

LATVIA

Trade Union Monitor

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**FRIEDRICH
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POLITICAL, ECONOMIC AND SOCIAL DEVELOPMENTS AND FACTS

POLITICAL DEVELOPMENT

The Soviet Union's legacies have left a huge impact on trade unions and their abilities to adapt to new political and economic realities after the restoration of the independence of Latvia. A fairly weak tripartite social dialogue and the previous absence of a sectoral social dialogue were characteristic features of industrial relations in Latvia during that period of time. The civil society movement that led to the regaining of independence in 1991 was related to anti-communist political mobilisation. The political development was dominated by neo-liberalism and the opposition to state socialism. The anti-socialist political climate in the post-Soviet Baltic States, including Latvia, influenced the evolution of the welfare regime in these countries. The insufficient mobilisation and impact of Latvian trade unions and challenges in establishing and strengthening industrial relations in Latvia could be explained by society's opposition to socialism, as well as trade unions being associated with socialism and the previous communist regime. Focus on entrepreneurship, business competitiveness, marked by cheaper labour costs as the main selling point, as well as the chronic uncertainty on the labour market added further challenges to a successful transition and reformation of the trade unions in the 1990s.

The Latvian trade unions did not establish a tradition of political engagement through the mobilisation of members and trade union leaders, who would join political parties and become members of parliament (except in the parliamentary elections in 1995). For years, trade unions managed to maintain political neutrality and are not associated with any political party at present. On the one hand, the lack of political stability, the frequent change of political power and the lack of a definite classification of political parties (e.g. no traditional social democratic or liberal parties) allowed trade unions to keep their reputation "clean" and not connected to political parties which lost their reputation, power and popularity. On the other hand, this left

trade unions with lower chances to influence legislation and policies.

There are no influential active socialdemocratic parties in Latvia. The political party "Saskaņa" positions itself as a socialdemocratic party. In 2017, it was accepted into the S&D Europe. The party supported various trade union proposals regarding labour rights and other social issues within the legislative process in the Parliament (Saeima). However, the party did not overcome the threshold of five per cent in the parliamentary elections of 2022 and is not represented in the Saeima anymore. At the same time, another political party, "Progresīvie", positions itself as a socialdemocratic and progressive political party in Latvia. It entered the Saeima in the parliamentary elections of 2022. Despite being in opposition, this party has the potential to influence social policies and establish good working relations with trade unions.

ECONOMIC AND SOCIAL SITUATION

After the collapse of the Soviet Union, Latvia made good progress in restructuring the economic processes, facilitating competitiveness and reorienting itself towards new markets. After joining the EU in May 2004, Latvia, along with other Baltic states has performed well in the course of Europeanisation, especially regarding the political and economic criteria for the implementation and enforcement of the *Acquis Communautaire*. This created pressure for reforms and changes in policies, structures and processes. Unfortunately, the policy areas of social affairs received less attention and investment in the legal transposition of the *acquis* than other areas.

Severe austerity measures introduced during the economic crisis of 2008–2010 impacted social policies and resulted in drastic cuts for public administration, health care, social care, social protection, public education and other public services. After the economic crisis, despite the economic growth, social development and access to public services were neglected. Health and social care as well as education did not receive sufficient public investment.

According to Latvian Government analysis, until the COVID-19 pandemic, Latvia maintained stable economic growth. From 2013 to 2019, the Latvian GDP grew by an average of 2.9 per cent annually. With the start of COVID-19 pandemic in 2020, the GDP in Latvia decreased by 2.2 per cent. The support measures introduced by the government and the EU financial instruments, as well as the improvement of the epidemiological situation in 2021, contributed to the recovery of the economy and the GDP grew by 4.1 per cent. However, after the beginning of the war in Ukraine, the GDP growth rate decreased to 2.9 per cent in the second quarter of 2022, while in the third quarter, the GDP decreased by another 0.6 per cent.

The COVID-19 pandemic and subsequent restrictions had a significant impact on global demand, resulting in lower prices. In Latvia in 2020, deflation was observed and the average annual inflation was only 0.2 per cent. In 2021, when COVID-19 restrictions eased, global demand increased rapidly, while supply (mainly due to supply chains) was unable to adjust as quickly, leading to higher prices for raw materials, energy resources and food, especially in the second half of 2021. In 2022, Russia's military invasion of Ukraine and the subsequent sanctions resulted in an additional impact on the price increase, which in turn increased the price level in the world. Latvia's inflation rate is one of the highest in the EU – in November 2022 it constituted 21.8 per cent, while the 2022 annual average inflation was 16.2 per cent. The drastic growth of inflation put pressure on the household income since prices for public and private services and goods, increased followed by an increase of utility prices, in particular energy costs. The government introduced support measures for households, with a focus on the most vulnerable. However, public compensation did not correspond to the energy expense increase. Prices are set to rise faster than wages.

