

2018

BALTICS

By Dr. Aija Lulle and Dr. Gunda Reire

Socio-economic developments

Industrial relations

Forecasts

Annual Review

of Labour Relations and Social Dialogue

State policies

Tripartite social dialogue



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- On 4 October, the Latvian parliament adopted a historical amendment to the Constitution that means the president will now be elected through an open ballot by the parliament (previously the president was elected through a secret ballot). Parliamentary elections took place in Latvia on 6 October. The winner was The socio-democratically oriented Harmony party. However, a government was not yet in place more than two months after the elections.
- Estonia's economy is forecast to expand by 3.5 per cent in 2018. Employment is projected to grow by about 1 per cent in 2018 and to slow substantially thereafter, under the influence of negative demographic factors.
- Economic growth in Latvia was stronger than expected in the first half of the year but is set to cool in the second half and thereafter as investment growth slows. Inflation is set to remain elevated at around 3 per cent, driven by energy prices. The labour market is expected to tighten further, as the labour force continues to shrink and employment rises. The government deficit is expected to increase to 1.0 per cent of GDP in 2019, before declining in 2020.
- The Lithuanian economy shrank 0.3 per cent a quarter in the three months to September 2018, less than an earlier estimate of a 0.4 per cent decline and compared to a 0.9 per cent rise in the previous period, the second estimate showed. It is the first contraction since the third quarter of 2010.
- In May 2018, the Estonian government and social partners re-established tripartite social dialogue by meeting to discuss topics related to labour and social policy. The last time such a meeting took place was more than a decade ago in 2002.
- In Estonia the minimum wage was increased to € 500 per month and the social partners agreed that until 2022, the increase would be negotiated by taking labour productivity and economic growth into account. The minimum wage in Latvia increased to € 430. Lithuania - where the minimum wage still is € 400 – also discussed a minimum wage increase but the social partners failed to reach a definite decision.
- Estonia has the highest gender pay gap among the EU Member States, standing at 25.3% in 2016. In order to reduce this gap, a number of changes have been proposed to the Gender Equality Act. These changes were sent to the government for approval in April 2018 and are expected to enter into force on 1 July 2020.
- Emigration, immigration and return migration simultaneously take place in the Baltic states. Net migration in Estonia is already positive; emigration has slowed down in Latvia but not yet in Lithuania.



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Socio-economic developments

Estonia

Cyclical factors, including external demand and structural factors, such as a flexible labour market, have supported Estonia's economic growth in recent years. Employment growth, which continued to be rapid in 2018 even though employment and participation rates were high, is projected to slow over the forecast horizon. The budget is expected to turn to a surplus from 2018 onwards, but the underlying structural fiscal position is estimated to remain in deficit (European Commission, 2018b).

Estonia's economy is forecast to expand by 3.5 per cent in 2018. Growth has been broad based, with the export sector contributing strongly alongside domestic demand. This reflects buoyancy in export markets as well as the sustained competitiveness of industrial manufacturing and, most notably, the ICT services sector. Capacity constraints have been alleviated by the flexibility of the labour market, with labour supply being sustained through inward migration. Borrowing by households has remained stable, with saving rates close to the EU average (European Commission, 2018b).

Estonia recorded a government budget deficit equal to 0.3 per cent of the country's Gross Domestic Product in 2017 (Trading Economics, 2017g). This is projected to turn into a surplus of 0.5 per cent of GDP in 2018 in spite of several new expenditure programmes in healthcare, education, social funding and in financing local government mergers. The stronger fiscal balance emerges from better-than-expected tax revenues, as a result of rapid employment and wage growth, as well as cyclically buoyant consumption and construction activity, which boosted VAT revenues. Also, the fiscal cost of the 2018 personal income tax reform appears to have partly shifted from 2018 to 2019, due to the timing effects of tax allowances (European Commission, 2018b).

Estonia's trade deficit widened to EUR 76 million in September 2018 from EUR 70.3 million in the same month last year. Imports increased 11 per cent to EUR 1.32 billion, mainly boosted by purchases of mineral products (108 per cent), and wood and articles of woods (10 per cent). Imports rose mostly from Russia (103.2 per cent); Sweden (26 per cent), and Finland (15 per cent). Exports went up 11 per cent to EUR 1.24 billion, led by sales of mineral products (148 per cent); and wood and articles of woods (10 per cent) (Trading Economics, 2017f).

Strong private consumption growth of over 4 per cent, driven by the rise in disposable incomes, which reflects high employment and participation rates, is the main driver of domestic demand. Output growth is expected to be particularly strong in the manufacturing, ICT services, transport and logistics, and construction sectors. The energy production sector also stands to benefit from high oil prices. Corporate profit margins, however, are likely to decrease as the tight labour market has pushed up wages and unit labour costs, while productivity growth has slowed (European Commission, 2018b).

Foreign Direct Investment in Estonia increased by EUR 907.80 million in the second quarter of 2018 (Trading Economics, 2018d). Investment growth is set to fall back to 2.6 per cent in 2018 after 12.7 per cent in 2017, when a number of important one-off projects coincided with peak absorption of EU structural funds (European Commission, 2018b). Foreign Direct Investment in Estonia averaged EUR 193.97 million from 1993 until 2018, reaching an all-time high of EUR 1,057.90 million in the second quarter of 2005 and a record low of EUR -437.50 million in the second quarter of 2015. (Trading Economics, 2018d).

Estonia's annual inflation rate increased to an over 6-1/2 year high of 4.4 per cent in October of 2018 from 3.7 per cent in September. Prices rose faster for: transport (10.1 % vs 5.1 % in September); housing (7.0 % vs 6.8 %); clothing (1.5 % vs 1.2 %); recreation and culture (3.5 % vs 2.9 %), and miscellaneous goods and services (3.9 % vs 3.4 %). Meanwhile, inflation eased for both food and non-alcoholic beverages (2.8 % vs 3.5 % in September) and household goods (0.9 % vs 1.3 %). On a monthly basis, consumer prices went up 0.5 per cent, after being flat in the prior month. Inflation Rate in Estonia averaged 3.38 per cent from 1999 until 2018, reaching an all time high of 11.44 per cent in June of 2008 and a record low of -2.17 per cent in October of 2009 (Trading Economics, 2018c).

In 2018, HICP inflation is forecast to reach 3.5 per cent, largely due to rising global commodity prices. High oil prices will have a particularly significant impact given the relatively large share of energy in in Estonia inflation basket compared to other Member States. At the same time, the pass-through of higher wages on to services

prices has been relatively moderate in recent quarters (European Commission, 2018b). Wages in Estonia increased to 1321 EUR/Month in the second quarter of 2018 from 1242 EUR/Month in the first quarter of 2018. Wages in Estonia averaged 568.58 EUR/Month from 1991 until 2018, reaching an all-time high of 1321 EUR/Month in the second quarter of 2018 and a record low of 735 EUR/Month in the fourth quarter of 1991 (Trading Economics, 2018e).

Employment is projected to grow by about 1 per cent in 2018 and to slow substantially thereafter, under the influence of negative demographic factors (European Commission, 2018b). Estonia's unemployment rate stood at 5.2 per cent in the third quarter of 2018, unchanged from the same period last year. The number of unemployed increased by 300 to 36.8 thousand while the number of employed stayed the same at 666.6 thousand. Meantime, the participation rate also stood at 72 per cent, the same as in the same period of 2017. Unemployment Rate in Estonia averaged 8.29 per cent from 1989 until 2018, reaching an all-time high of 19.50 per cent in the first quarter of 2010 and a record low of 0.50 per cent in the second quarter of 1989 (Trading Economics, 2018c).

The at-risk-of-poverty or social exclusion rate has grown in Estonia since 2008 (+1.6 pp) and was 23.4 per cent in 2017. More than 1 in 5 persons were at risk of income poverty (the at-risk-of-poverty rate after social transfers) in Estonia (21.0 per cent). Estonia had a low proportion of those living in very low work intensity households (5.8 per cent). In the component of persons severely materially deprived Estonia reached 4.1 per cent, and this is a low indicator (Eurostat, 2018a).



Latvia

Economic growth in Latvia was stronger than expected in the first half of the year, but is set to cool in the second half and thereafter as investment growth slows. Inflation is set to remain elevated at around 3 per cent, driven by energy prices. The labour market is expected to tighten further, as the labour force continues to shrink and employment rises. The government deficit is expected to increase to 1.0 per cent of GDP in 2019, before declining in 2020 (European Commission, 2018a).

Latvia's GDP grew by a stronger-than-expected rate of 4.6 per cent (y-o-y) in the first half of the year, boosted by investment, which has grown at double-digit rates (y-o-y) for five consecutive quarters. In the second half of 2018, however, economic growth is expected to slow, as investment growth appears to have peaked and the impact from the winding down of the non-resident banking sector are expected to finally pass through to the economy. As a result, GDP growth in Latvia is expected to reach 4.1 per cent in 2018 (European Commission, 2018a).

Main drivers of growth in 2018 were real estate activities (7.6 per cent vs -4.7 per cent in the second quarter); transportation and storage (4.3 per cent vs 3.2 per cent) and mining and quarrying and utilities (3.3 per cent vs -2.5 per cent) (Trading Economics, 2018h).

Latvia recorded a government budget deficit equal to 0.5 per cent of the country's Gross Domestic Product in 2017 (Trading Economics, 2018k). The government deficit is forecast at 0.8 per cent of GDP in 2018, better than expected in the spring (European Commission, 2018a). The government budget in Latvia averaged -2.03 per cent of GDP from 1995 until 2017, reaching an all-time high of 1.40 per cent of GDP in 1997 and a record low of -9.10 per cent of GDP in 2009 (Trading Economics, 2018k).

The trade gap in Latvia increased to EUR 349.1 million in September of 2018 from EUR 209.4 million in the same month of the previous year. Imports went up 0.3 per cent to EUR 1,383.6 million, boosted by higher purchases of mineral fuels, mineral oils and products of their distillation (24.2 per cent); machinery and mechanical appliances (10.3 per cent) and electrical machinery and equipment (8.1 per cent). Additionally, exports fell 1 per cent to EUR 1,034.5 million, dragged down by lower sale of electrical machinery and equipment (-4.8 per cent) and machinery and mechanical appliances (-8.9 per cent); while shipments of wood and articles of wood and wood charcoal rose 17.2 per cent (Trading Economics, 2018i).

Foreign Direct Investment in Latvia increased by EUR 154 million in September of 2018 (Trading Economics, 2017j). Corporate income tax revenue exceeded expectations in the first half of the year, while revenues from the personal income taxes underperformed and VAT receipts were broadly in line with consumption growth. Dividends received by the government also surprised on the upside. The government's capital spending is expected to be stronger than planned earlier while spending on goods, services and interest expenditure are set to be somewhat below expectations (European Commission, 2018a).

The annual inflation rate in Latvia came in at 3.2 per cent in October of 2018, unchanged from the previous month. It remained the highest inflation rate since April 2017, as inflation was steady for health (2.6 per cent, the same as in September). The inflation rate in Latvia averaged 3.65 per cent from 1998 until 2018, reaching an all-time high of 17.70 per cent in May of 2008 and a record low of -4.30 per cent in February of 2010 (Trading Economics, 2018a). HICP inflation is set to hover just below 3 per cent in both 2018 and 2019, driven mainly by energy and service prices, before moderating in 2020 as the pressure from energy prices fades out (European Commission, 2018a). In the third quarter of 2018 the Latvian unemployment rate constituted 7.0 per cent. Compared to the previous quarter, the unemployment rate fell by 0.7 percentage points, while over the year by 1.5 percentage points.

In the third quarter, in Latvia there were 68,800 unemployed persons aged 15–74 (incl.), which is 15,300 people less than a year ago and 6,600 people less than in the previous quarter (Central Statistical Bureau of Latvia, 2018a). Employment has increased thanks in particular to rapid growth in construction investment. The strong demand for labour in the economy has attracted previously inactive people into the labour force and led to a softening of the ageing-driven decline in labour supply. The unemployment rate is set to decline further. The tight labour market should continue to support wage growth over the coming years, although it is somewhat mitigated by slower demand growth and a stable minimum wage (European Commission, 2018a). In the third quarter, persons employed in their main job worked on average 38.8 hours per week, which is the same number recorded in the same period a year ago. (Central Statistical Bureau of Latvia, 2018b)

Since the third quarter of 2008, the Latvian unemployment rate has exceeded the European Union average (except for the first quarter of 2015 when both

indicators were equal). In the second quarter of 2018, the Latvian unemployment rate (constituting 7.7 per cent) exceeded the EU average (6.8 per cent) by 0.9 percentage points. In the third quarter of 2018, Latvia still had the highest unemployment rate in the Baltic states – 7.0 per cent, compared to 5.2 per cent in Estonia and 5.9 per cent in Lithuania (Central Statistical Bureau of Latvia, 2018a).

