

RESEARCH

**REPORTS**

RECOMMENDATIONS

VĒSMA LUKSTIŅA

# THE CENTRAL PUBLIC ADMINISTRATION SECTOR IN LATVIA

## CHALLENGES OF ORGANISING AND COLLECTIVE BARGAINING

INSTITUTE OF  
PUBLIC AFFAIRS

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# **THE CENTRAL PUBLIC ADMINISTRATION SECTOR IN LATVIA**

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COLLECTIVE BARGAINING

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

Interviews and a document review were conducted for this study. The document review included the database and press releases of the Central Statistical Bureau of the Republic of Latvia, state laws and regulations, the websites of companies and foundations representing the sector, and information provided by online news portals.

Five in-depth interviews were conducted. Four took place over the phone, and one was a face-to-face conversation. The interviews lasted between 40 minutes to 1 hour. Two interviews were with union leaders representing members in the state administration sector and one interview was conducted with the head of a major public administration's pre-organisation of an occupational association. Additionally, two interviews were held with representatives of employers' associations — the Association of Executive Directors of Local Governments and the Association of Local Governments of the Capital Agglomeration. The author of the study also incorporated personal experiences from working with local government administration.

## 2. General characteristics of the sector

According to the State Administration Structure Law, public administration in Latvia is implemented at two levels: direct administration — comprising institutions and officials representing the state public entity — and indirect administration, which is managed at a municipal level (Saeima, 2002). The classification of the public administration sector, as outlined by EP Regulation No 549/2013, is determined in Latvia by the Cabinet of Ministers' Regulatory Act on the Classification of Institutional Sectors, corresponding to ESA classification code S13 (Ministru kabinets, 2013). In assessing the conformity of sectors included in the classification of central public administration (CPA), the report examines a sub-sector corresponding to NACE Rev. 2 code 84.1.1 which covers direct and derived administrations and agencies, local government administrations, but excludes state and local government capital companies, as well as public sector institutions providing services not directly related to administration, such as those in education, health-care, and public security structures. It should be noted that some regulations relevant to the study, such as those concerning remuneration, apply to the entire public sector. Additionally, statistics often consider the public sector as a whole, without distinguishing between central administration.

The direct and indirect system of the public administration sector defines two levels of administration: national level and territorial level (local government) (Saeima, 2002). Direct national (state) level administration operates mainly in the capital, with some agencies having a network of regional branches. Indirect administration (territorial level) has been divided into 43 local governments since the municipal reform in 2021, which reduced the number from the previous 119 local governments. Direct administration institutions are financed from the state budget, while indirect administration institutions are funded from each local government's budget.

Three categories of administration officials are defined in the State Administration Structure Law: official, political official, and administrative official (Saeima, 2002). Depending on the category, they may be elected persons or appointed based on the professional criteria in the civil service or as recruited personnel. The employment relationship of officials is regulated by the State Civil Service Law, which applies to appointed officials in direct state administration (Saeima, 2000).

According to CSB, 57,200 employees with an average age of 44 worked in public administration in 2023, under NACE Rev. 2 code 84.1.1. (Centrālā statistikas pārvalde, 2024), while, according to the State Chancellery, the number of civil servants was 11,300 in the first half of 2023 (Siliņš, 2024). However, the number of civil servants and administrative staff employed by the central administration decreases annually.

### 3. Major problems and challenges in the sector

Although it is often stated that “the public sector and bureaucratic apparatus in Latvia are excessively inflated, and the government does not want to make changes in this direction or reduce the army of civil servants” (PRESS. LV, 2024), the public administration sector, in reality, faces serious challenges. As statistics show, the number of administrative staff decreases annually (Siliņš, 2024). This reduction is due to reorganisations, job cuts based on budget constraints, and difficulties in filling vacancies due to uncompetitive pay. At the same time, management staff are held to high standards in terms of education, competence, language skills and loyalty.

As a result of state optimisation, the workload for the remaining employees is increasing. For example, when dealing with clients, the time limits within

which submissions must be processed and replies and decisions must be laid down are in laws and regulations. At the same time, there are constant changes in these laws and regulations that need to be communicated. Public administration staff also complain about an increase in the workload without additional pay: reviews and information materials need to be prepared across various services, even though the information could be compiled into a single data system. All of this leads to overtime, seldom official and consequently without pay, and the work is also emotionally exhausting. As the leader of a major government agency trade union acknowledges:

” There are no people who drink coffee at work, but there are those who work overtime. Until someone says “no”, nothing will change, and more tasks will continue to be added... Customers express outrage and make threats, even over state laws. Working for a prominent public institution was once prestigious, but now public attitudes have changed.