Despite considerable improvements in the last 20 years, labour productivity still stands at 60 per cent of the EU average. As admitted by the European Commission, economic growth has not been fully inclusive as income inequality is among the highest in the EU. According to Eurostat in 2020, the income quintile ratio (S80/S20) was 6.3 compared to the EU average of 4.8, and grew to 6.6 compared to the EU's 5.0, regional disparities persist and the poverty risk remains significant. Limited access to services and low adequacy of social assistance for vulnerable groups (older people, persons with disabilities, the unemployed), including long-term care, social housing and individual needs-based social services, further hinders social inclusion. The risk of poverty or social exclusion remains high (25.1 per cent in 2020, compared to an EU average of 21.9 per cent).

Low funding limits the provision of accessible and timely health services and results in poor health outcomes, limited access to services and medical personnel shortages. Despite the recent temporary increases in health expenditure per capita, and the additional public funding (290 million euros committed in 2020) to urgently support the health system during the COVID-19 pandemic, Latvia's health system remains underfunded. In 2019, only 61 per cent of health ex-

penditure was publicly funded, and the share of out-of-pocket spending was among the highest in the EU. The number of nurses per 1,000 inhabitants in 2019 was about half the EU average and one of the lowest in the EU.

According to the European Commission, the share of people aged over 65 with long-term care needs is higher in Latvia than in other EU countries, and these needs are primarily met by informal carers. Public spending on long-term care is below the EU average (0.5 per cent vs 1.7 per cent EU in 2019), with significantly higher spending on institutional care than home care or cash benefits. The formal care system is underdeveloped, with long waiting times.

Low funding for social protection results in relatively high-income inequality and the risk of poverty and social exclusion. Due to low public spending on social protection (13.5 per cent of GDP vs 22.0 per cent EU in 2020) and the low redistributive effectiveness of the tax-benefit system, the impact of social transfers (other than pensions) on poverty reduction remains limited. The situation is particularly poor for older people, the unemployed and persons with disabilities. Despite the increases, the income of the recipients of the minimum income support, pensions and disability benefits falls well below the poverty line.

According to the analysis of the European Commission, following an increase to 8.1 per cent in 2020, unemployment dropped again to 7.6 per cent in 2021. With 68 per cent of the population living in cities and 32 per cent in rural areas, the unemployment rate is higher in rural areas than in urban areas (9.1 per cent compared to 7.7 per cent). As a result of demographic developments, the working-age population (20–64) has been shrinking in absolute terms over the last decade, additionally affected by migration outflows on top of low fertility rates. The reduced labour supply due to the demographic decline results in increasing labour shortages, which are further exacerbated by structural issues, such as as differences in employment conditions across regions and mismatching skills.

Until now, the minimum monthly salary has been raised irregularly, previously it was raised to 500 euros from 1 January 2021. Before that, the minimum wage was raised to 430 euros from 1 January 2018. Starting with 1 January 2023, the minimum wage increases to 620 euros. However, the minimum wage in Latvia is still the lowest in the Baltic states and one of the lowest in EU, followed by Bulgaria. In 2021, an average of 149,173 workers, or 19.4 per cent, received the minimum wage or less, which was 1.3 per cent points more than the year before, when 18.1 per cent of workers received the minimum wage or less.

The monthly average gross wage continues to increase rapidly. In the third quarter of 2022, it increased by 6.3 per cent – rising to 1,384 euros per month. At the same time according to the European Commission, Latvia registered the highest gender pay gap in the EU in 2020 at 22.3 per cent, well above the EU average of 13 per cent. This is in contrast of one of the lowest gender employment gaps

(4.8 per cent vs 10.8 per cent for the EU27 in 2021). The shadow economy and envelope wages constitute a serious challenge for the labour market. In 2020, the shadow economy in Latvia grew up to 25.5 per cent of GDP. Envelope wages were the largest component, accounting for 46.9 per cent of the total shadow economy. The highest share of the shadow economy in Latvia is in the construction sector (in 2020: 28.7 per cent), followed by wholesale (25.3 per cent), services (24.9 per cent), retail (23.9 per cent) and manufacturing (23.0 per cent).

TRADE UNIONS IN LATVIA – FACTS AND FIGURES

HISTORICAL OVERVIEW

At the end of the 1980s, the transition from the Soviet-style planned economy to the capitalist market system was initiated. The adoption by the Supreme Court of the Latvian SSR on 4 May 1990 of the Declaration “On the Restoration of the Independence of the Republic of Latvia” played a decisive role in the establishment of the new Latvian trade unions.