Wages in Latvia decreased to EUR 728/month in September from EUR 751 /month in August of 2018. Wages in Latvia averaged EUR 377.60/month from 1997 until 2018, reaching an all-time high of EUR 756/month in June of 2018 and a record low of EUR 113/month in January of 1997 (Trading Economics, 2018z).

The at-risk-of-poverty or social exclusion rate has decreased in Latvia since 2008 (-6.0 per cent) and was 28.2 per cent in 2017. More than 1 in 5 persons were at risk of income poverty (the at-risk-of-poverty rate after social transfers) in Latvia (22.1 per cent). In the component of persons severely materially-deprived in Latvia reached 11.3 per cent, but persons aged 0-59 living in households with very low work intensity were 7.8 per cent (Eurostat, 2018a).

Lithuania

Consumption and investment were strong in the first half of the year and are expected to continue supporting GDP growth over the forecast horizon. After peaking in 2017, inflation is expected to slow, as upward pressures from indirect taxes dissipate. The labour market is tightening and will continue to put pressure on wages. Lithuania is expected to maintain a general government surplus over the forecast horizon and a debt level well below 60 per cent of GDP (European Commission, 2018c).

The Lithuanian economy shrank 0.3 per cent on quarter in the three months to September 2018, less than an earlier estimate of a 0.4 per cent decline and compared to a 0.9 per cent rise in the previous period, the second estimate showed. It is the first contraction since the third quarter of 2010. Negative contributions came mostly from agriculture, forestry and fisheries (-7.8 per cent vs -0.3 per cent in the second quarter); arts, entertainment and recreation activities (-1.0 per cent vs -0.1 per cent) and professional, scientific and technical activities, administrative and support activities (-0.6 per cent vs 2.5 per cent). Conversely, growth was seen in wholesale and retail trade; repair of motor vehicles and motorcycles, transport and storage, accommodation and food services (1.7 per cent vs 1.5 per cent); construction (3.1 per cent vs 1.3 per cent) and financial and insurance activities (1.1 per cent vs 0.4 per cent). Year-on-year, the GDP advanced 2.4 per cent. The GDP growth rate in Lithuania averaged 1.04 per cent from 1995 until 2018, reaching an all-time high of 4.80 per cent in the first quarter of 2003 and a record low of -13.10 per cent in the first quarter of 2009 (Trading Economics (2018)). Overall, the economy should remain strong in 2018 and grow at a rate of 3.4 per cent (European Commission, 2018c).

The main drivers of the economy were private consumption and a robust increase in investment that was also supported by greater use of EU funding. Export growth slowed down to average levels due to a strong base effect (in 2017, exports grew by 13.6 per cent, the highest in the EU) and weakening foreign demand. Contrary to 2017, re-exports, mainly to non-EU partners, almost came to a halt (European Commission, 2018c).

Tax collection, helped by tax-rich economic growth and contained government spending, enabled Lithuania to achieve a general government surplus in 2016 and 2017 (European Commission, 2018c). Lithuania recorded a Government budget surplus equal to 0.50 percent of the country's Gross Domestic Product in 2017 (Trading Economics, 2018v). As these developments continue in 2018, the general government balance is expected to stand at 0.6 per cent of GDP in 2018. However, the surplus is expected to narrow over the forecast horizon

with the implementation of the reform package adopted in 2018 (European Commission, 2018c).

Lithuania's trade deficit widened to EUR 275.6 million in September of 2018 from EUR 113.3 million in the same month of the previous year. Imports rose 5.4 per cent to EUR 2,549 million, boosted by higher purchases of crude oil (24.3 per cent) and organic chemicals (30 per cent). Additionally, exports slumped 11.1 per cent to EUR 2,273 million, dragged down by lower sales of cereals (-71.3 per cent) and rape or colza seeds (-78.6 per cent) (Trading Economics, 2018p).

Lithuania recorded a government debt equivalent to 39.70 per cent of the country's Gross Domestic Product in 2017 (Trading Economics, 2018r). Following the downward trend since 2015, Lithuania's debt-to-GDP ratio is set to decline further in 2018. It should reach 34.8 per cent thanks to a bond redemption at the beginning of the year (European Commission, 2018c).

After gaining momentum in 2017, investment continues to flourish with productive investments, like machinery and intellectual property, growing at a faster pace than non-productive investments (European Commission, 2018c). Foreign Direct Investment in Lithuania increased by EUR 227.44 million in the second quarter of 2018 (Trading Economics, 2018o).

From the beginning of 2018, inflation started slowing as the effect of last year's excise duty hikes and a one-off increase in air passenger transport prices in 2017 waned (European Commission, 2018c).

The annual inflation rate in Lithuania increased to 2.9 per cent in October 2018 from a downwardly revised 2.1 per cent in the prior month. It was the highest inflation rate since May, amid rising prices of transport (9.3 per cent vs 7.5 per cent in September), such as fuel and lubricants (16.7 per cent); and housing and utilities (5.7 per cent vs 2.4 per cent) (Trading Economics, 2018n).

A significant slowdown in the inflation rate in 2018 reflects the fading away of excise duties hikes and other one-off effects. These factors are expected to offset the upward pressures stemming from higher oil prices and strong wage growth in 2018 (European Commission, 2018c). Wages in Lithuania increased to EUR 935.70/month in the third quarter of 2018 from EUR 926.70/month in the second quarter of 2018. Wages in Lithuania averaged EUR 562.99/month from 2000 until 2018, reaching an all-time high of EUR 935.70/month in the third quarter of 2018 and a record low of EUR 297.90/month in the first quarter of 2000 (Trading Economics, 2018t).



In the first half of 2018, the unemployment rate fell to 6.6 per cent, which is approximately 1 pp. lower compared to the same period in 2017 (European Commission, 2018c). The unemployment rate in Lithuania increased to 8.3 per cent in September from 8.2 per cent in August of 2018 (Trading Economics, 2018m). The record high employment rate signals a shrinking labour force and strong labour demand. Due to increases in minimum wages and labour shortages, salaries grew by approximately 10 per cent in the first six months of this year. On the labour supply side, contrary to previous years, preliminary data points to an improving migration balance. However, more immigrants and the increasing temporary employment of workers from neighbouring non-EU countries cannot fully offset labour shortages (European Commission, 2018c).

The at-risk-of-poverty or social exclusion rate has grown in Lithuania since 2008 (+1.3 pp) and was 29.6 per cent in 2017. More than 1 in 5 persons were at risk of income poverty (the at-risk-of-poverty rate after social transfers) in Lithuania (22.9 per cent). Lithuania had a high proportion of those living in very low work-intensity households (9.7 per cent). In the component of persons severely materially-deprived Lithuania reached 12.4 per cent (Eurostat, 2018a).

State policies

Estonia

High labour demand and successful labour market policies minimised the negative effect on the employment rate of the Work Ability Reform, introduced in recent years, which incentivised people outside the labour force to seek work. Many people with limited capacity to work have been able to find a job after having re-entered the labour market. Scarcity of labour supply was also alleviated somewhat by greater use of EU labour mobility provisions, such as the Posted Workers Directive, which helped to address labour needs in the growing construction and manufacturing sectors. Estonia's labour market is expected to operate at close to full capacity over the forecast horizon, feeding wage pressures and eroding competitiveness in some sectors of the economy, such as export-oriented manufacturing (European Commission, 2018b).

In May 2017, the Unemployment Insurance Fund in Estonia launched a set of measures to prevent unemployment – a programme named “Work and Study”. The new measures aim to eliminate unemployment by improving the skills of employees, as well as to support structural changes in the economy. This package of preventive measures includes services for both employees and employers. An employee can apply for financial aid that is meant to update knowledge in certain areas of professional or higher education. Employees can also attend specific labour market training courses. Target groups are employees who do not have professional or vocational education, have outdated skills, poor knowledge of the Estonian language, and older workers who cannot continue to work in connection with health disorders. Employers can apply for a scholarship to improve the skills and knowledge of their employees after recruiting them at the so-called bottleneck vacancies (weak spots) and to help them adapt to changes due to company restructuring, introduction of new technologies or upgrading qualifications. To ensure that the courses offered in the “Work and Learn” program support the growing areas and the need for additional workforce in the future, the fields of study are determined by the sectoral workforce needs conducted by the Estonian Qualifications Authority (data of the Ministry of Social Affairs of Estonia, 2018).

Since July 2018, the following industries have been supported (diversification of industries over time will be expanded through further analysis):

Basic training courses:

- Estonian language;
- Digital skills.

Vocational education courses/degree programs related to occupations in which future job demands are increasing:

- Information and communication technology;
 - Accounting;
 - Forestry and woodworking;
 - Metal and mechanical industry;
 - Social work;
 - Chemistry, rubber, plastics and building materials industries;
 - Energy industry and mining;
 - Health care;
 - Construction;
 - Agriculture and food industry;
 - Transport, logistics, trade and car repair;
 - Clothing, textile and leather industry
- (data of the Ministry of Social Affairs of Estonia, 2018).

It was decided to launch some new regional job creation activities in Estonia that would begin in 2019. The Unemployment Insurance Fund will pay remuneration to employers for creating new vacancies, but only for employers who, within two months, have created at least five vacancies that contribute to regional economic development. Only workplaces with salaries at least one and a half times larger than the minimum wage are supported. The employer covers 50 per cent of the employee's salary if the salary is double the minimum wage. The employer must hire people who have been registered as unemployed in Estonia's border regions Ida-Viru, Põlva, Valga or Võru for more than two months. The employer is also being supported in the development of skills for new employees by reimbursement of tuition fees up to EUR 2,500 per worker. The new measures are funded by the European Social Fund and may be demanded from the beginning of 2019 until the end of 2021. The total costs for the over-three-year period are about EUR 1.48 million (data of the Ministry of Social Affairs of Estonia, 2018).

The Ministry of Social Affairs also announced plans to create an occupational accidents insurance system in July. This will provide a fairer system for processing compensation claims in the case of workplace accidents involving employees (currently these costs are mostly covered by the solidarity health insurance system). The new system will also motivate employers to improve the working environment.

The size of the insurance premiums will depend on the risk level of the working environment (i.e. the safer the environment, the lower the premiums) and will therefore roughly depend on the specific sector. For example, it is

expected that it could be around €6 per employee per year in the ICT sector and €160 in the waste management sector. In response to the concerns of employer organisations, the ministry assured them that the new system would not increase their overall tax burden, as social tax or unemployment insurance premiums will be lower. Trade unions support the plan as it will make employers tackle the issue, conduct risk analyses and ultimately make work environments safer. Moreover, they suggest that the next step should be to create an occupational disease insurance system. In contrast, employer organisations feel that the new system will put too much responsibility on employers, while many accidents actually happen due to employees not following safety rules and instructions. According to the employers, the system should also motivate employees to ensure their own safety. The details of the new system will be discussed further, with the changes expected to enter into force no earlier than 2021 (Eurofound, 2018a).

As the standard rate of exemption was increased up to EUR 500, a relief of the income tax was implemented. Pensions and compensations no longer grant a larger basic exemption. The income tax rate was not changed - 20% (data of the Ministry of Social Affairs of Estonia, 2018).

The issue of foreign workforce entering the Estonian labour market, and how to handle the immigration quota more flexibly, came under more focused discussion. In February 2018, the government approved some of the proposals that would help more foreign workers to enter the labour market. Initially, people from outside the EU (third-country nationals) working for less than nine months were excluded from the immigration quota but this has been now extended to 12 months. In addition to specialists from the ICT sector, the government decided to exclude all senior-level specialists (those whose gross wage is at least twice the national average) from the quota, irrespective of their sector or field of activity (Eurofound 2018f).

Estonia has the highest gender pay gap among the EU Member States, standing at 25.3% in 2016. In order to reduce this gap, a number of changes have been proposed to the Gender Equality Act. These changes were sent to the government for approval in April 2018 and are expected to enter into force on 1 July 2020. They include the following:

- All employers will be obliged to collect gender-based data so that it will be possible to assess gender differences in the remuneration system.
- The Labour Inspectorate will be authorised to monitor the remuneration and benefits paid by employers to men and women for equal work.
- A digital tool called the 'Pay Gap Speedometer' will be created for use in the public sector. This tool will allow the Labour Inspectorate to conduct an initial inspection based on data that organisations have already provided through the employment register (on occupations, gender, etc.). If the Labour Inspectorate discovers potential discrimination cases, it will be allowed to ask the organisations involved to conduct an equal pay audit and develop an action plan to address the gender pay gap.

