downward trend (Centrālā statistikas pārvalde 2023). It is also possible to point out here the initiatives for short-term work of children aged 13 to 17 within the framework of the State Employment Agency project, which promotes the employment of school-age children during the summer holidays (Central Statistical Office of Latvia, 2024).

After the Covid-19 pandemic, a trend towards remote working is noticeable, with 10.3% of employees working remotely in 2023. A hybrid format is also common, where remote working is combined with in-person activities such as attending meetings (Riekstina, 2024).

Employment in commerce through online platforms is not separately analysed in the current statistics, although it is known that a large proportion of those self-employed and around 15% of Latvian businesses sell goods or services online (Central Statistical Office of Latvia, 2020).

Employees working under so-called royalty agreements (typically used for piecework in creative fields, research, articles, lectures, and similar work) are not included in official statistical indicators. In addition, around 11% of employees work without formal employment contracts, mainly in the construction, trade, and service sectors, indicating a significant informal economy in the country (Pelnane, 2024).

2.2. Industrial relations at a glance

The right to freely unionise is determined by the Law on Trade Unions of the Republic of Latvia (Saeima, 2002). Trade unions are registered in the Register of Associations and Foundations of the Enterprise Register of the Republic of Latvia, where 437 results were found in a search, some of which will be historical entries that do not exist any longer (Latvijas Republikas uzņēmumu reģistrs). Trade unions have the right to unite in union associations, with the most well-known association being LBAS, which comprises 19 trade unions and represents a collective body of trade unions in social dialogue in the

country. It is not possible to determine the exact number of trade union members outside of LBAS, as there is no comprehensive record of the total number of trade union members in the country. However, there are indications that the number is on a downward trend. According to trade union representatives, joining a union is not popular in Latvia, as it is still associated with the Soviet era when union membership was both mandatory and largely formal.

Employers in Latvia have organised themselves in different sectoral associations and national employers' associations. The most influential of these are the Latvian Chamber of Commerce and Industry (LCCI) and LDDK, which represent employers in social dialogue.

In Latvia, employment relationships are determined by the State Civil Service Law (Saeima, 2000) for public officials (civil servants) and the Labour Law (Saeima, 2001) for all other employees. The Labour Law includes the right to collective bargaining between the employer and employee without imposing restrictions in either the private or public sectors. Social dialogue occurs at multiple levels: between workers and employers, at a regional level and at a sectoral level, where general agreements can be made between industry associations and industry trade unions. At the sectoral level, negotiations are less successful — currently, only a general agreement in the construction sector and several regional general agreements are in force. At the highest level, social dialogue is implemented through the National Tripartite Cooperation Council (NTSP), which includes employers' organisations, state institutions and trade unions. In the summer of 2024, representatives of employees and employers publicly stated that the NTSP does not convene often enough and that their views are not sufficiently respected by the government.

The procedures for organising strikes in Latvia are determined by the Strike Law, which lists the sectors where the right to strike is restricted to ensure that work in critical sectors — such as public safety and health — is not interrupted. The Strike Law prohibits strikes by judges, prosecutors, police officers, fire safety personnel, national security services officers, border guards, prison supervisors and members of the armed forces (Saeima, 1998). Strikes can only be called once all other forms of social dialogue have been exhausted, but the legal procedure is cumbersome; it cannot be organised in less than a month or even several months if the strike application is appealed and legal action is initiated. As a result, strikes in Latvia are rare due to the need for a swift response to acute situations.

2.3. Collective labour agreements

In a collective agreement, workers are represented either by a trade union if the company's employees are members of it or by representatives chosen by the employees if the company does not have a trade union presence.

There is no centralised record of collective agreements in the country. Informal records are maintained by LBAS for collective agreements concluded by trade unions that are members of the association. Contracts concluded by other trade unions and employee representatives are not listed. There is also no uniform data on the number of workers covered by collective agreements. According to LBAS, coverage of collective agreements in Latvia is around 20%. This aligns with the information from the Central Statistical Bureau of Latvia (CSP) (in Latvian — Centrālā statistikas pārvalde) published in a report from August 2024, which indicates that 23% of workers are covered by collective bargaining. Of these, 20.4% are corporate collective agreements, 2% are industry agreements, and 0.6% are inter-federal or territorial collective agreements (CSP, 2024). The report does not detail the methodology for obtaining this data, other than noting that it follows common EU methodology. Information on the number of companies with collective agreements is also lacking.