Only a few weeks later, on 25 and 26 May 1990, 26 trade union organisations founded a new trade union federation, the Free Trade Union Confederation of Latvia (Latvijas Brīvo Ardbiedrību Savienība, LBAS), which replaced the previous umbrella organisation, the “Republican Trade Union Council of Latvia”, to defend common interests and achieve goals. A new era of trade union development began. Some elements of the earlier system, such as the pyramidal organisational structure based on a single national-level organisation, remained unchanged.

A new legal basis for trade unions was stipulated by the Law on Trade Unions, adopted on 13 December 1990, and the LBAS Statutes. The law laid down the definition of trade unions in Latvia as follows: “Trade unions in the Republic of Latvia are independent public organisations, which express, represent and protect labour and other social and economic rights and interests of their members.” International law is also referred to: trade unions must observe the principles and norms specified in the Universal Declaration of Human Rights and other international covenants and conventions.

In the period 1990–1993, Latvia experienced a sharp economic decline. Some trade unions ceased to exist, others merged or were absorbed by stronger ones. LBAS was tasked with providing humane living conditions for people suffering from the political and economic changes. A characteristic feature of this period was the dominance of the centrally-oriented system, with an independent LBAS at the centre and independent trade unions and federations of trade unions around it. Trade unions outside this system did not play a significant role. In 1991, LBAS affiliates (sectoral trade unions) had 1,300,000 members, in 1993 624,000 and in 1995 320,000. After 1995, the decline in trade union membership was gradual, but slower and in 2015 LBAS affiliates had 96,000 members. According to statistics available to LBAS for 2021, 7.1 per cent of workers (61,559 members) in Latvia were unionised,

which is the lowest level of unionisation since Latvia regained independence (2017: 10.2 percent, 91,496 members). In the LBAS member unions, 9.7 per cent of employees and 15.4 per cent of all employees are covered by collective agreements.

After accession to the European Union in 2004, trade unions became eligible for financial assistance from EU Structural Funds, which provided an opportunity to improve trade union capacities in terms of expertise, training, research and consultation. It is crucial for trade union and social dialogue development in Latvia to improve the socioeconomic environment and slow the brain drain from Latvia to Western European countries.

On 1 November 2014, a new trade union law came into force, which lays down general provisions for the establishment and operation of trade unions and their federations, as well as the principles for the cooperation of trade unions with employers, employers’ organisations and their federations, and state and local institutions.

LBAS is a member of the European Trade Union Confederation ETUC and the International Trade Union Confederation ITUC.

TRADE UNION LANDSCAPE

The central trade union confederation is the Free Trade Union Confederation of Latvia (LBAS). However, LBAS is stagnating and gradually losing members. Although almost all major branch unions are affiliated to LBAS, there are also some smaller ones that are not affiliated. At the end of 2021, LBAS had 19 member organisations and around 58,000 members. Earlier, after the 2021 Congress, one affiliate, the union of ICT, post and telecom workers, LBAS PRO, left LBAS, mainly because it felt the confederation was not giving enough support to the vaccination campaign. LBAS is not strong and modern enough to meet the expectations of members and workers, especially in the private sector.

In recent years, trade unions have invested more in education and training to move people from a post-Soviet attitude to a European social dialogue orientation and to increase trust in trade unions in general. The ETUC, together with its research institute, the ETUI, has invested heavily in building the intellectual capacity of unions, in leadership development (including women) and renewal. Despite this, LBAS is gradually losing its position as the central trade union in Latvia because it is unwilling to change and most of its leaders are of retirement age. If there is to be trade union renewal in Latvia, a new generation must emerge and transform the trade union movement.

According to Latvian law, a single trade union can be formed by at least 50 people. Although Latvian trade unions have been weakened by the sharp rise in unemployment in recent years, more than 345 unions were registered in the trade union register in 2021 (compared to 295 unions in total in 2017). The number of trade unions is therefore increasing nominally.

Table 1
Main trade unions confederations in Latvia

Trade Union Confederation	Chair and Vice Chair	Members	International memberships
Latvijas Brīvo arodbiedrību savienība LBAS (Free Trade Union Confederation of Latvia)	Chair: Egils Baldzēns Vice Chair: Gita Oskaja, Anda Grinfelde	61 559 (2021)	ITUC, ETUC