Initially, the Labour Inspectorate's supervision and the Pay Gap Speedometer were going to be introduced in the private sector as well. However, employers claimed that this would cause an undue administrative burden and so their use will only be obligatory within the public sector. Private sector companies will be allowed to use the digital tool but no supervision based on the results will be carried out (Eurofound 2018g).

Latvia

In 2017, the average gross wage increased by 7.9% to €926 per month and the minimum wage increased to €430 per month. Experts expect that in 2018 wage growth will continue in all sectors (by an average of 8.2%), including the public sector. The lack of workforce – due to increasing economic activity, emigration and the irreversible unfavourable demographic situation – has become a serious problem for the Latvian economy. Experts expect that the average wage by the end of 2018 could reach €1000, but that this will still not be enough to halt emigration (Eurofound 2018h).

The most important topic for the short-term future is the situation in the labour market. Experts suggest that increasing wages will have several consequences, both positive and negative. Positive consequences may include: an increase in the population's income and related tax income in the state budget (used mostly for social needs like education and health care) and social contributions (individualised and used for pension and other social security needs); the optimisation of employment and increasing of labour productivity; and the immigration of highly qualified specialists in IT sectors. Negative consequences could include: the immigration of workers in lower groups of professions (car drivers, or workers in the construction sector and industry); increasing regional differences and a pay gap, because higher wages will be proposed for newcomers; emigration on the basis of the income gap; and social tensions. On the economic front, increasing banks' activity in attracting credits is also of concern (Eurofound 2018h).

The annual pension indexation, which has always been problematic, was adopted without delay and will be larger than before in Latvia. This is not only due to a higher average social insurance wage, but also the introduction of a special indexation coefficient for pensioners whose seniority is greater than 29 years (Eurofound, 2018b).

In February 2018, 300 people lost their jobs after Latvia's third-largest bank (ABLV) collapsed. The bank went into self-liquidation after the United States Financial Crimes Enforcement Network (FinCEN) linked ABLV to international money laundering, illicit shell companies and abetting North Korea's weapons programme. In response, the government ordered that the share of shell companies served by Latvian banks be reduced to 5 per cent. Experts believe further bank closures are likely given the large numbers of foreign account holders served by Latvian banks. Financial services have been given a grace period to reorganise their assets, although concerns remain that the move away from serving shell companies may have consequences for the economy.

The government also began its reorganisation of the so-called obligatory payment component system in the energy sector, thus hampering the operation of several small energy businesses that rely on renewable resources (Eurofound 2018i).

Key initiatives in the area of employment in Latvia are related to support for re-emigration and the inclusion of people with disabilities in the labour market. The State Employment Agency was actively involved in implementing re-emigration support activities by providing more information on their website and to the partners (on vacancies, wages and labour market demand in Latvia). The SEA (State Employment Agency) specialists, also within the framework of the EURES network, constantly, both on-site and remotely, provide consultations for jobseekers and other parties interested in the situation in the labour market, living conditions, and employment opportunities in Latvia, as well as the coordination of the social system and the various administrative formalities when moving from one country to another. Regularly updated information is available on the website <http://www.nva.gov.lv/eures> under the heading "Living and working in Latvia", as well as the prepared infographics and booklet "Working abroad and planning to return to Latvia" that are available on the website.

By expanding its range of partners, the SEA has also agreed to cooperate with the movement "Latvia works", which invites Latvian employers to actively engage in the promotion of re-emigration, which was created by the social initiative of the company Tele2.

All the services provided by SEA are available to people with disabilities. With the SEA support, people with disabilities have the opportunity to take part in competitiveness enhancement activities, professional training, acquisition of non-formal education programs, work in subsidized workplaces, career counselling, job search assistance and support for regional mobility, as well as support for business development or self-employment. In order for the SEA to provide quality services for people with disabilities, in several employment and training activities one can find access to the services of an ergo therapist, sign language interpreter and support staff, and, if necessary, the training or workplace is adapted to the needs of the individual (data of the Ministry of Welfare of Latvia, 2018).

In a working group, the Latvian Chamber of Commerce and Industry (LTK) and the Ministry of Welfare agreed that benefits for parents could be increased to 80 per cent of the calculated amount of benefits for those

beneficiaries (employees or self-employed) who decide to work. Currently, beneficiaries who decide to work can only receive 30 per cent of the calculated benefit. The working group also introduced another condition: the other parent cannot be on childcare leave at the same time (Eurofound, 2018b).

At the beginning of 2018, the government intensified its activities to increase the available workforce by attracting people from abroad. In February, it took the decision to soften immigration rules and adopted a list of 237 professions which have a significant lack of workforce and which may attract immigrant workers. Following this, in May, the government started its re-emigration measures. The 'Latvia works' campaign invited at least 100 employers to offer work to Latvian citizens working or in education abroad; it is hoped that at least 1,000 such persons will return (Eurofound 2018h).

The shadow economy occupies a substantial part of the catering sector, accounting for around 25 per cent of total salary payments. To combat the problem, the State Revenue Service (VID) has set up a new working group to develop incentives to encourage catering firms to comply with the law. The group will be led by the Association of Latvian Restaurants and the Association of Latvian Hotels and Restaurants (LVRA) and includes representatives from the Ministry of Finance and the Ministry of Economics. There were some positive signs that the sector's situation improved in the first quarter, with an increase in tax receipts, improved turnover among registered taxpayers and improvements in average pay levels (Eurofound 2018i).

The tax burden on the labour force is still the highest for those working in Latvia. According to Swedbank's research on comparing the labour tax burden in the Baltic States, which surveyed differences in income received among taxpayers of different wage levels, Latvia (2018) is still the country with the highest tax burden on the labour force in the Baltics. The only benefits to Latvian workers in relation to Lithuanian workers appear when an individual has registered dependents, but this is a partly misleading result since from 2018 the relief for dependents in Lithuania was abolished by creating a separate allowance of EUR 30 per every child under the age of 18 (NRA, 2018a). (Gross income of EUR 1000 for a person without a dependent results in after tax income in Latvia of EUR 712; in Lithuania EUR 772; and in Estonia EUR 871 (data of the Ministry of Welfare of Latvia, 2018).

Latvian industry faces the highest electricity prices in the EU. Although largely due to closer integration within the Nordic electricity market, the energy component of electricity prices has dropped significantly since 2011, and is lower than the EU average; the network charges and toll components have increased significantly in recent years and have been one of the highest in the EU in 2016 (data of the Ministry of Welfare of Latvia, 2018). It is significant that the total price of electricity for industrial consumers was about 20 per cent higher than in neighbouring countries. In the field of energy intensive industry, it puts Latvian industry in an unfavourable competitive condition (European Commission, 2018c).

It is presumed that tax cuts will stimulate employment and investment, while limiting the resources available to public services. Labour taxes are made more progressive by reducing the share of tax on low wages, but the difference remains in relation to the EU average. Changes in capital taxation give entrepreneurs an incentive not to divide profits and the government hopes it will boost investments. However, increasing excise taxes and improvement in tax administration can only partly compensate for the tax cuts, which reduce tax revenues as a share of GDP. As a result, the resources available for public services are still limited, in particular for urgent needs in the areas of healthcare and welfare. At the same time, the potential for revenues from property taxes is not sufficiently utilized (European Commission, 2018c).

Lithuania

The main challenges in the Lithuanian labour market are: the discrepancy between the demand and labour supply (lack of skilled workforce and a large number of unskilled workers); discrepancy between territorial demand and labour supply (most vacancies are registered in the cities and specialists are mostly located in regions); lack of a skilled workforce (one out of every third unemployed individual does not have professional skills).

In order to address this issue, the LLE (Lithuanian Labour Exchange) has set up several initiatives. Starting from 2018, both the employed and unemployed can take part in professional training in order to re-qualify. To this day, the most appealing training programs are transport services, computer science/technology and IT. New teaching aids were introduced recently. The recognition of competencies, internships and apprenticeships is becoming more and more popular among the LLE clients. These new measures make it easier for clients to adapt to changing labour market requirements and provide opportunities for continuing lifelong learning (data of the Ministry of Social Security and Labour of Lithuania, 2018).

Social partners continued to debate the issue of increasing the minimum monthly wage as of 1 January 2019. Although three meetings took place with this issue on the agenda, the social partners were unable to reach a compromise. Representatives from employer organisations held that the minimum monthly wage could only be raised to €420 (or by 5%), representatives of the government believed it should be raised to €430 (or by 7.5%), while trade unions called for it to be increased to €450 (or by 12.5%). However, as the social partners failed to reach an agreement regarding the increase, the final decision was left to the government. The government subsequently submitted a proposal to parliament to increase the minimum monthly wage by 7.5 per cent from 1 January 2019 (Eurofound, 2018c, see also section on Tripartite dialogue in this review).

On 18 May 2018, three years of negotiations between the Ministry of Social Security and Labour and trade unions finally concluded with the signing of a collective agreement for the social services sector. The agreement ensures that signatory trade union members receive a 15 per cent pay increase on average and more social guarantees. It will be reviewed annually, so further negotiations on better working conditions for social workers are expected in the future.

The 2017 sectoral collective agreement covering the Lithuanian national health system (LNSS) was amended in the second quarter of 2018. In the second half of 2020, it is planned to increase the salaries of doctors

and nurses to 3 and 1.5 times the average national salary respectively (Eurofound, 2018d).

Several initiatives have been implemented or improved in the field of social dialogue in order to ensure the availability and quality of employment. In 2018, a new call centre was established for residents and employees providing information on labour market services. The online registration procedure, which reduces reminders and helps to organize the workload of the LLE employees, is becoming more popular.

The LLE advises its clients by using a new service model:

- Instead of working with all the customers, LLE employees are now divided and provide services only to specific groups such as disabled people, young people, officers, etc.;
- Jobseekers are grouped according to the purpose of their registration and the causes of their unemployment;
- Customers with similar needs, social intelligence, and employment opportunities receive services in groups;
- Each employer has a permanent manager of affairs who helps in the recruitment, election, etc.

During the first three quarters of 2018, and with the help of the LLE specialists, 233,600 customers returned to the labour market (data of the Ministry of Social Security and Labour of Lithuania, 2018).

On 13 February, the State Labour Inspectorate (SLI) presented a report on the implementation of the new Labour Code (LC), which came into force in Lithuania on 1 July 2017. The SLI presented the results of the first six months of the new LC to social partners at the sitting of the Tripartite Council of the Republic of Lithuania (TCRL). It is expected that the true impact of the new LC will become clear during 2018; however, according to the SLI and Ministry of Social Security and Labour (MSSL), initial positive changes were already visible in the second half of 2017.

- The average wage increased and the share of employees paid minimum monthly wage or less decreased (from 22% in August 2016 to 16.2% in August 2017). This was influenced by a new provision introduced in the new LC, whereby the minimum wage can only be paid for unskilled jobs.
- To a limited degree, employers and employees took advantage of new types of contracts; altogether 133 employment contracts for several employers, 11 job-sharing employment contracts, 154 apprenticeship employment contracts and 887 project-based employment contracts were signed.
- Only 125 employment contracts were terminated at

the demand of the employer. This accounts for as few as 0.04 per cent of the total employment contracts terminated during that period.

- The SLI received 1,094 notifications regarding the setting up of works councils (submission of such notifications to the SLI is obligatory under the new LC).
- The Labour Disputes Commission received 20 per cent more applications for labour dispute resolutions compared with the same period in 2016. According to the SLI, the process became more economic and efficient, evidenced by an increased number of satisfied applicants and more peace treaties approved by decisions (Eurofound 2018e).

Industrial Relations

Estonia

In May 2018, the Estonian government and social partners re-established tripartite social dialogue by meeting to discuss topics related to labour and social policy. The last time such a meeting took place was more than a decade ago in 2002. The Estonian Trade Union Confederation (EAKL), the Estonian Employers' Confederation (ETTK), the Prime Minister, the Minister of Health and Labour, and the Minister of the Interior participated in the event. The purpose of the meeting was to discuss topics of particular importance to each side, such as the development of workplace democracy and issues related to social tax and a foreign workforce. It was agreed that these meetings should take place several times a year, with the next meeting scheduled for September 2018.