Inappropriate working conditions are also mentioned as a problem — small premises for working with customers, ventilation issues, inconvenient working hours, and schedules that lack rest periods.

Furthermore, local government representatives discuss burnout in work, mentioning both the effects of job optimisation and the emotional strain from client interactions, as well as the increasing bureaucratic burden:

” A significant amount of legislation, and an increasing number of documents. State Audit Office, the Corruption Prevention and Combating Service Bureau requests, impose penalties, defend, and make recommendations. Cabinet regulations must be followed to the letter, and keeping up with regulatory changes is a demanding task that one person cannot handle alone.

At the same time, it is noted that digitisation and the use of e-signatures have improved the situation.

The issue of remuneration in public administration is complex. In the public sector, salaries are governed by the Law on Remuneration of Officials and Employees of State and Local Government Authorities (the Remuneration Act), which sets minimum and maximum salaries based on the position held (Saeima, 2009). Ideally, this should ensure a fair and equal remuneration

system, but in practice, salaries are often influenced by the budgetary constraints of each institution or municipality. Only key public officials and political positions at the national level have their salaries allocated from the state budget. As a result, the statutory minimum is not always adhered to by a number of public authorities. For example, at the Ministry of Welfare, the specified minimum salary is lower for half of the employees, while at the Ministry of Culture, it is lower for a third of the employees. Ministries have been instructed to reach at least the minimum threshold for each level of posts within 5 years. However, no additional funds are allocated for salary increases; instead, ministries must find the money themselves, for example by eliminating vacancies or dismissing someone. (De Facto, 2022).

In an even more difficult situation, many municipalities must provide remuneration from their budget, which has been reduced in recent years while local government functions have expanded. Unable to meet the statutory pay requirements, some municipalities have adopted a 4-day working week, while in others, employees of senior groups receive only 80% of the statutory minimum. This creates difficulties in attracting qualified specialists. Representatives of regional governments note that the outflow of highly skilled workers is also facilitated by remote working opportunities, allowing individuals to live in less populated areas while working remotely for a state budget institution that offers up to 40% higher remuneration for the equivalent work. Meanwhile, municipalities in the capital's agglomeration face competition for labour from both the private sector and other municipalities, as well as the challenge of raising salaries for a group of employees. This increase necessitates proportional promotions to equivalent and higher positions.

To improve the situation, amendments to the Remuneration Law were adopted in 2022 with the aim of improving the efficiency and quality of the work of state administration by implementing the remuneration system reform. The monthly salaries in the state administration are determined by the private sector salaries with the public sector not paying more than 80% of the level of salaries in the private sector (Ministru kabinets, 2022).

Despite challenges in reaching the minimum wage, the first 7 months of this year have seen an 18% increase in public sector wages. This rise may be attributed to salary increases for senior public officials and specific public sector groups, such as educators and medical staff. However, this increase

is expected to be capped in next year's budget (LETA, 2024), as the situation regarding remuneration in state administration is anticipated to remain problematic.

## 4. Characteristics of social dialogue organisations in the sector

In Latvia, workers in CPA are represented by three large trade unions—two cross-industry trade unions: the Latvian Union of Public Utilities and Transport Workers (LAKRS) and the Trade Union of State Institutions, Local Governments, Enterprises and Financial Employees of Latvia (LVIPUFDA), and one representing local government employees, the Latvian Local Government Union (LPDA). These unions have pre-organisations covering the entire country. Additionally, there are regional trade unions for CPA employees and small business unions that operate separately. Due to the cross-sectoral nature of these trade unions and the lack of information on the smaller ones, it is not possible to determine the total number of members in the CPA sector. The websites of trade unions representing the CPA industry list the sectors and institutions whose employees they represent (LAKRS, LVIPUFDA). These include Saeima (the Latvian Parliament) employees, several ministries and state agencies. Local government employees are more often represented by a trade union of local government employees or smaller regional trade unions.