Table 2
Main sector federations and individual trade unions in Latvia

Sector federation / trade union	Confederation	Chair and Vice Chair	Members	International memberships
LatvijasIzglītības un zinātnesdarbiniekuarodbiedrība, LIZDA (Latvian Education and Science Workers' Union)	LBAS	Chair: Inga Vanaga Vice Chair: Irina Avdejeva	20687	EI / ETUCE
Latvijas Tirdzniecības flotes jūrniekuarodbiedrība, LTFJA (Union of sailors of the merchant fleet)	LBAS	Chair: Igors Pavlovs Vice Chair: Andrejs Umbrāško	7 045	ITF, ETF
Latvijas Dzelzceļnieku un satiksmesnozaresarodbiedrība, LDzSA (Latvian Railway and Transport Industry Union)	LBAS	Chair: Savelijs Semjonovs	6 748	ITF / ETF
LatvijasVeselības un sociālāsaprūpesdarbiniekuarodbiedrība, LVSADA (Latvian Health and Social Care Workers' Union)		Chair: Valdis Keris Vice Chair: Liga Barina	8 000	PSI / EPSU
Latvijas Sabiedrisko pakalpojumu un transporta darbinieku arodbiedrība, LAKRS (Latvian Union of Public Service and Transport Workers)	LBAS	Chair: Juris Kalnins Vice Chair: Edgars Niedritis	3 017	ITF, ETF, PSI, EPSU
Latvijas Meža nozares arodbiedrība, LMNA (Latvian Union of Forest Workers)	LBAS	Chair: Kristine Rapa Vice Chair: Ligita Brahmāne	2 853	BWI, EFBWW
Latvijas arodbiedrība Enerģija LAB "Enerģija" (Latvian Energy Union)	LBAS	Chair: Aivars Abolins Vice Chair: Lilita Vagele	2 738	PSI, EPSU
Latvijas Iekšlietu darbinieku arodbiedrība, LIDA (Union of Internal Affairs Workers of Latvia)	LBAS	Chair: Armands Augustans Vice Chair: Andrejs Melnalksnis	2 611	EuroCOP

Trade unions in Latvia are traditionally organised by branch. Due to massive digitalisation and the “new normal”, COVID-19 has led to considerable turbulence and a realignment of the industries. Unions are prevalent in the public sector, including education, health, social work, public transport and local government. Unions are weakly represented in the private sector. The trade unions are mostly made up of local organisations in individual workplaces.

Trade union membership rates are falling every year. Membership decline can be partly explained by structural issues, namely, Latvia’s economy being characterised by small and medium companies (SME) which account for more than 90 per cent of companies, particularly, in the private sector. It is difficult to establish a trade union and conclude a collective agreement in an SME. Trade unions are in a transition process to switch to sectoral organising instead of classical organising characterised by the establishment of a trade union or trade union unit in an enterprise or a workplace.

Another explanation is related to the legal recognition of trade unions and their added value to society. The last factor to mention is the lack of organising strategy and regular recruitment and activities in LBAS-affiliated organisations. Member organising requires investment into public campaigning and organising personnel, however, no such investment is available.

Other factors include the fragmentation of trade unions and lack of readiness of smaller trade unions to restructure and merge, lack of solidarity, as well as an image of trade unions that prevents attracting young workers.

Finally, the fact that benefits of collective agreements have to apply to all workers in the enterprise creates an opportunity for “free riders” and decreases motivation to join a union.

However, membership decline does not impact all sectors equally, some sectors manage to keep their membership base stable or even attract new members, e.g. seafarers or forestry.

WORKING CONDITIONS OF TRADE UNIONS

The Constitution of the Republic of Latvia (Satversme) guarantees the freedom of trade unions and the right to strike: “Employed persons have the right to a collective labour agreement and the right to strike. The State shall protect the freedom of the trade union.” However, this freedom may be subject to restrictions in circumstances provided for by the law in order to protect the rights of other people, the democratic structure of the state, and public safety, welfare and morals.

Trade union rights and obligations are regulated by the Law on Trade Unions, as well as Labour Law and other labour rights related legislative acts. According to the Law on Trade Unions, everyone has the right to freely, without any direct or indirect discrimination, establish a trade union and, in compliance with by-laws of a trade union, to join a trade union. The number of people who establish a trade union cannot be less than 15 or less than one fourth of the total number of the people employed at the company that, on the other hand, cannot be less than five employees. However, to establish a trade union on the sectoral level, no less than 50 employees are required. Finally, a trade union association may be established if at least three registered trade unions unite.

Previously, the threshold for establishing a trade union raised concerns with the ILO and the European Committee of Social Rights. According to trade unions who support thresholds determined by the Law on Trade Unions, workers intending to register a trade union in an enterprise can choose one of the proposed criteria taking the particular situation and the size of the enterprise into account. For instance, in a medium (50–249 workers) or large enterprise (more than 250 workers), workers would choose the requirement of 15 workers, however, in a small enterprise (10–49 workers), workers would choose the requirement of one fourth of the employees. In practice, this would allow establishing a trade union with five to twelve workers.

In addition, by-laws of most of the sectoral trade union organisations provide for an opportunity to establish a permanent trade union unit in an enterprise with a minimum requirement of three workers. Like that, a trade union unit is, on the one hand, bound by the by-laws of the sectoral trade union, on the other hand, it has collective, financial and expertise support of the sectoral trade union.