During the second quarter of 2018, the longest strike in Estonia since the beginning of the 1990s ended after months of negotiations. The dispute began in October 2017, when workers at meat production company HKScan Estonia AS demanded a pay rise, created a trade union and turned to the National Conciliator. When their demands were not met, the workers continued to demonstrate and launched an official strike at the beginning of February 2018. HKScan Estonia AS claimed that it needed time to reorganise its remuneration system, while the workers believed their employer was being uncooperative.

Lithuania

On 11 September 2018, trade unions representing prison officers staged a token protest. The trade unions demanded an end to rushed reforms and advocated entering into negotiations. Representatives of the Ministry of Justice and Prison Department maintained that the reforms were inevitable and said they were ready to enter dialogue with the trade unions.

On 17 September 2018, cultural workers held a protest calling for higher wages. They prepared a petition. Salaries for cultural and artistic workers have not increased since 2016 and are the lowest in Lithuania's public sector (Eurofund 2018c).

On 26 April 2018, a rally organised by the Lithuanian Medical Movement – “What will you offer to the medical profession tomorrow?” – took place near the parliament building. Teachers, cultural workers and social workers participated alongside medical personnel, bearing the slogan “For the State and its future together with the medical staff!”. The requirements submitted included implementation of a realistic tax system reform; a steady increase in public financing for education and science, healthcare, culture and social security; and the development of a fair remuneration system for public sector employees (Eurofund LT Q2 2018).

Latvia

According to Eurofund development updates, The Latvian Trade Union of Education and Science Employees (LIZDA) called on teachers to ignore the coalition parties in the forthcoming parliamentary elections if the promise was not fulfilled. (...) Teachers' wages were suddenly increased by €30 per month at the end of August, with the minimum rate reaching €710 (Eurofund 2018h).

In August 2018, the Trade Union of Health and Social Care Employees of Latvia (LVSADA) began a collective interest dispute and submitted a claim to the Ministry of Healthcare against further reductions in the number of 24-hour emergency services. On 16 August 2018, industrial action was organised in Liepāja in order to resolve a conflict between passenger bus drivers and

their employer, Liepājas Autobusu Parks. The dispute arose because the drivers, backed by the Latvian Trade Union of Public Service and Transport Workers (LAKRS), demanded higher wages and the company would not meet the demands. Further action was organised at the national level near the Ministry of Communication on 4 October.

On 28 September 2018, workers from social assistance service institutions announced an eight-hour hunger strike. [6] The strike was because their wages did not change as part of recent important wage increases in the health sector, and remain extremely low in relation to the specialist nature of their work. If their voices are not heard via the hunger strike, the workers are ready to take further industrial action. (Eurofund 2018h).

Tripartite social dialogue

Estonia

The Estonian Trade Union Confederation (EAKL) and the Estonian Employers' Confederation (ETTK) agreed on the national minimum wage for 2019 during the third quarter of 2018. Last year, the minimum wage was increased by €30 to €500 per month (€2.97 per hour) and the social partners agreed that until 2022, the increase would be negotiated by taking labour productivity and economic growth into account.

This year, the negotiations took place during the summer without any public debate and the initial proposal was to increase the minimum wage by €40 per month. The project was then made public: people and organisations were invited to submit their reasoned opinions about the plan to the social partners during the month of September. Opinions had never been sought outside of the social partner organisations before. The feedback provided mainly suggested that the minimum wage was insufficient for many people.

Despite this, a final agreement was concluded on 1 October with a proposed increase of €40. The national minimum wage of €540 per month will come into effect in January 2019 (Eurofund 2018a).

In July 2018, the Ministry of Social Affairs announced an offer of more flexibility to employees and employers. Current labour law is strict in terms of working type, time and place, and are not easily adaptable to new situations (e.g. remote work and platform-based work). The main changes include introducing a minimum/maximum-hours employment contract (where working hours are expressed as a range), more flexible conditions for fixed-term contracts, and a new employment form – for employees with independent decision-making competence.

Reactions from social partners have largely been related to the plans for minimum/maximum-hour and fixed-term contracts. Trade unions are cautious and do not fully support these ideas. They point out that working conditions and possibilities differ from sector to sector.

Employer organisations, on the other hand, strongly support the proposed ideas. The plans will be discussed further among stakeholders, with the changes expected to take effect from 2020.

Latvia

The Partnership of Latvian Construction Entrepreneurs has collected the number of supporters needed to sign a general agreement for the construction sector. The agreement sets a minimum monthly wage for the construction sector of €780. By 13 September 2018, 278 construction sector enterprises with a total turnover of €718 million supported the signing of the agreement. Līga Meņģelsone, Director General of the Employer's Confederation of Latvia (LDDK) and Egīls Baldzēns, President of the Free Trade Union Confederation of Latvia (LBAS), both expressed their support. (Eurofund 2018h).

Lithuania

According to Eurofund, social partners continued to debate the issue of increasing the minimum monthly wage as of 1 January 2019. Although three meetings took place with this issue on the agenda, the social partners were unable to reach a compromise. Representatives from employer organisations held that the minimum monthly wage could only be raised to €420 (or by 5%), representatives of the government believed it should be raised to €430 (or by 7.5%), while trade unions called for it to be increased to €450 (or by 12.5%). The position of the trade unions was bolstered on 10 August when Luca Visentini, General Secretary of the European Trade Union Confederation (ETUC), sent a letter to the Lithuanian Prime Minister and members of the Tripartite Council entitled “Lithuania needs a significant increase of the minimum monthly wage”. The letter expressed the ETUC’s support for the efforts of the Lithuanian trade unions and, in particular, the Lithuanian Trade Union Confederation’s efforts to increase the minimum monthly wage without pushing the ratio between the minimum and average wage to over 50 per cent. However, as the social partners failed to reach an agreement regarding the increase, the final decision was left to the government. The government subsequently submitted a proposal to parliament to increase the minimum monthly wage by 7.5% from 1 January 2019 (Eurofund 2018c).

At its congress on 6 July 2018, peak national trade union Solidarumas adopted a number of initiatives that are historically not typical of Lithuanian trade unions. The coordination council of Solidarumas – in cooperation with the State Labour Inspectorate – established a labour inspection of TU Solidarumas and approved its Regulations on 25 September. The Regulations stipulated that “the labour inspection of Solidarumas is a special management body for control and supervision of the rules and standards in certain areas laid down in labour laws”. Trade union members willing to become labour inspectors can apply to the chairpersons of their respective trade unions. (Eurofund 2018c).

In 2014, LDDK had proposed amendments to the labour law which would reduce extra pay for overtime work from 100% to 50% – a change backed by employers, who regard high extra pay as seriously reducing companies’ competitiveness. However, LBAS opposed the proposal and the amendments were not made. The discussion was reopened at the beginning of 2018 with the proposal of a scheme whereby the employer would pay 50 per cent extra for the first two hours of overtime work and 100 per cent thereafter. When the social partners could not agree, the discussion continued and in July 2018 the following labour law amendments were adopted in the first reading: an employer in a sector where a sector-level general agreement has been concluded is eligible to pay 50 per cent of the normal hourly wage for overtime work, while an employer working in a sector where a sector-level general agreement has not been concluded should pay 100 per cent as before (Eurofound 2018h).

Forecasts

Estonia

Although growth is set to lose some momentum going forward in Estonia, it will remain healthy due to robust domestic demand. Economic activity should also benefit from a marked acceleration in fixed investment growth, largely thanks to strong capital inflows from EU cohesion funds and sustained private consumption growth on the back of tightening of labour market conditions (FocusEconomics, 2018a).

Estonia's real GDP, according to data of the European Commission, is forecast to grow by 3.5 per cent in 2018 and growth is expected to remain solid, moderating over the forecast horizon to 2.8 per cent in 2019 (Data of the Ministry of Finance of the Republic of Estonia). In its turn, OECD forecasts that Estonia's economic growth is projected to reach 3.5 per cent in 2019, before slowing to 2.3 per cent in 2020 in line with weakening external demand. Increasing real wages will support robust private consumption growth. Investment is set to pick up, supported by strong business confidence and the recovering housing market. Inflation will remain at a high level, sustained by further tightening of the labour market (OECD, 2018a).

Inflation is expected to moderate over the coming years to 3.3 per cent in 2019 and 2.5 per cent in 2020, in line with commodity price trends. Also, the inflationary impact from sharp increases in consumption taxes prior to 2018 will fade over 2019 and 2020 (European Commission, 2018b). FocusEconomics projects harmonized inflation to average 2.8 per cent in 2019 and 2.7 per cent in 2020.

The government budget is projected to be in surplus during the projection period while the public debt-to-GDP ratio will remain among the lowest in the OECD (OECD, 2018a). The fiscal surplus is forecast to remain fairly stable at around 0.5 per cent of GDP in 2019 before abating to 0.2 per cent of GDP in 2020. While the outlook for revenues is expected to remain favourable over the forecast horizon, expenditures are expected to rise. In particular, social expenditures are set to grow relatively rapidly due to an indirect link to overall wage growth (European Commission, 2018b). While procyclical fiscal policy should be avoided, there is space to let fiscal policy play a more active role to boost job creation, invest in infrastructure, and mitigate environmental concerns (OECD, 2018a).

Employment growth, which continued to be rapid in 2018 even though employment and participation rates were high, is projected to slow over the forecast horizon (European Commission, 2018b). The unemployment rate in Estonia is expected to be 6 per cent by the end of the fourth quarter of 2018. Looking forward, the unemployment rate is estimated in Estonia to stand at 5.9 in 12 months. In the long-term, Estonia's unemployment rate is projected to trend around 5.5 per cent in 2020 (Trading Economics, 2018c). Wages in Estonia are expected to be EUR 1,350/month by the end of the fourth quarter of 2018. In the long-term, Estonia's average monthly gross wages is projected to trend around EUR 1,500/month in 2020 (Trading Economics, 2018e).

Latvia

Latvia's growth momentum is expected to continue over the forecast horizon, albeit at a slower pace, with GDP growth projected at about 3 per cent in both 2019 and 2020, according to data of the European Commission (European Commission, 2018a). Also the OECD emphasizes that growth is strong and broad-based but is projected to moderate to under 3½ per cent by 2020 (OECD, 2018b).

For 2019, the government deficit is projected at 1 per cent of GDP. This includes the effect of previously adopted tax reform measures as well as the pension expenditure increases adopted in summer of 2018. Social payments and public sector wages are expected to be the main drivers of the expenditure growth, while public investment expenditure is set to stabilise after a surge in the last two years. Under a no-policy-change assumption, the government deficit is projected to decrease to 0.7 per cent of GDP in 2020. This is linked to an expected resumption of tax revenue growth in line with

economic developments, as the effect of the adopted tax-cutting measures is estimated to be lower than in 2018-2019. Public expenditure growth is expected to remain strong, particularly for social spending and public sector wages. Latvia's structural deficit is forecast to decrease from 1¼ per cent of GDP in 2018 to 1¼ per cent by 2020. Government debt, which was an estimated 40 per cent of GDP in 2017, should decline to 36 per cent of GDP by 2020, as nominal GDP growth outpaces the government's net borrowing. In 2018-2019, a reduction in the cash reserves should lower the gross debt ratio, but increase it in 2020 ahead of a large debt redemption in early 2021 (European Commission, 2018a).

Following a slump, investment rebounded strongly in 2017-18 as investors have drawn on EU structural funds; but growth in capital spending will ease to more sustainable levels in the coming two years (OECD, 2018b). Therefore, investment growth is forecast to slow down considerably but remain

positive, as pent-up demand for office space and housing is forecast to drive construction investment over the coming years. Limited fiscal space is expected to weigh somewhat on public consumption growth in 2019 (European Commission, 2018a).

Solid wage growth and continued consumer optimism are set to drive private consumption growth (European Commission, 2018a). Private consumption will be supported by a persistently strong labour market (OECD, 2018b).

Employment is set to increase, thanks in particular to rapid growth in construction investment. The strong demand for labour in the economy has attracted previously inactive people into the labour force and led to a softening of the ageing-

driven decline in labour supply. The unemployment rate is set to decline further. The tight labour market should continue to support wage growth over the coming years, although it is somewhat mitigated by slower demand growth and a stable minimum wage (European Commission, 2018a).

The budget impact of personal and corporate income tax reforms in 2018 and 2019 are compensated only partially by higher excise taxes and some spending restraint. Fiscal policy in Latvia is mildly expansionary as a result. Higher spending on healthcare helps to improve currently unequal access to care. The government plans to improve re-training and develop the rental housing market to strengthen labour mobility, which is a welcome move to address skill shortages and mismatches (OECD, 2018b).