### 4.1. Challenges of organising employees

CPA staff are not always aware of their rights to join trade unions and engage in collective bargaining, as highlighted during negotiations with ministerial officials on care sector issues. According to trade union leaders, there is a noticeable downward trend in union membership. The organisation of trade unions and the decision to join are voluntary and cannot be imposed from above. People are uninterested in joining unions until they encounter a personal problem with their employer. They are often reluctant to pay monthly membership fees to support a union if they don't see a personal gain. The restrictions imposed by the Remuneration Law limit the potential benefits that can be achieved through social dialogue with employers in the public sector, which further discourages union membership (Saeima 2009). In many cases, the role of the trade union is restricted to defending



its members in situations involving violations of the Labour Law, issues of labour safety or wrongful dismissal of employees. The geographic dispersion of workers, particularly those working remotely, also poses a challenge to active engagement in union activities. Overall, members of trade unions are ageing; leaders of trade unions' primary organisations are reaching retirement age and quitting, while younger employees are often unwilling to take on their responsibilities because they need to be done outside of regular hours. The larger the union representation in the company, the greater its influence in upholding employee rights, which encourages new members to join. Small unions find it harder to negotiate with their employer, and they also lack legal support.

Employers' attitudes toward trade union members can differ significantly from one company to another. According to a union leader, sometimes the private sector displays a more favourable attitude toward union members than in public institutions. In some cases, employers do not permit workers to attend events or training sessions organised by trade unions during working hours, even when such participation is stipulated in a collective agreement. The extent of cooperation with trade unions depends not only on the employer's capabilities but also on the personal attitude of the manager and the relationship with the local head of the union's primary organisation.

#### 4.2. Good practices for organising employees

Trade Union leaders highlight certain municipalities where there is successful cooperation with employers, where the local trade union leader is invited to all negotiations that impact workers' conditions and solutions to problems are sought jointly. Trade unions enjoy strong cooperation with the municipalities in the eastern region of Latvia — Latgale — as well as with those in the capital's agglomeration.

At the level of trade union management in Latvia, there is a weak understanding of the development of objectives, vision, mission, and development strategy (Līne, 2016). As a result, there is no targeted engagement of new members, and no campaigns are created. While questionnaires and explanations on how to join a trade union (LAKRS, LVIPUFDA) are available on the trade unions' websites in the sector, there is no active promotion of the unions. To attract members, unions organise events and offer benefits that the employer might not be able to afford or provide, such as creating social risk

funds, purchasing health insurance, arranging tours and events to promote collective cohesiveness, and gifts for celebrations and anniversaries.

#### 4.3. Characteristics of employer representation

Employers in the CPA sector are generally interested in engaging in social dialogue to ensure better working conditions, competitive pay and bonuses to attract skilled labour, but their ability to achieve these goals is often constrained by the provisions of the Remuneration Act and the limited budgetary capacity of companies.

### 5. Collective bargaining and other forms of social dialogue in the sector – characteristics

The Labour Act establishes the right to collective bargaining for all workers (Saeima, 2001). The Civil Service Law references collective agreements, implying that these agreements apply to civil servants in the same way as they do to other public sector employees (Saeima, 2000). Although the National Security Services Act prohibits CPA sector employees related to national security from joining trade unions and participating in strikes (Saeima, 1994), it does not restrict collective bargaining. Therefore, the possibility of engaging in collective bargaining is not excluded by law, since trade union representation is not mandatory for the conclusion of a collective bargaining agreement.

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. During a strike, a minimum level of essential service required by society must be maintained (Saeima, 1998). However, the CPA sector, as a whole, does not have specific strike restrictions.

As Latvia does not produce uniform statistics on the total number of collective agreements entered into, either at the national level or by sector, the number of such agreements in the CPA sector cannot be determined. The Free Trade Union Confederation of Latvia (LBS) keeps records of the collective agreements entered into by its affiliated trade unions. Currently, there is information on 987 active collective agreements. However, collective agreements made outside of the LBS and without the involvement of trade unions

are not recorded. Data collected by the LBS show the number of collective bargaining agreements in major trade unions (98 in one trade union and 60 in another) but do not specify the CPA sector. The municipal workers' union has 13 existing collective agreements. Information on the number of collective agreements concluded by other trade unions is not available. Labour law permits collective bargaining on the part of employees, both by trade unions and employees' chosen representatives (Saeima, 2001). However, in the CPA sector, collective bargaining is often absent if no trade union is present.