The Law on Trade Unions guarantees the main rights of trade unions, as well as protecting representatives of trade unions against discrimination and unfair dismissal. In addition, section 110 of the Labour Law provides for a unique provision protecting all trade union members. Namely, any employer wishing to terminate the employment contract with a trade union member has to receive a confirmation by the trade union. Without this trade union approval, the employer can dismiss a trade union member only through a litigation process. This provision is criticised by employers and received numerous proposals to be deleted. However, according to trade unions, this instrument serves as protection against unfair dismissals and discriminatory actions against trade union leaders.

Trade union representatives have additional protection. If the employer intends to give a written reproof or issue a reprimand in writing for the violation of specified working procedures or an employment contract to the trade union representative, who fulfils the duties of a representative concurrently with the contracted work, they must consult promptly with the respective trade union.

There is no criminal liability for discriminatory actions against trade union representatives. Instead, there is administrative liability for such actions, as provided for in the Labour Code. In addition, the above-mentioned protection for trade union members and representatives does not apply to civil servants.

During the COVID-19 pandemic, trade union freedoms were generally not restricted. It should be noted that the legal provisions related to the pandemic did not prohibit the conduct of strikes or the application of the Law on Strikes. The strike could be carried out in the existing conditions without the gathering of employees in person, using the forms of a passive strike, thus not violating the requirements of the legal provisions around COVID-19. Trade unions were not deprived of the right to found new trade unions, to express their opinion in the mass media, to be consulted and informed, to negotiate collective agreements, as well as to hold strikes.

TRADE UNIONS AND THEIR CORE TASKS

Tripartite Cooperation

Representing workers' interests within the tripartite cooperation is one of the main tasks and main topics on the agenda of LBAS. The National Tripartite Cooperation Council (NTCC) established in 1999 is the main instrument of the tripartite social dialogue in Latvia. According to the statutes of the NTCC, LBAS is the only social partner representing the interests and rights of employees.

The NTCC and its sub-councils provide a platform for social partners to be consulted on and involved in policy and law-making practically in all areas of the economy. It is the main instrument for discussing relevant policies and reforms, including those related to the European Semester or resulting from it. The NTCC has ten sub-councils covering all aspects of economy, for instance taxation and budget, labour affairs, social security, health care, transport, communications, IT, public security, environmental protection, regional development, VET and employment, competition and sustainable development.

Labour Rights

Another core function of LBAS is protecting labour rights, including occupational health and safety. The main platform for establishing new or amending existing labour standards in Latvia is the NTCC and its sub-council on labour issues. This platform is the main instance for any labour rights-related standard. The Parliament (Saeima) has legal rights to initiate draft legislative acts about labour rights, however, so far, the Parliament kept the tradition not to forward any initiatives for review unless they have been discussed in the NTCC sub-council on labour issues.

The main level for establishing new or amending existing labour standards is legislation. Collective agreements provide for additional details and further improvement. The main legislative acts regulating labour rights include the Labour Law, Trade Union Law, Law on Strikes, Labour Dispute Law, Labour Protection Law.

In recent years, trade unions in Latvia have initiated a reform to establish a new approach for more autonomy for collective bargaining (see further section on collective bargaining), therefore, more standards appear to be left for collective agreements when this is specifically permitted by legislative acts (e.g. new provisions on telework, on reduction of furlough payment, length of the probationary period).

In order to influence the awareness about labour rights and to lobby for workers' position in legislative process, LBAS has established the tradition of organising labour rights seminars and labour law forums. For more than ten years, every autumn LBAS invites trade union experts, judges and public administration representatives to the traditional Labour Law Forum to discuss relevant labour law issues and future directions of their development. During the period of 2017–2022, the Labour Law Forum, supported by FES, facilitated the discussion on issues like the impact of digitisation on labour law, the right to strike, the rights of trade unions, the autonomy of collective bargaining negotiations, the impact of COVID-19 on the Labour Law, remote work, mandatory vaccination, personal data protection. LBAS actively influenced legislative proposals on the aforementioned issues.

In 2018–2020, comments on the Labour Law were prepared and published in 2020 with the support of FES. In 2019, the publication "Exclusive rights of trade unions and freedom to negotiate collective agreements" came out. In addition, LBAS experts contributed to the development of labour law legal thought by publishing in the legal journals *Jurista Vārds*, *Itiesības*, *Bilances Juridiskie Padomi* on various issues of the Labour Law.

The European Trade Union Confederation (ETUC), the International Trade Union Confederation (ITUC) and the annual International Labour Conference of the International Labour Organization (ILO) provide LBAS with recognised expertise in preparing arguments in the context of the labour law process.