Lithuania

GDP growth is projected to ease gradually as external demand momentum weakens and labour supply constraints bite (OECD, 2018b). In 2019 and 2020, economic growth is expected to moderate to 2.8 per cent and 2.5 per cent respectively, driven by private consumption and, to a lesser extent, by investment (European Commission, 2018c).

Investment will remain robust, albeit below current rates, supported by high capacity utilisation and the implementation of EU-funded projects (OECD, 2018b). Investment growth is expected to be spurred by capacity constraints in the context of increasing labour shortages (European Commission, 2018c). Strong wage growth, especially in the service sector, will support consumption but also put pressure on inflation (OECD, 2018b). Wages in Lithuania are expected to be EUR 930.00/month by the end of the fourth quarter of 2018. Looking forward, it is estimated that wages in Lithuania will stand at EUR 1,000.64/month in 12 months' time. In the long-term, Lithuania's average monthly wages are projected to trend around EUR 1,050/month in 2020 (Trading Economy, 2018t).

While wage growth is set to be somewhat slower than in 2018, private consumption should get an additional boost from the tax and social security reforms that were adopted this summer (European Commission, 2018c). OECD underlines that the unemployment rate is set to fall to around 6 per cent in 2019-2020 and, with wage growth remaining strong, underlying inflation is projected to continue drifting up (OECD, 2018b). Also the European Commission forecasts - as labour demand is expected to remain strong - the unemployment rate is set to decline to 6.3 per cent by 2019. Tightness in the labour market is also expected to continue exerting upward pressure on wages over the forecast horizon (European Commission, 2018c).

After being mildly expansionary in 2018 owing to a package of structural reforms, the fiscal stance will become broadly neutral in 2019-2020. The use of fiscal space for measures that boost productivity and reduce inequality and poverty is welcome.

More simplified insolvency procedures would promote business dynamism. Tailoring skills closer to labour market needs and ensuring more effective activation programmes for job seekers would make the labour market more inclusive, enhancing well-being (OECD, 2018b).

Tax collection, helped by tax-rich economic growth and contained government spending, enabled Lithuania to achieve a general government surplus in 2016 and 2017. As these developments continue in 2018, the general government balance is expected to stand at 0.6 per cent of GDP in 2018. However, the surplus is expected to narrow over the forecast horizon with the implementation of the reform package adopted in 2018. Adjustments to the tax and social security systems are set to result in lower tax revenues and increased spending. Subsequently, the general government balance is expected to stand at 0.4 per cent in 2019 and fall to 0.1 per cent of GDP in 2020. The structural deficit is expected to fall from ¾ per cent in 2018 to ½ per cent of GDP in 2020, due to a decreasing output gap (European Commission, 2018c).

After an exceptional trade performance in 2017, both imports and exports are expected to grow more slowly over the forecast horizon due to base effects and cooling economic activity in important trading partners. Domestic demand for capital goods as well as strong private consumption are expected to continue driving import growth. Service exports, especially in transport, ICT and manufacturing services are set to remain an important determinant of export growth resulting in a trade surplus in services. However, as this is unlikely to offset the trade deficit in goods, the overall net export contribution to GDP growth is expected to be slightly negative in the coming years (European Commission, 2018c).

As the government will have to secure the pre-financing of 2020 bond redemptions in 2019, the general government debt is set to increase to 37.9 per cent of GDP in 2019 before settling to 37.6 per cent in 2020 (European Commission, 2018c).

Annex - Information About:

- Collective Bargaining System

Estonia

Collective bargaining in Estonia is decentralised and the dominant level of collective bargaining for setting pay, working time or any other issues in Estonia is the enterprise level. After signing, a collective agreement becomes legally binding and is valid for one year. The only public source of official information on enterprise-level collective agreements is the collective agreements register organised by the Ministry of Social Affairs. However, the register does not include comprehensive data on all concluded collective agreements and not all collective agreements have been registered. The reason for this is that no surveillance system has been implemented and no penalties for violations of the obligation are issued. Exact information on the number of enterprise-level agreements is not collected. According to the database of collective agreements maintained by the Ministry of Social Affairs, 48 new collective agreements were concluded in 2013. The conclusion of collective agreements slowed down as the economic recession set in and after then around 50–60 collective agreements have been concluded every year (Republic of Estonia Ministry of Social Affairs, 2013a: 33).

There are only two sectoral-level collective agreements currently concluded in Estonia: one in the transport sector and the other in healthcare. The sectoral collective

agreement between the Estonian Transport and Road Workers' Trade Union (ETTA) and the Union of Estonian Automobile Enterprises (AL) regulating passenger transport (covers 14,000 employees) was valid from 1.02.2012 till 31.12.2012 and freight transport (covers 3,500 employees) from 01.01.2013 till 31.12.2013. The collective agreement in health care is valid till 31.12.2016 covering 25,000 employees. Although the collective agreement between ETTA and AL has expired, employers and employees are required by law to comply with the conditions of the open-ended collective agreement until they have reached a new agreement or until it is cancelled by one of the parties. According to available information, none of the parties have unilaterally terminated the agreement.

At national level, only minimum wages are negotiated, usually bi-annually. Since 1992, the national minimum wage has been agreed between social partners – bipartite meetings between the Estonian Trade Union Confederation (EAKL) and the Estonian Employers' Confederation (ETTK) – and thereafter determined by government decree.

Latvia

Collective bargaining is regulated by Part B of the Labour Law (Section 17 – Section 27). The law describes the content and form of collective agreements, parties to a collective agreement, effect of collective agreements over time, effect of a collective agreement on workers, procedures for entering into a collective agreement, approval of a collective agreement, amendments to provisions of a collective agreement, familiarisation with a collective agreement, and settlement of disputes. Collective bargaining is voluntary, usually initiated by trade unions. It has neither increased or decreased in recent years. Sector level collective bargaining is weak.

Trade union density stands around 13 per cent, while employers' associations density is around 66-68 branches.

Wage bargaining coverage is not monitored at a national level and can only be roughly characterised by using data

from the annual Free Trade Union Confederation of Latvia (LBAS) survey where the data are collected on a voluntary basis and, therefore, should be used with caution. During 2015, 1,268 collective agreements were concluded by LBAS affiliates. These agreements covered 116,278 employees. In 2015 trade unions were established in 2,079 enterprises compared to a total number of enterprises of more than 155,000, of which almost 144,000 are micro-enterprises.

The main level of collective bargaining is company level. Efforts by social partners have been focused on developing sectoral and regional social dialogue institutions, but without any success. Collective agreements usually include a wider scope of issues but do not tackle issues of wages and working time, because these issues are sufficiently regulated by the law.

Lithuania

Collective bargaining takes place mostly at the enterprise level. Despite the efforts of the social partners to increase the importance of sectoral-level collective bargaining, the practice still does not have wide acceptance. Wage bargaining takes place at the company level only.

According to the European Company Surveys almost 20 per cent of employees are covered by collective bargaining in Lithuania (in private sector companies with establishments of more than 10 employees). There are no national data/surveys on collective wage bargaining

coverage in Lithuania. According to expert evaluations, the overall collective bargaining coverage in Lithuania might be less than 15-20 per cent.

Working time in Lithuania is set in the national legislation (particularly in the Labour Code), however at a company level some working time flexibility arrangements might be agreed on.

- System of tripartite social dialogue

Estonia

The system of tripartite decision-making is not well institutionalised in Estonia but social partners do take part in the consultative phase of drafting legislation. In addition, the social partners are members of the supervisory boards of the Estonian Health Insurance Fund (national level body), the Estonian Unemployment Insurance Fund (national level body), and the Estonian Qualification Authority (sectoral and national level body), which is responsible for developing the professional qualifications system in Estonia. While the aim of tripartite

discussion is to come to an agreement that satisfies all parties, in recent years social partners have quite often expressed their dissatisfaction as they are not included in the final political decision-making process as often as they would like, or they are included only in later stages of the process.

Latvia

The main tripartite body is the National Tripartite Cooperation Council (NTSP). Its operation is regulated by the Statutes of NTSP (adopted on 30 October 1998, valid from 1 January 1999), where it is stated that NTSP is formed on the principles of parity from representatives of the Cabinet of Ministers, Employers' Confederation of Latvia (LDDK) and the Free Trade Union Confederation of Latvia (LBAS). NTSP examines policy-planning documents and drafts on normative acts and sets out proposals for their improvement in the following areas: social security; guidelines of the state budget; strategy of economic and regional development; health; development of general and vocational education; employment and classification of occupations; implementation of international commitments.

The NTSP is a two-stage discussion platform: at the first stage discussions are carried out in its commissions and second stage discussions are in the NTSP main body

The legal status of the council is directly responsible to the President of Ministers. The secretary of the council is subordinated to the State Chancellery in institutional matters and to the President of Ministers in functional matters. Meetings of the council are organised on request, but at least once every two months. Institutional regulation and work organisation of the NTSP has not changed within the last three years.

Lithuania

There are several tripartite councils and commissions in Lithuania. Most are specialised and operate at the national level, while some are also active at regional level. The main tripartite organisation, the Tripartite Council of the Republic of Lithuania (LRTT), was established in 1995 following the agreement on trilateral partnership between the Lithuanian government, the trade unions and the employer organisations in accordance with the provisions of the International Labour Organization (ILO) in its Tripartite Consultation (International Labour Standards) Convention (Convention No. 144) of 1976. The LRTT consists of 21 members, including seven representatives each from the trade unions, employer organisations and the government of the Republic of Lithuania. Several councils and commissions dealing with particular areas of social and working life function under the LRTT.

According to the law, legislative drafts that are submitted to the government on relevant labour, social and economic issues should be agreed in advance with the LRTT. Main issues discussed at the LRTT were related to liberalisation of labour relations, the minimum monthly wage, and legislation regulating industrial relations as well as contemporary social and economic issues.

There are also other tripartite councils and commissions operating in some state institutions. They deal with the particular areas (for instance, education, labour market policy) or issues (for instance, European Social Fund, migration) that the institutions are responsible for. Such bodies are, for example, the Tripartite Council of the Lithuanian Labour Exchange, the Tripartite Council of the State Social Insurance Fund Board, and the Occupational Health and Safety Commission under the LRTT.

- Social security systems

Sickness benefit paid, thousands

Country; year	2015	2016	2017
EE	n/d	n/d	506.0*
LV	96.2	113.0	7929.1
LT	198.5	234.2	n.d

Sources: Statistics Estonia* (all, around half were sickness, a quarter were care benefits and almost a fifth were dental care benefits. More: <https://www.stat.ee/article-2018-06-18-social-protection-expenditure-on-the-rise?highlight=sickness>), Central Statistical Bureau of Latvia, (all kinds of benefits available here https://data.csb.gov.lv/pxweb/lv/sociala/sociala_socdr__pensijas__ikgad/SDG050.px/table/tableViewLayout1/?rxid=d2303e51-675a-49d6-b3d3-6cdeb701e9f0)

Statistics Lithuania

Persons receiving old-age pensions, thousands

Country; year	2016	2017	2018*
EE	300.9	417.52	375.65
LV	461.6	458.59	454.56
LT	581.8	592.3	n.d.

Sources: Statistics Estonia, Central Statistical Bureau of Latvia, Statistics Lithuania; *Q1

Persons receiving unemployment benefit, thousands

Country; year	2015	2016	2017
EE	25.2	46.7	40.3
LV	38.1	78.4	63.1
LT	n/d	116.2	103.1

Sources: Statistics Estonia, Central Statistical Bureau of Latvia, Lithuanian Labour Exchange

• Education and vocational training

Estonia

The proportion of upper secondary students enrolled in vocational education and training (VET) is low compared to the EU average: 34.7 per cent in 2015 compared to 48.0 per cent in the EU. However, the employment rate of recent upper secondary graduates was high (74.4% in 2014 compared to 70.8% on average in the EU). When comparing VET graduates only, the rate was 83.5 per cent in 2015, above the EU average of 73 per cent. Adult participation in lifelong learning was high (11.5% in 2014 and 12.4% in 2015 compared to the EU average of 10.7%). VET-related developments in 2015 included improving the quality of work-based learning in VET and promoting apprenticeships. The target for the latter was to raise the number of initial VET students in apprenticeships. A national Lifelong Learning Strategy 2020 (1) was adopted in February 2014 (CEDEFOP Estonia 2018).

In 2018 the Ministry of Social Affairs announced that a support system for young people not in employment, education or training will be developed. The new IT system will be tested and piloted between 2018 and 2020. In March 2018, the Unemployment Insurance Fund announced that it will widen its eligibility criteria for labour market training, or support for studies, and the wage limit was raised from median wage to national average wage. Those hired under other contracts (in addition to an employment contract or civil service contract) will also be eligible for such support. Plans are also being put into place for all recipients of the Unemployment Insurance Fund to receive basic training, covering language and computer skills (Eurofund 2018f).