Collective agreements are not publicly accessible, and contracting entities do not respond to requests for access to these agreements for research purposes. Employees are presented with collective agreements internally during general meetings or receive them via e-mail. Although not all workers are aware of their collective bargaining rights, national legislation does not impose sectoral restrictions.

2.4. Opinions on the state of collective bargaining

From the employees' perspective, trade unions are interested in collective bargaining because it offers benefits related to labour rights, wage policy, the provision of individual bonuses, and additional benefits such as extra holidays, bonuses, health insurance, etc. However, trade unions also note that the benefits of collective agreements are generally lower in the public sector.

Employers view collective agreements as beneficial because they provide a clearly defined relationship with workers in terms of employment contracts, including aspects such as timekeeping, remuneration, various

bonuses, and social guarantees. They also see advantages in attracting and retaining labour, thereby strengthening their competitive position, potentially obtaining tax incentives, and improving their standing in state and local government procurements. That is why, in most companies, it is the employers who initiate collective bargaining. Employers highlight the drawbacks of collective agreements as their lack of flexibility in response to economic developments and changing circumstances, as well as the limited opportunities for collective agreements in the public sector.

From the perspective of public authorities, opinions are not prominently featured in public communications as the current focus is on other pressing issues, such as changes to the tax system, state budget, and national defence strategy. A press release from the Latvian Central Statistical Bureau notes that collective agreements “provide employees with more favourable terms for their labour relations compared to existing regulations” (CSP, 2024), but it does not address the benefits for employers. This may suggest a lack of emphasis on the potential contributions of collective bargaining to the national economy. Meanwhile, discussions at the “Lampa” conversation festival highlighted that the benefits of collective agreements should be balanced between employers and employees — ideally 50:50. However, despite being invited, representatives of state institutions did not participate in this discussion.

3. Collective bargaining dynamics in recent years

There have been no recent changes to the collective bargaining system. Trade unions are dissatisfied with the situation where representatives selected by employees can also enter into collective agreements, and these agreements apply to all employees of the company. When a collective agreement is concluded with representatives of employees in an organisation, without the involvement of a trade union, there is a risk that the contractual parties on the part of employers may be more inclined to favour the employer, rather than truly representing the interests of employees. Trade union representatives also note that collective bargaining agreements are legal documents, and the drawing up and evaluation of such documents require specific knowledge and understanding, which may be lacking among employee representatives. The Free Trade Union Confederation is therefore collecting signatures to advocate for changes to the law, which would restrict collective bargaining to only trade unions and ensure that the terms of collective bargaining agreements apply only to trade union members. However, employers’ representatives oppose these changes, arguing that collective

agreements favouring only trade union members would be discriminatory towards other employees.

As previously mentioned, there are no uniform statistics on the number of collective bargaining agreements. Employers report a declining number of such agreements, while trade union representatives believe the numbers are increasing. The discrepancy may stem from differing methodologies, such as the number of collective agreements or the number of employees covered by them. Unions rely on their trade union contracts databases, while employers use data from companies within their confederations. According to the CSP, most collective agreements are concluded in the health, education, and energy sectors, with no information available on the sectors with the fewest collective agreements. Data on 19 trade unions from the Free Trade Union Confederation indicates that the number of collective agreements is lower in trade, forestry, construction, and road workers trade unions, with the internal security workers' union reporting no collective agreements at all.

4. State of play after the adoption of the directive

4.1. Discussions and legal preparations

The impact of the Council of Europe Directive 2022/2041 on Latvia's labour legislation is focused on two main areas: the minimum wage framework and the promotion of collective bargaining. Implementation efforts are currently more active for the minimum wage aspect of the directive, while the timeline for promoting collective bargaining has been postponed, meaning negotiations on that section remain in the early stages.

In connection with the directive, a new draft legal act is underway in Latvia. The forthcoming legislation will replace the current regulation with new criteria for setting the minimum wage's reference value, aiming to ensure predictability in future increases. The primary topic under discussion is the desired ratio between the minimum wage and the average wage (Valsts kanceleja, 2024).

Regarding collective bargaining, the draft legal act reviews the alignment of Latvia's laws and regulations with the requirements of Article 4 of the directive, noting that these requirements have been transposed through the Labour Law (Saeima, 2001), Law on Trade Unions (Saeima, 2014), and the Employers' Organisations and their Associations Law (Saeima, 1999).