Through the ETUC standing committees, LBAS experts participate in the EU legislative process, providing arguments and proposals. Thereby, LBAS represents the interests of Latvian workers on EU level to make sure that their needs are considered in the development of European labour legislation (e.g. the Revised Posting of Workers Directive, Work Life Balance Directive, Transparent and Predictable Working Conditions Directive, Minimum Wage Directive, Pay Transparency Directive (proposal)). For example, LBAS has actively contributed in the legislative proposals for the revised Posting of Workers Directive and advocated for the inclusion of reimbursement of travel and accommodation costs for posted workers. In the discussion for the Minimum Wage Directive proposal, LBAS

stood for inclusion of cost of living as the criteria for determination of minimum wage on the national level.

Participating in the agenda of the ILO, LBAS contributes to the development of several conventions and recommendations, as well as annually providing comments on the government reports on ratified and unratified ILO legal instruments.

Collective Bargaining

In the public sector, collective bargaining on wages is governed by the provisions of the Law on Remuneration of Officials and Employees of State and Local Government Authorities, which includes a closed list of issues that can be covered by collective agreements in the public sector. The sectoral collective agreement in the social care sector was renewed in 2019 and signed between the Nursing and Health Care Personnel Trade Union, the Trade Union of Employees of State Institutions, the Self-governments and Finance Sector, and the Health and Social Care Workers Trade Union on one side and the Ministry of Welfare of Latvia on the other side. The agreement applies to all institutions under the Ministry of Welfare that have trade unions in the aforementioned sectoral organisations. The agreement sets the minimum wage rates.

In the private sector most of collective agreements in Latvia are concluded on enterprise level. At the same time, wages in Latvia in general are set by law and not through collective bargaining. Some existing collective agreements have indications and guidance on how to determine wages and organise the wage system. However, minimum wage rates are set by the Regulations of the Cabinet of Ministers, currently by the Cabinet Regulation No. 656, regulating the amount of the monthly minimum wage within the framework of regular working hours as well as the calculation of the minimum hourly wage.

Latvian law provides for the extension of collective agreements *erga omnes*. According to section 18, paragraph 4 of the Labour Law, employers, groups of employers, an organisation of employers or an association of organisations of employers who employ more than 50 per cent of the employees in one sector or if the turnover of their goods or the amount of services is more than 50 per cent of the turnover of goods or amount of services of one sector, are bound to a general agreement for all employers in the relevant sector that applies to all of their employees. The data provided by the Central Statistical Bureau is used in the calculation of representativity criteria. The extension *erga omnes* requires publication in the official gazette.

Previously, the thresholds for *erga omnes* collective agreements were set too high considering the economy structure. In 2017, following the initiative of the social partners, amendments to the Labour Law lowered the representativity thresholds for employers' organisations to sign *erga omnes* collective agreements, namely, the 60 per cent of turnover was lowered to 50 per cent.

However, collective agreements cover approximately 20 per cent of the labour force and despite existing framework for

the extension of collective agreements *erga omnes*, there are only three *erga omnes* sectoral collective agreements in force, namely in railway, construction and the glass fibre sectors.

The lack of sectoral collective bargaining can be explained by the long-standing culture to regulate employment standards in detail through legal regulations. The main negotiations on labour-related issues take place within the tripartite cooperation system and result in detailed amendments to the Labour Law and other related legislative acts. The provisions of the Labour Law therefore do not provide much space for collective bargaining.

In 2017, the social partners LBAS and the Employers' Confederation of Latvia (LDDK) started a discussion to create more autonomy for collective bargaining. As a pilot initiative with an aim to facilitate and provide more space for collective bargaining and avoid setting a single standard for all sectors and professions, a possibility to allow deviation from the provisions of the Labour Law by sectoral collective agreements was discussed. Trade unions researched the ILO standards and interpretation, as well as the best practices of countries successful in collective bargaining. As a result, the social partners agreed with the government on an amendment to the Labour Law, providing the possibility to deviate from one labour provision – article 68 of the Labour Law setting the minimum amount of supplementary payment for overtime work at no less than 100 per cent. The deviation is allowed if all the following conditions are met: 1) the collective agreement is universally binding (*erga omnes*) in the sector, 2) it is signed by a trade union that is affiliated with the largest trade union confederation, 3) it provides for a significant raise of minimum wage in the sector, which is not less than 1.5 times the state-set minimum wage. The amendment to the Labour Law entered in force on 1 May 2019.

This initiative started a new approach to collective bargaining in Latvia. As a result, the social partners in the construction sector signed the sectoral collective agreement (*erga omnes*) providing for the minimum wage in the sector, namely, the minimum monthly wage 780 euros and the minimum hourly wage rate 4.67 euros. The agreement entered into force on 3 November 2019.

Another sectoral *erga omnes* collective agreement was concluded in the glass fibre sector in December 2019. The agreement provides for the minimum wage in the sector depending on the category of workers.