Latvia

The proportion of upper secondary students enrolled in vocational education and training programmes in Latvia was below the EU average: 39.6 per cent in 2014 compared to 48 per cent in the EU; 40 per cent in 2015 compared to 47 per cent in the EU. All upper secondary initial VET students were following work-based programmes: 100 per cent in 2014, against 34 per cent in the EU. Adult participation in lifelong learning was low at 5.7 per cent in 2015 compared to 10.7 per cent in the EU. (CEDEFOP Latvia (2018a: 4).

Around 75 per cent of the economically active population are above age 45 in Latvia. In the next 20 years, due to this ageing workforce, there will be a shortage of employees with medium-level vocational education and training (VET) qualifications, especially in engineering, manufacturing and construction. While around 4,500 professionals will leave the labour market each year, VET

will supply it with only 2,700 graduates in return. To close this gap, VET enrolment should be doubled. The report also suggests measures to help reach the objective, including: wider involvement of employers; introducing a modular approach; developing interdisciplinary programmes; expanding apprenticeships and adult vocational education in schools. (CEDEFOP Latvia 2018b).

The Employers' Confederation of Latvia (LDDK) envisages broad-range changes necessary to revitalise the traineeship system in Latvia. It continued implementing the Erasmus+ strategic partnership project "VET For Employment" to create and develop systemic tools for traineeships effectively involving employers and thus facilitating VET compliance with the labour market needs and ensuring a qualitative traineeship process for all the parties involved. (LDDK VET 2018).

Lithuania

The proportion of upper secondary students enrolled in vocational education and training programmes in Lithuania was 26.7 per cent in 2014 compared to 48 per cent in the EU; 27 per cent in 2015 compared to 47 per cent in the EU. The employment rate of recent upper secondary VET graduates was higher than in the EU: 75.6 per cent in 2015, compared to the EU average of 73 per cent. Adult participation in lifelong learning was low: 5.8 per cent in 2015 compared to 10.7 per cent in

the EU. Lithuania was in the course of tackling the lack of attractiveness of VET and adult education. A 2014-2016 action plan for VET development, adopted in 2013, aimed at greater effectiveness in operating VET, developing apprenticeship, modularisation and validation, and improving teaching quality. On the adult side, a 2014-2016 action plan for non-formal adult education had been adopted in October 2014, aiming to set up an adult learning system. (CEDEFOP Lithuania 2018: 5)

- Employment rate

Employment rate in age group 20-64 by gender, %

Country, year	2015			2016			2017		
	T	M	F	T	M	F	T	M	F
EE	76.5	80.5	72.6	77.5	81.9	73.2	78.7	80.8	75.1
LV	72.5	74.6	70.5	76.3	78.8	74.0	74.8	74.7	72.7
LT	73.3	74.6	72.2	75.5	77.1	73.9	76.0	76.2	75.5

Source: Eurostat Database (Eurostat chosen for comparative reasons in three states)

- Unemployment rate

Unemployment rate by gender, %

Country, year	2015			2016			2017		
	T*	M	F	T	M	F	T	M	F
EE	6.2	6.2	6.1	6.8	7.4	6.1	5.3	5.5	5.6
LV	9.9	11.1	8.6	9.6	10.9	8.4	8.1	9.1	7.2
LT	9.1	10.1	8.2	7.9	9.1	6.7	6.7	8.0	5.7

*T=Total, M=Males, F=Females;
Source: Eurostat Database

- Average monthly salaries

Monthly net earnings (in €)*

Country, year	2016	2017	2018
EE	1105	1182	1291
LV	626	642	728
LT	757	823	935

*Trading Economics, as of 1 January each year

- Gender pay gap

Estonia

Within the economy as a whole, the highest gender pay gap among all European Union (EU) member states was recorded in Estonia (26.9 per cent). The highest gender pay gaps were found in wholesale and retail trade, repair of motor vehicles and motorcycles (Eurostat Gender Pay Gap 2018). Estonia has the highest gender pay gap among the EU Member States, standing at 25.3 per cent in 2016. In order to reduce this gap, a number of changes have been proposed to the Gender Equality Act. These changes were sent to the government for approval in April 2018 and are expected to enter into force on 1 July 2020.

All employers will be obliged to collect gender-based data so that it will be possible to assess gender differences in the remuneration system. The Labour Inspectorate will be authorised to monitor the remuneration and benefits paid by employers to men and women for equal work. Initially, the Labour Inspectorate's supervision and the Pay Gap Speedometer were going to be introduced in the private sector as well. However, employers claimed that this would cause an undue administrative burden and so their use will only be obligatory within the public sector (Eurofund2018g).

Latvia

In 2015 the gender pay gap stood at 19.4 per cent in the public sector and 14.2 per cent in the private sector (Eurostat Gender Pay gap 2018).

Lithuania

In 2015 the gender pay gap stood at 14.4 percent in the public sector and 17.5 per cent in the private sector (Eurostat Gender Pay gap 2018).

- Monthly minimum wage

Gross minimum wages €/month

Country, year	2016	2017	2018
EE	430.00	470.00	500.00
LV	370.00	380.00	430.00
LT	380.00	380.00	400.00

Source: Eurostat Database

- Actual weekly working hours

Estonia

The statutory working time regulation, including the maximum working day and working week, are stipulated in the Employment Contracts Act. The statutory weekly working time in Estonia is 40 hours a week. Overtime work is regulated by the Employment Contracts Act (Article 44). The regulation stipulates that an employer and employee may agree that the employee undertakes to do work over the agreed working time (overtime work). In general, overtime work must be agreed between the parties in line with the principle of good faith. An employer may demand that an employee work overtime due to unforeseen circumstances pertaining to the enterprise

or activity of the employer, in particular for prevention of damage. However, the legislation excludes overtime work where it might be harmful for employee health. An employer shall compensate for overtime work by time off equal to the overtime, unless it has been agreed that overtime is compensated in money, in which case the employer should pay 1.5 times the normal hourly wage for each hour of overtime. The Employment Contracts Act (Article 43) concludes that the employer and employee can also agree on a shorter working time or part-time work, which is determined by individual or collective agreement (Eurofound, 2016i).

Latvia

Working time is regulated by the Labour Law (Section D). Regular daily working time of an employee may not exceed eight hours, and regular weekly working time may not exceed 40 hours. Regular working time of employees associated with a special risk may not exceed seven hours a day and 35 hours a week if they are engaged in such work for not less than 50 per cent of the regular daily or weekly working time. Collective agreements may include regulations that are better than those set by law. Existing company level collective agreements include some specific regulations regarding working time, for instance, providing more holidays.

Section 136 of the Labour Law defines overtime as work performed by an employee in addition to regular working time. Overtime work is permitted if the employee and the employer have so agreed in writing. An employer may employ an employee on overtime without written consent in exceptional cases: if this is required by the most urgent public need; to prevent the consequences caused by force majeure, an unexpected event or other exceptional circumstances; or for the completion of urgent, unexpected work within a specified period of time. If overtime work in the circumstances referred to above continues for more than six consecutive days, the employer needs a permit from the State Labour

Inspectorate for further overtime work. From 2015, overtime work cannot exceed eight hours on average within a seven-day period, calculated in a reference period that does not exceed four months. Overtime work should be compensated by not less than 100 per cent of the hourly or daily wage rate or not less than 100 per cent of the piecework rate for the amount of work done. Collective agreements and individual contracts may only improve conditions set by law regarding overtime work.

Part-time work is regulated by Section 134 of the Labour Law. An employer must, at the request of an employee, transfer the employee from regular working time to part-time work, or vice versa if such working-time arrangements are possible in the company. An employer has to give part-time work if requested by the following categories of employees: a pregnant woman; a mother up to a year after childbirth; for the whole period of breastfeeding up to a child's second birthday; and a parent who has a child of less than 14 years of age or a disabled child under 18 years of age.

The Labour Law introduces several deviations from the normal working time in specific circumstances (see Section 131 (2), Section 134, Section 136, Section 138, Section 139, Section 140) (Eurofound, 2016j).

Lithuania

Basic provisions regulating working time in Lithuania are established in the Labour Code (Chapter XIII). Working time may not exceed 40 hours per week and a daily work period must not exceed eight working hours. Exceptions may be established by laws, government resolutions and collective agreements. For employees employed in more than one undertaking or in one undertaking but with two or more employment contracts, the working day may not be longer than 12 hours. Maximum working time, including overtime, must not exceed 48 hours in each seven-day period. The duration of working time of specific categories of employees may be up to 24 hours per day. The average duration of working time of such employees must not exceed 48 hours per seven-day period, and the rest period between working days must not be shorter than 24 hours. The list of such jobs is approved by the government.

Overtime is permitted only in exceptional cases specified in the Labour Code (Article 151). In other cases overtime work may be organised only subject to the written consent or written request of an employee. The employee's overtime work must not exceed four hours in two consecutive days, and must not be more than 120 hours per year. A different annual duration

of overtime work may be established in the collective agreement, however, not exceeding 180 hours per year. There are certain categories of employees and certain circumstances established by law and the collective agreement where overtime work cannot be assigned. Overtime and night work shall be paid for at the rate of at least time and a half of the employee's usual wage (including basic salary and all additional payments directly paid by the employer for the work performed).

Part-time work is regulated by the Labour Code (Article 146). Part-time work may be established: by agreement between the employee and the employer; at the request of the employee due to his health status according to a conclusion of a health care institution; at the request of a pregnant woman; a woman who has recently given birth; at the request of an employee under eighteen years of age; at the request of a disabled person according to a conclusion issued by the Disability and Working Capacity Assessment Office; at the request of an employee taking care of a sick family member attested by a note from a health care institution. Flexible work scheduling is a matter to be agreed between the employee and the employer (Eurofound, 2016h).

- Normal work / atypical work

Full-time employment in age group 20-64, %

Country, year	2015	2016	2017
EE	76.5	76.6	78.7
LV	73.5	73.2	74.8
LT	73.3	75.2	76.0

Source: Eurostat Database

Part-time employment rate (% of total employment)

Country, year	2015	2016	2017
EE	9.2	9.5	9.2
LV	7.1	8.3	7.5
LT	7.6	7.1	7.4

Persons in part-time jobs in 2017, by gender, in thousands

Country, year	M	F
EE	5.016	11.401
LV	4.039	8.817
LT	4.553	9.306

Source: OECD <https://data.oecd.org/emp/part-time-employment-rate.htm>

- Migration

Emigrants, thousands

Country, year	2014			2015			2016	2017
	T*	M	F	T	M	F	T	T
EE	4.6	2.2	2.5	13.0	7.4	5.6	13.8	12.36
LV	19.0	9.8	9.3	20.1	10.6	9.5	20.6	17.2
LT	36.6	18.5	18.1	44.5	24.3	20.2	50.3	50.0

*T=Total, M=Males, F=Females

Note: only in Estonia In 2016, net migration was positive for the second year in a row – immigration exceeded emigration.

Sources: Statistics Estonia, Central Statistical Bureau of Latvia,

Statistics Lithuania: <https://data.oecd.org/emp/part-time-employment-rate.htm>

Immigrants, thousands

Country, year	2015			2016	2017
	T*	M	F	T	T
EE	15.4	9.4	6.0	14.8	17.62
LV	9.5	5.6	3.9	8.3	9.9
LT	22.1	12.0	10.2	20.2	23.5

*T=Total, M=Males, F=Females

Sources: Statistics Estonia, Central Statistical Bureau of Latvia, Statistics Lithuania

Note: Nearly 50% of immigrants were Estonian returnees

Nearly 50% of immigrants were Latvian returnees

Two thirds of immigrants were Lithuanian returnees

- Human Development Index (HDI)

Human Development Index (HDI) and HDI rank***

Country, year	2016		2017	
	Rank	Index	Rank	Index
EE	30	0.865	30	0.871
LV	44	0.830	41	0.847
LT	37	0.848	35	0.858

*Index is measured from 0 to 1, where 0 means underdevelopment and 1 is the highest development achieved.