Currently, the Ministry of Welfare has prepared an initial draft action plan to promote collective bargaining, which is under discussion with social partners, including LBAS and LDDK. Preliminary evaluations have been received, and work on improving the action plan is ongoing (Valsts kanceleja, 2024), yet no public materials on the action plan are available.

Public information on the directive and related Latvian legislation is limited. According to an LBS representative, there is little public interest in European Union documents in Latvia. While parties involved in the planned reforms are preparing press releases, local information services make minimal use of them. Given that the plan to promote collective agreements is still in early development, there has been no public debate on it, and media coverage is absent.

Currently, collective agreements are under negotiation between social partners, including the Ministry of Welfare, the Free Trade Union Confederation, and the Employers' Confederation of Latvia. One proposed way to promote collective bargaining is to link it with public procurement; however, the Law on Remuneration of Officials and Employees of State and Local Government Authorities (Saeima, 2009) lacks provisions to motivate such linkages. Trade union representatives note that current legislation already specifies conditions that could be addressed in collective agreements, leaving little room for further negotiation. They argue that more flexibility in these conditions is necessary, along with tax incentives that would offer non-taxable additional benefits to employees.

Discussions from LDDK focus on proposed amendments to Section 19 of the Labour Law, particularly on the terms for the renewal and revocation of collective agreements (Saeima, 2001).

The trade union representative highlights that LBAS initiated discussions with the government to begin negotiations and work on legislative amendments concerning the minimum wage and the promotion of collective agreements in line with the directive's requirements.

4.2. Any trade union' activity dedicated to promoting/ familiarising the audience with the directive

The representative of the Free Trade Union acknowledges that there have been no public campaigns to introduce the directive, despite ongoing active

efforts in Latvia. However, to increase public awareness of labour law, LBAS organised a labour law forum (LBAS, 2022) two years ago, which was covered in press briefings (LBAS, 2022), with another forum scheduled for November this year (LBAS, 2024). The union representative emphasises the need to educate the public on labour law issues, including incorporating labour law knowledge into school curricula.

The only publicly visible activity related to collective agreements is the LBAS initiative to collect signatures on the My Voice portal for amendments to the law. These amendments would allow only trade unions — not employee-chosen representatives without union participation, as is currently permitted — to represent workers in collective bargaining. Additionally, the amendments propose that the benefits of collective agreements apply exclusively to union members, excluding non-unionised workers from such benefits (ManaBalss.lv). While these changes would undeniably strengthen trade unions and could increase membership, their impact on the growth of collective bargaining and overall employee coverage is more likely to be negative in the short term.

5. Action plan

An action plan to promote collective bargaining is currently in its early stages, with ideas under discussion between social partners. According to a representative of the trade union, LBAS was the first to submit proposals and urged the government to begin developing an action plan. The plan envisions legislative changes that would enable the regulation of working conditions through collective agreements, establishing a preference for situations where such agreements exist between employees and employers over those where they do not. Additionally, the topic of collective bargaining statistics is under discussion.

6. Summary and conclusions

Latvia maintains a relatively high employment level with a declining unemployment rate. The state enforces labour laws that protect workers' rights, including the freedom to join trade unions. The Labour Law also allows collective bargaining for non-union workers. However, labour law offers limited flexibility in setting conditions through collective agreements, especially in the public sector, which reduces the advantages of collective bargaining for

both employees and employers. Consequently, the percentage of collective bargaining agreements in Latvia remains low. Additionally, Latvia lacks a public register of collective agreements, so these documents are not readily accessible.

Labour law issues are addressed through social dialogue among governments, trade unions, and employers' associations, a process activated as soon as the directive came into effect. New draft legislation and an action plan are currently in development. Efforts to promote collective bargaining are in the initial stages. To improve the coverage of collective agreements, legislative changes are needed in Latvia to make collective bargaining more flexible and mutually beneficial for employers and employees. Establishing a centralised information system to track the number of collective agreements is also essential. Currently, there are no national information campaigns assessing the effectiveness of the directive and collective agreements. Supporting trade unions' efforts to strengthen their role in social dialogue and increase membership is important, although the impact of these efforts on collective bargaining should be evaluated. Granting only trade unions the exclusive right to represent workers could improve the quality of collective agreements but may reduce their overall number.

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