Regarding further efforts to create more autonomy for collective bargaining by allowing to deviate from separate provisions of the Labour Law, according to the trade unions, it is permissible only if workers' rights and interests are effectively guaranteed and workers benefit from such provisions. This is possible through collective bargaining exclusively with trade unions representing workers' interests.

The low coverage of collective bargaining can be additionally explained by the fact that the current legislative framework does not set a sufficiently facilitating environment for those

employers that conclude collective agreements. According to LBAS, in order to further develop the system of sectoral collective bargaining, additional motivational factors needed to be adopted. Stimulating factors like the reduction of tax on benefits provided by collective agreements can be motivational and open the door for more collective agreements. In 2020, LBAS submitted a proposal to the Ministry of Finance initiating discussion on potential tax reduction for benefits provided by collective agreements on health, education and training and transport. However, only a tax reduction for health benefits provided by collective agreements was adopted.

Furthermore, the difficulties in sectoral collective bargaining can be explained by a lack of awareness and understanding of the benefits of collective bargaining among employers and the degree of organisation on the employers' side, which may not meet the representativeness threshold for extended collective agreements.

Strikes

The right to strike is protected by the Constitution of the Republic of Latvia (*Satversme*). The procedure for declaring and organising strikes is regulated by the Strike Law. Political strikes are prohibited, the strike initiated in order to express political requirements, political support or political protest is unlawful. Solidarity (sympathy) strikes are limited with only those strikes permitted that are related to the general agreement (regarding tariffs, labour and other social protection guarantees) and its fulfilment.

For particular categories of employees in the public service the right to strike is either completely denied or limited by the requirement to provide minimum continuation of services. Judges, prosecutors, workers of the police, fire-protection, fire-fighting and rescue service, border-guards, members of the State security service, warders and persons who serve in the National Armed Forces are prohibited from going on strike. In 2000, with the adoption of the new State Civil Service Law, the legislator cancelled the prohibition of the right to strike for civil servants. For certain services essential to the public, the minimum amount of work has to be continued, for instance, medical treatment and first aid, public transport, drinking water supplies, electricity and gas, air traffic control, waste and water collection and treatment.

Finally, a strike is unlawful if it is declared during the term of validity of a collective agreement in order to change the conditions of this collective agreement, thus violating the amendment procedures. A strike is considered to be unlawful, if it pertains to the issues upon which the parties have already agreed during strike negotiations.

Participation in a strike is voluntary and an employee may not be forced to participate in a strike or be prohibited from participation. This means any employee has the right to participate in a strike given that limitations to the right to strike provided by the legislative acts are respected.

Historically, there have not been many strikes in Latvia. This could be explained by the general lack of collective action on

all levels in society, lack of strike funds in most of the trade union organisations and in particular implications of the procedure to declare strike (employers can dispute the legality of strike, which may result in the prohibition to commence strike).

At the same time, larger trade unions have experience in organising strikes, e.g. trade unions in the education, health care and transport sectors. In 2022, the lack of structural social dialogue in good faith resulted in two warning strikes by LVSADA in July and September 2022, both accompanied by public rallies in the streets. In September 2022, after the government's refusal to adopt remuneration and workload schedules in the sector, the strike was declared by LIZDA. The collective dispute negotiations resulted in an agreement between LIZDA and the government.

Economic Governance and Social Issues

One of the main problems on the agenda of trade unions in Latvia is low remuneration, in particular in the public sector. Despite the fact that Latvia's economy is improving, remuneration levels do not catch up with the economic growth and hyperinflation. Remuneration of health and educational personnel poses a particular challenge.

Since the activation of the European Semester process, LBAS uses this instrument to draw attention to and put pressure on the Latvian government to keep social issues in focus and align social development with economic growth.

The European Commission reports of 2019–2022 largely reflect the opinions of LBAS and its member organisations in relation to the low level of remuneration of health personnel that result in the inaccessibility of health care services and huge out-of-pocket payments for health care. The same applies to the lack of educational personnel, which leads to problems with availability and quality of public and professional education. The European Semester process facilitated the improvement of communication between LBAS, the Ministry of Economy and the European Commission in preparing the report on Latvia.

LBAS actively participates in ETUC's Committee of European Semester Coordinators (TUSLO), which ensures TUSLO training, process coordination, information gathering and submission to the European Commission.

Core Tasks and Capacity

One of the main challenges of trade unions is their low capacity, in particular financial capacity. Membership fees contribute only one third of their income and do not secure the necessary finances for hiring lawyers and experts that are essential to provide legal assistance to members on enterprise and sectoral level or quality opinions and proposals by LBAS as the social partner within the national tripartite cooperation. Therefore, trade unions explore possibilities of the ESF projects and other grants to boost their capacity. The realisation of the projects therefore became one of the core tasks for LBAS.