**The ranking between 1 and 49 received by the Baltic States from 2011 to 2014 denotes very high human development.

Source: UNDP (2011, 2013, 2014, 2015)

- Gini coefficient on Assets and Income

Gini-coefficient

Country, year	2015	2016	2017
EE	34.8	32.7	31.6
LV	35.4	34.5	34.5
LT	37.9	37.0	37.7

Source: Eurostat Database (based on EU Statistics on Income and Living Conditions)

- Collective agreement coverage

Employees covered by wage bargaining agreements as a proportion of all wage and salary earners in employment with the right to bargaining, %

Country, year	2015
EE	33.0
LV	34.0
LT	n.a

Source: ETUI <https://www.worker-participation.eu/National-Industrial-Relations/Across-Europe/Collective-Bargaining2>

- Ongoing important collective bargaining agreements

Estonia

Two company-level collective disputes received a lot of attention during the first quarter of the year. Workers at a meat production company called HKScan Estonia AS went on strike, demanding a pay rise, but the strike already has lasted for two months, which is extremely unusual for Estonia. Meanwhile, another long-running dispute appears to be coming to an end. Over a period of more than two years, the banking company Luminor

(previously known as Nordea) has seen demonstrations, conflicts, and the unlawful dismissal of a trade union representative. However, at the end of 2017, the sector-level Union of Estonian Financial Sector Employees took over the negotiations with the bank and, in March 2018, they managed to complete an agreement which will form a basis for mutual trust and future negotiations (Eurofund 2018f).

Latvia

The Partnership of Latvian Construction Entrepreneurs has collected the number of supporters needed to sign a general agreement for the construction sector. The agreement sets a minimum wage for the construction

sector of €780. This will be implemented first in the construction sector (Eurofund 2018h). See also section -Tripartite Social Dialogue

Lithuania

See section -Tripartite Social Dialogue

- Trade union density

Estonia

Union density in Estonia remains at around 10 per cent. There are between 40,000 and 50,000 trade union members in Estonia. Estonia has two trade union confederations: Estonian Trade Union Confederation (EAKL), which was founded in 1990 as the country was breaking away from the Soviet Union (it became independent in 1991) and Estonian Employees' Unions' Confederation (TALO), made up of unions which left EAKL in 1992. EAKL is primarily a manual workers' confederation, while TALO is primarily a confederation of non-manual workers, but this division is not absolute,

particularly in the case of EAKL which includes several non-manual unions. EAKL is the bigger of the two. In 2012 it had more than 30,000 members, while TALO had only around 3,000 members. The 2009 Statistics Estonia data shows that unions are present in only 6 per cent of all organisations employing five or more people, and 48 per cent of those employing 250 employees or more. This means that significant parts of the economy, including construction and most small companies remain effectively union free (Fulton, 2015a).

Latvia

There is one trade union confederation in Latvia, the Free Trade Union Confederation of Latvia (LBAS), and almost all significant unions belong to it. There are 21 individual unions affiliated to LBAS, and they are normally based on a specific industry or occupation. On 27 September 2017, the Union of Latvian Interior Employees (LIDA) joined the LBAS, becoming the 21st member organisation.

Accordingly, LBAS has had an increase of 2,600 individual members: police officers, firefighters, border guards and prison officers (Karnitis 2017). Internally, unions are made up of local organisations at individual workplaces. Union density remains relatively low, at about 13 per cent, and is much higher in the public than in the private sector.

Lithuania

Trade union membership in Lithuania is low, no more than approximately 9 per cent of the employed workforce (Moore Stephens Europe, 2016a: 3). Most trade unions in Lithuania are affiliated to the Lithuanian Trade Union Confederation (in 2015 50,200 members from 26 sectoral trade unions). In 2015 the Lithuanian Labour Federation had 5,100 members from seven sectoral and

five regional trade unions, and the Lithuanian Trade Union 'Solidarumas' had 10,500 members from 19 sectoral and 20 regional trade unions. In recent years, there have been no fundamental changes in the background and general setting in which the trade unions operate (Eurofound, 2016h).

- Employer's organizations density

Estonia

In recent years, there have not been any significant changes or developments on the employers' side and employers' organisations density has remained stable. The only employer organisation recognised as a national-level social partner is the Estonian Employers' Confederation, which overall represents around 25

per cent of all employers in Estonia. Its members are associations as well as enterprises. The biggest employer association in Estonia is the Estonian Chamber of Commerce and Industry, but it does not take part in collective bargaining and concentrates on developing entrepreneurship (Eurofound, 2016i).

Latvia

Despite good design of the representation system, it is rare for employers' organisations to be involved in collective bargaining, even if they are members of the national level employers' organisation, the Employers' Confederation of Latvia (LDDK). LDDK is the biggest organisation representing the interests of employers. In 2017 LDDK involved 64 branch and regional associations and federations, as well as 112 enterprises that employ over 50 people. Members

of LDDK employ a total of 44 per cent of employees in Latvia (LDDK 2017). Latvijas Tirdzniecības un Rūpniecības Kamera (LTRK, Latvia's Chamber of Commerce and Industry) is also a vocal player supporting employers' interests. LTRK represents employers at the national level and participates in social dialogue but is not an employers' organisation as stipulated by law.

Lithuania

Information on employers' organisations density has been collected by Statistics Lithuania since 2006. The organisations' density during 2006-2014 was rather stable. Around 20 per cent of companies operating in Lithuania are members of such organisations. There are two peak national employers' organisations in Lithuania – the Lithuanian Confederation of Industrialists (LPK) and the Lithuanian Business Employers' Confederation (LDK). They participate regularly in national-level negotiations at the LRTT and also in sectoral level bargaining (Eurofound, 2016h).

• Workplace representation

Estonia

Since 2007, Estonia has had a dual channel of employee representation – employees can be represented by a trade union and/or employee trustee. Employee representation is regulated with the Trade Unions Act and the Employees' Trustee Act. Trade union representatives are elected from among the trade union members and employee trustees are elected by the employees at a general meeting in the company. Both may be present in a given company at the same time; however, the trade union has the prior right to take part in collective bargaining and collective dispute resolution. If no trade union exists in the company, the trustee has the right to conclude agreements or represent employees in collective dispute resolution. Employee trustees mainly

operate in the area of information and consultation procedures. Trade union representatives are also allowed to participate in this process, regardless of the presence of a general representative.

The European Company Survey (ECS) provides data on employee representation at the establishment level in establishments with more than 10 employees. According to these data in 2013 trade unions covered 19 per cent of employees and five per cent of establishments, while employee representatives covered 40 per cent of employees and 35 per cent of establishments (Eurofound, 2016i).

Latvia

Section 10 of the Labour Law states that employee representatives are either trade union members or officials of the association of the trade union, or authorised employee representatives who have been elected in accordance with the Labour Law. Trade unions may be established in compliance with the Trade Union Law. The law does not define thresholds for membership. It is defined in statutes of existing trade unions that not less than three persons may establish a trade union organisation. Authorised employee representatives

may be elected if an undertaking employs five or more employees. The law allows one or several employee trade unions and an indefinite number of trade unions and authorised employee representatives in one enterprise, but requires that all existing employee representatives are authorised for joint negotiations with an employer in proportion to the number of people they represent, but not less than one representative each. There are no data available on employee representation at the establishment level (Eurofound, 2016j).

Lithuania

According to the Labour Code, the rights and interests of employees may be represented and protected by the trade unions. Where a company, agency or organisation has no functioning trade union and the staff meeting has not transferred the function of employee representation and protection of employees to the trade union of the appropriate sector of economic activity, the workers shall be represented by a works council elected by secret ballot at a general staff meeting. The regulation of these bodies is codified by the Labour Code, Law on Trade Unions and the Law on Works Councils.

The European Company Survey (ECS) shows data on employee representation at the establishment level in establishments with more than 10 employees. According to these data in 2013 trade unions covered 21 per cent of employees and 7 per cent of establishments, while employee representatives covered 47 per cent of employees and 54 per cent of establishments, and work councils covered 20 per cent of employees and 15 per cent of establishments. (Eurofound, 2016h).

- Trade union mapping

Estonia

The most important trade union confederation:

	In National Language	In English	
Name of TU Federation/ Confederation/Trade Union	Eesti Ametiühingute Keskliit	Estonian Trade Union Confederation (EAKL)	
Founding Year	1990 (on the basis of Confederation of Estonian Trade Unions founded in 1927)		
Sector/Branch	Primarily a manual workers' confederation but also includes several non-manual unions.		
Cycle of Congresses/ Last Congress	Once every four years; last congress on 27 November 2015.		
Important Functionaries (Chairman, President, International Secretary, Youth Leader, etc.)	Name	Function	Contact (Addr., Tel., Mail, Homepage)
	Peep Peterson	President	(+372) 6412 800 peep.peterson@eakl.ee https://www.eakl.ee/home
	Inge Mirov	Office and training manager	(+372) 6412 810 inge.mirov@eakl.ee www.eakl.ee
	Jaan-Hendrik Toomel	Head of Communication	(+372) 6412 808 hendrik.toomel@eakl.ee www.eakl.ee
	Aija Maasikas	Foreign Secretary	aija.maasikas@eakl.ee www.eakl.ee
Number of Members	18 branch unions in 2016, around 30,000 members.		
Finance	Membership fees; no other data available		
Political orientation (Right/Left/Centre/Christian etc.)	Politically independent but has links with the Estonian social democratic party which resulted from a merger including a left-of-centre political grouping.		
Cooperation in national committees	n/a		
Memberships	Regional Umbrella Associations	Global Umbrella Associations	
	The European Trade Union Confederation (ETUC)	International Trade Union Confederation (ITUC)	

Other important trade union confederations, federations, and trade unions:

Estonian Employees' Unions' Confederation (TALO)

Teenistujate Ametiliitude Keskorganisatsioon (TALO)
Accountant Krista Pärn
raamat39@hotmail.ee
<http://www.talo.ee/>

Estonian Union of Journalists (EAL)

Eesti Ajakirjanike Liit (EAL)
President Meelis Fathom
Meelis@eal.ee
Vice-chairwoman Helle Tiikmaa
Helle@eal.ee
<http://eal.ee>

Railway Employees' Trade Union

Eesti Raudteelaste Ametiühing
President Oleg Tšubarov
evray@evray.ee
www.evray.ee

Estonian Transport and Road Workers' Trade Union (ETTA)

Eesti Transpordi- ja Teetöötajate Ametiühing (ETTA)
President Jaan-Hendrik Toomel
hendrik.toomel@etta.ee
<http://www.etta.ee>

Education Workers' Trade Union

Haritlaste Ametiühing
President Kalle Kalda
kallekas@hotmail.ee

Estonian Union of Healthcare Professionals

Tervishoiutöötajate Kutseliit
President Iivi Luik
iivi.luik@kutseliit.eu
www.kutseliit.eu

Estonian Nurses' Union

President Anneli Kannus
anneli.kannus@ena.ee
www.ena.ee

Latvia

The most important trade union confederation:

	In National Language	In English	
Name of TU Federation/ Confederation/Trade Union	Latvijas Brīvo Arodbiedrību Savienība (LBAS)	Free Trade Union Confederation of Latvia (LBAS)	
Founding Year	1990 (replaced the former union structure in Latvia, which existed when the country was part of the Soviet Union)		
Sector/Branch	A variety of sectors as well as intersectoral level.		
Cycle of Congresses/ Last Congress	Five-year cycle; last congress on 2 December 2016.		
Important Functionaries (Chairman, President, International Secretary, Youth Leader, etc.)	Name	Function	Contact (Addr., Tel., Mail, Homepage)
	Egils Baldzēns	President	+371 67035901 egils.baldzens@lbas.lv
	Ariadna Ābeltiņa	Coordinator of Foreign Affairs	+371 6 7035911 international@lbas.lv
	Linda Romele	Expert on education and employment	+371 67035907 linda.romele@lbas.lv
Number of Members	21 individual unions affiliated to the LBAS, around 100,000 members. On 27 September 2017, the Union of Latvian Interior Employees (LIDA) joined the LBAS as the 21st member.		
Finance	Membership fees, usually 1 per cent of monthly wage; donations; gifts; profit from economic and entrepreneurial activities; European Social Fund		
Political orientation (Right/Left/Centre/Christian etc.)	Formally politically neutral.		
Cooperation in national committee	National Tripartite Cooperation Council and its Sub-councils; Latvian Employers Confederation; National Youth Council of Latvia.		
Memberships	Regional Umbrella Associations	Global Umbrella Associations	
	The European Trade Union Confederation (ETUC); Baltic Sea Labour Network; BUSINESSEUROPE; European Association of Craft, Small and Medium-sized Enterprises (UEAPME); European Centre of Employers and Enterprises providing Public Services (CEEP)	International Trade Union Confederation (ITUC)	

Other important trade union confederations, federations, and trade unions:

Trade Union of Railway Transport of Latvia (LDzSA)