According to the data obtained during interviews, collective agreements cover 90% of municipal institutions in the metropolitan agglomeration. However, a representative of regional municipalities admits that collective agreements are not concluded in some areas due to financial constraints of those local governments, preventing the provision of bonuses, for example, employee insurance.

Interviews highlight the fact that, in a situation where a collective agreement is concluded for all employees within the public administration, it is important to consider that officials and other civil servants are in different situations. This is because the Civil Service Law imposes additional conditions and restrictions on officials (Saeima, 2000).

### 5.1. Content analysis of collective agreements

Collective agreements are not publicly available in Latvia, and respondents were unresponsive to requests for access to the collective agreement and its content. One collective agreement was offered which was concluded by a trade union with a public sector body, but it is not from the CPA sector. However, the author has access to a collective agreement with a municipal authority, which was used for analysis.

As all those surveyed admit, in the public sector, the content of collective agreements is limited and rather formal because of the Remuneration Act, which lays down wage levels, bonuses, benefits, additional holidays and other conditions (Saeima, 2009) that can be adjusted in the private sector through collective agreements. In the public sector, however, collective bargaining offers virtually no additional benefits. Employers therefore have

little interest in collective bargaining, and workers see fewer advantages from it. Certain working conditions are also laid down in the internal rules of companies.

Certain items can be incorporated into a collective agreement: sickness insurance, additional days of leave or the option to divide leave into instalments, annual revision of remuneration in accordance with the basic salary laid down in the Remuneration Law, competence allowances, benefits within the scope of the statutory limits, and remote working opportunities. However, some bonuses associated with organising collective events have been removed from collective bargaining due to budget constraints. As a general rule, collective agreements are updated every 2–3 years.

## 5.2. Other forms of social dialogue

The Free Trade Union Confederation of Latvia is active in tripartite dialogue with government and employers' representatives (Latvijas Brīvo arodbiedrību savienība — LBAS), but it does not address issues specific to the CPA sector. The Association of Local Governments of Latvia participates in the social dialogue as a representative of employers in secondary administration (LPS). Major trade unions engage in social dialogue with the responsible ministries, but this is more often focused on specific cases of irregularities within an administration or problems within the whole sector. The issue of wage inequalities in the CPA sector, which is considered a major concern, is raised from time to time.

On the part of trade unions, there is a proposal to replace the Remuneration Law with a general sector agreement, which would ensure equal conditions for all administrations financed from the state budget.

## 5.3. Impact of European sectoral social dialogue

Trade unions whose leaders were interviewed are members of European trade union associations (LAKRS & LVIPUFDA) and are aware of the current developments in European social dialogue but express the view that their influence does not affect Latvia until real action is taken.

## 6. Conclusions and recommendations

The CPA sector in Latvia is in an unbalanced situation, according to the division into two-tier levels of government. Although the Remuneration Law establishes a unified remuneration system for the entire public sector, in reality, it affects the budgetary capacity of each company. As a result, many companies are unable to pay the statutory minimum wage for certain positions while others face restrictive caps on maximum pay, leading to growing inequality. The strict provisions of the Remuneration Law on additional benefits — allowances, compensations, holidays, etc. — leave few opportunities for incorporating attractive conditions into collective agreements for employers and employees. Consequently, collective bargaining is more formal, with less interest on the part of workers and employers than in the private sector. This discourages workers from joining trade unions. Not all CPA workers are even aware of their rights related to trade unions and collective bargaining and trade unions are not actively taking steps to attract new members.

There are three large trade unions and several smaller ones active in the sector, each with a varying impact on social dialogue. Employers have teamed up at a local government level to address their collective issues, but there is no active social dialogue at a sector-wide level. At a national level, the Tripartite Cooperation Council addresses general challenges but does not separately address issues specific to the public sector.

To improve the situation, it is crucial to enhance awareness of workers' rights, encourage greater cooperation among trade unions in the sector, and seek opportunities for dialogue at a sectoral level. Additionally, the conditions outlined in the Remuneration Law and the financing models of public sector enterprises should also be reviewed at a national level, which is a challenging task in the current geopolitical and economic circumstances.

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