Latvijas Dzelzceļnieku un satiksmes nozares arodbiedrība (LDzSA)
Chairman Savēlijs Semjonovs
Secretary Inese Dubrovskā
arodbiedriba@ldzsa.lv
Head of International Department Violeta Lepiksone
violeta.lepiksone@ldzsa.lv
<http://www.ldzsa.lv>

Health and Social Care Workers Trade Union (LVSADA)

Latvijas Veselības un sociālās aprūpes darbinieku arodbiedrība (LVSADA)
lvsada@lvsada.lv
<http://www.lvsada.lv>

Education and Science Workers Trade Union (LIZDA)

Latvijas Izglītības un zinātnes darbinieku arodbiedrība (LIZDA)
Chairwoman Inga Vanaga
inga.vanaga@lizda.lv
Public Relations specialist Juris Aksels Cīrulis
aksels@lizda.lv
<http://www.lizda.lv>

Trade Union of Public Service Employees (LAKRS)

Latvijas Sabiedrisko pakalpojumu un Transporta darbinieku arodbiedrība (LAKRS)
Chairman Juris Kalniņš
juris.kalnins@lakrs.lv
Secretary-clerk Jolanta Vīlciņa
arodbiedriba@lakrs.lv
<http://lakrs.lv>

Trade Union Federation for People Engaged in Cultural Activities (LKDAF)

Latvijas Kultūras darbinieku arodbiedrību federācija (LKDAF)
Chairman Aldis Mišēvičs
lkdaf@apollo.lv
www.lkdaf.lv

Trade Union "Energija"

LAB "Energija"
Chairman Aivars Āboliņš
abolins@energija.lv
<http://www.energija.lv>

Lithuania

The most important trade union confederation:

	In National Language	In English	
Name of TU Federation/ Confederation/Trade Union	Lietuvos profesinių sąjungų konfederacija (LPSK)	Lithuanian Trade Union Confederation (LPSK)	
Founding Year	2002 (emerged from a merger of two existing trade union confederations which both developed from the trade union organisations which existed at the time when Lithuania was part of the Soviet Union)		
Sector/Branch	A variety of sectors as well as inter-sectoral level.		
Cycle of Congresses/ Last Congress	n/a		
Important Functionaries (Chairman, President, International Secretary, Youth Leader, etc.)	Name	Function	Contact (Addr., Tel., Mail, Homepage)
	Inga Ruginienė	President	+370 5 2496921 inga@lpsk.lt http://www.lpsk.lt/en/
	Janina Matuizienė	General Secretary	+370 5 2496921 janina.matuiziene@lpsk.lt
	Vaiva Sapetkaitė	International secretary	+370 6 2413623 lpsk@lpsk.lt
Number of Members	26 industry federations are affiliated with LPSK, around 56,700 members in 2012.		
Finance	n/a		
Political orientation (Right/Left/Centre/ Christian etc.)	Politically LPSK is closer to the social democratic party.		
Cooperation in national committee	Tripartite Council of the Republic of Lithuania		
Memberships	Regional Umbrella Associations	Global Umbrella Associations	
	European Trade Union Confederation (ETUC)	International Trade Union Confederation (ITUC); cooperates with International Labour Organization (ILO)	

Other important trade union confederations, federations, and trade unions:

Lithuanian Trade Union „Solidarumas“

Lietuvos profesinė sąjunga „Solidarumas“
Chairwoman Kristina Krupavičienė
info@lps.lt; kristinalpss@hotmail.com
Spokesman Vytautas Kašėta
kaseta.vytautas@gmail.com
<http://www.lps.lt>

Lithuanian Labour Federation (LDF)

Lietuvos darbo federacija (LDF)
Chairman Svajūnas Andriulis
s.andriulis@ldf.lt
Secretary General Janina Švedienė
j.svediene@ldf.lt
Chairwoman of LDF Youth Organization Rasita Martišė
r.martisiene@ldf.lt
<http://www.ldf.lt>

Lithuanian Federation of Railway Workers Trade Unions

Lietuvos geležinkelininkų profsąjungų federacija
President Vilius Ligeika
E-mail: lgpf@litrail.lt; v.ligeika@litrail.lt
www.lgpf.lt

Lithuanian Trade Union of Food Producers

Lietuvos maistininkų profesinė sąjunga
President Gražina Gruzdienė
lpms@takas.lt
www.maistprofsąjunga.lt

Lithuanian Teachers' Union

Lietuvos mokytojų profesinė sąjunga
President Jūratė Voloskevičienė
E-mail: lmpps@takas.lt ; jvketti@gmail.com
www.lmpps.lt

Lithuanian Federation of Industrial Trade Unions

Lietuvos pramonės profesinių sąjungų federacija
President Juozas Neverauskas
info@pramprof.lt
www.pramprof.lt

Lithuanian Nurses' Organization

Lietuvos slaugos specialistų organizacija
President Danutė Mergelienė
E-mail: lssobiuras@gmail.com
www.lsso.lt

Lithuanian Trade Union of Health Care Employees

Lietuvos sveikatos apsaugos darbuotojų profesinė sąjunga
President Aldona Baublytė
E-mail: lsadps@vtnet.lt
www.lsadps.lt

Federation of Lithuanian Education and Science Trade Unions

Lietuvos švietimo ir mokslo profesinių sąjungų federacija
President Laima Juknienė
info@lsips.lt, lajukma@gmail.com
www.lsmpps.lt, www.svietimoprofsajunga.lt, www.lampss.lt,
www.lsips.lt; www.lmpps.lt

Lithuanian Trade Union of State Employees

Lietuvos valstybės tarnautojų, biudžetinių ir viešųjų įstaigų darbuotojų profesinė sąjunga
President Irena Petraitienė
lvdps@takas.lt
<http://www.vtarnautojai.lt/index.php/component/content/?view=featured>

Lithuanian Federation of Agricultural Workers Trade Unions

Lietuvos žemės ūkio darbuotojų profesinių sąjungų federacija
Chairman Alfonsas Gedgaudas
E-mail: alfonsasg@hotmail.com
www.lzud.lt

- Employer association mapping

Estonia

The most important employer association:

	In National Language	In English	
Name of Employer's Association	Eesti Tööandjate Keskliit (ETTK)	Estonian Employers' Confederation (ETTK)	
Founding Year	1992 (on historical basis of industrialist association founded in 1917)		
Sector/Branch	A variety of sectors.		
Cycle of Congresses/ Last Congress	n/a		
Important Functionaries (Chairman, President, International Secretary, Youth Leader, etc.)	Name	Function	Contact (Addr., Tel., Mail, Homepage)
	Tiit Kuuli	President	employers@employers.ee http://www.tooandjad.ee
	Toomas Tamsar	Chairman	employers@employers.ee http://www.tooandjad.ee
Number of Members	95 (altogether directly and indirectly it represents around 1,500 companies), around 25 per cent of all employees in Estonia in 2015.		
Finance	n/a		
Political orientation (Right/Left/Centre/ Christian etc.)	n/a		
Cooperation in national committee	National Tripartite Council		
Memberships	Regional Umbrella Associations	Global Umbrella Associations	
	BUSSINESSEUROPE	International Organisation of Employers (IOE); Business and Industry Advisory Committee to the OECD (BIAC)	

Other important employer associations:

Estonian Chamber of Commerce and Industry

Eesti Kaubandus-Tööstuskoda
 Director General Mait Palts
 Mait.Palts@koda.ee
 Communication Manager Epp Joala
 Epp.Joala@koda.ee
 http://www.koda.ee/en

Latvia

The most important employer association:

	In National Language	In English	
Name of Employer's Association	Latvijas Darba devēju konfederācija (LDDK)	Employers' Confederation of Latvia (LDDK)	
Founding Year	1993		
Sector/Branch	A variety of sectors.		
Cycle of Congresses/ Last Congress	n/a		
Important Functionaries (Chairman, President, International Secretary, Youth Leader, etc.)	Name	Function	Contact (Addr., Tel., Mail, Homepage)
	Vitālijs Gavrilovs	President	+371 67225162 president@lddk.lv
	Sana Sture	Communication manager	+ 371 67225162 sana.sture@lddk.lv
	Līga Megelsone	Director General	+371 67225162 lddk@lddk.lv
Number of Members	Its members employ 42 per cent of the total number of employed in Latvia. 110 sector leaders – companies with more than 50 employees, 66 sector and regional associations and federations covering more than 5,000 enterprises in total, of which 3,036 are micro and small enterprises.		
Finance	Funding from European Social Fund, etc.		
Political orientation (Right/Left/Centre/ Christian etc.)	n/a		
Cooperation in national committee	National Tripartite Cooperation Council (NTCC)		
Memberships	Regional Umbrella Associations	Global Umbrella Associations	
	BUSSINESSEUROPE	The Business and Industry Advisory Committee; International Labour Organization (ILO); International Organisation of Employers (IOE); UN Global Compact; International Congress of Industrialists and Entrepreneurs (ICIE); International Coordinating Council of Employers' Unions (ICCEU)	

Other important employer associations:

Latvian Chamber of Commerce and Industry (LTKK)

Latvijas Tirdzniecības un rūpniecības kamera (LTKK)

Chairman of the Board Aigars Rostovskis

info@chamber.lv

+371 67225595

http://www.chamber.lv

Lithuania

The most important employer association:

	In National Language	In English	
Name of Employer's Association	Lietuvos pramonininkų konfederacija (LPK)	Lithuanian Confederation of Industrialists (LPK)	
Founding Year	1989 (successor of the Union of the Lithuanian Entrepreneurs, Industrialists and Businessmen established in 1930)		
Sector/Branch	Unites and represents mainly large enterprises from a variety of sectors.		
Cycle of Congresses/ Last Congress	Five-year cycle; last congress was on 21 June 2012.		
Important Functionaries (Chairman, President, International Secretary, Youth Leader, etc.)	Name	Function	Contact (Addr., Tel., Mail, Homepage)
	Robertas Dargis	President	+370 5 243 10 66 robertas.dargis@lpk.lt
	Dalius Gedvilas	Vice President	info@statybininkai.lt
	Jonas Guzavičius	Vice President	info@kaunoliftai.lt
Number of Members	47 sectoral, 9 regional associations and 28 direct member companies; 2,346 member companies in total in 2015, as well as 22,637 employees.		
Finance	From administering governmental projects that are directed to educate employees and provide a sustainable growth in the job market, membership fees, income from various services to its members (such as consultations, seminars, etc.) and different funds. Yearly budget is around €4.85 million.		
Political orientation (Right/Left/Centre/ Christian etc.)	n/a		
Cooperation in national committees	National Tripartite Council		
Memberships	Regional Umbrella Associations	Global Umbrella Associations	
	BUSINESSEUROPE; European Economic and Social Committee (EESC); OECD advisory committee for industry – Business and Industry Advisory Committee (BIAC)	International Organisation of Employers (IOE); UN Global Compact; International Congress of Industrialists and Entrepreneurs (ICIE); International Labour Organization (ILO); Union of Industrial and Employers Confederations of Europe (UNICE); European Business Congress (ECB)	

	In National Language	In English	
Name of Employer's Association	Lietuvos darbdavių konfederacija (LDK)	Lithuanian Business Employers' Confederation (LDK)	
Founding Year	1999 (as a result of a merge of the National Confederation of Businessmen (Nacionalinė verslininkų konfederacija) and the Lithuanian Entrepreneurs' Employers Confederation (Lietuvos verslininkų darbdavių konfederacija)).		
Sector/Branch	Unites and represents mainly small and medium-sized enterprises from a variety of sectors.		
Cycle of Congresses/ Last Congress	Congress meetings are held every other year; last meeting was on 20 March 2015.		
Important Functionaries (Chairman, President, International Secretary, Youth Leader, etc.)	Name	Function	Contact (Addr., Tel., Mail, Homepage)
	Benediktas Juodka	President	Igirdo g. 31, Vilnius, LT-03219 Tel.: (5) 2 496 448 Email: info@darbdaviai.org http://www.darbdaviai.org/lt
	Danas Arlauskas	Director General	8-5-2496448 http://www.darbdaviai.org/lt
Number of Members	1.800 member companies in 2015		
Finance	The main source of funds for the GDL is membership fees (entrance and annual). Confederation membership fee is not large - depending on the company's number of employees.		
Political orientation (Right/Left/Centre/ Christian etc.)	n/a		
Cooperation in national committee	National Tripartite Cooperation Council		
Memberships	Regional Umbrella Associations	Global Umbrella Associations	
	European Association of Craft, Small and Medium-sized Enterprises (UEAPME);	n/a	

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