The energy cost crisis of 2022–2023 and skyrocketing prices for heating, electricity and public utilities created additional pressure on the trade union budget. Having two trade union houses recognised as historical monuments granted for rent-free use by the government, LBAS found itself torn between keeping or returning the properties to the state. The historical monuments require vast investments for their renovation before they eventually turn into a revenue source. Such financial resources are not available to trade unions struggling due to declining membership rates, lack of additional income, COVID-19 created economical pressure and the energy cost crisis. These challenges are likely to remain unresolved in the near future.

TRADE UNIONS AND THEIR (POLITICAL) WEIGHT

Despite the severe decline in membership rates since Latvia gained independence, trade unions managed to successfully mobilise on national level over the years. Since its establishment in 1990, LBAS remains the only trade union confederation on national level in Latvia and has developed political weight and influence when it comes to social policy setting and the legislative processes. Being involved in the main government reforms and decisions, though not always able to influence them, LBAS always attended the negotiations or at least sat at consultations table. The central platform for LBAS' influence is the NTCC and its ten sub-councils.

The large public sector trade union organisations LIZDA and LVSDA were able to gather workers for huge demonstrations and strikes, requesting pay rise in the public sector (protests of 1994, 1995).

In 1999, LBAS managed to organise demonstrations and citizens' signatures to oppose the pension reform that forced the government to negotiate a to find a compromise with the trade unions. In 2000, the trade unions managed to put pressure on the government and to initiate a public referendum against the privatisation of "Latvenergo", a public enterprise in the energy sector, which resulted in trade union success. Further public protests in 2005 helped to pressure the government to raise minimum wage and untaxable amount.

However, trade union action against the government during the economic crisis of 2008–2010 was more challenging. In 2009, Latvia signed the Memorandum of Understanding between the IMF, the European Commission and the Republic of Latvia that led to vast austerity measures in the public sector, cuts for social protection, health and education. Trade unions were involved in the difficult and technical negotiation process over promises to keep the cuts temporary. However, after the end of the crisis, public investments in social development did not resume in the necessary way to ensure accessibility to public services. At the same time, the trade unions were able to defend the labour code against flexibilisation and the lowering of labour standards during the austerity period until today.

The NTCC's work and LBAS' ability to influence socio-economic decisions deteriorated during the COVID-19 pandemic.

In March 2020, the government created closed working groups in which trade unions and employers were represented in order to ensure a quick consultation process. Although this virtual working group approach has been effective in providing a platform for the social partners' input, the seats allocated to unions during online meetings was limited to one or two union members. In addition, closed working groups were not only intended for social partners, but also for other employers' organisations and interested representatives of the civil society. Therefore, the classical processes and structures of the social dialogue were not respected during the emergency situation. No meetings of the NTCC or its sub-councils were convened until autumn 2020. Despite the social partners' concerns about the discussion and decision-making format (limited participation and time, quality of digital tools, inclusion of non-social partners representatives), in general, decision-making took place and trade unions had the opportunity to express their opinions and proposals.

After agreeing to conduct social dialogue under the conditions of remote work, the participation of the social partners improved, and the LBAS was more and more national working groups dealing with economic, social, health and safety issues at the national level. At the same time, involvement of national social partners in essential planning documents such as the national Recovery Resilience Plan (RFF) plan was delayed and lacked involvement during the development phase itself.

Since 2015, consultations with the social partners in the framework of the European Semester have been an additional instrument to put pressure on the government and to draw attention to social issues and the interests of workers.

The success of LBAS' involvement in policy- and law-making can be explained by the fact that LBAS is the only confederation on national level and the sole social partner from the workers' side. LBAS managed to keep the unity among the trade unions over years. Compared to other countries with several national trade union centres (e.g. Hungary, France, Lithuania), having one single national trade union confederation makes it easier to speak with one voice for all workers.

An important factor for successful participation is also the clear and well-organised NTCC structure, defined by the NTCC Regulation.

Nevertheless, with regard to participation, the organisation of the social dialogue lacks equality. LBAS is the sole representative for all workers in Latvia, while the employers' side is represented by three institutions, namely, the Employers' Confederation of Latvia (LDDK) as the official social partner on national level, joined by the Latvian Chamber of Commerce and the Council of Foreign Investors. Influencing their decisions and convincing them to side with the employees' side, requires strong capacity, which is challenging for an organisation with declining membership numbers.

At the same time, LBAS kept political neutrality over the years, cooperating with all political parties equally. In Latvia, trade

unions do not receive any direct financial support from the government, which ensures the option of opposing government decisions. However, to be an equal partner in the negotiations with the government and three resourceful employers' organisations demands sufficient trade union capacity and experts to prepare and present arguments and constructive proposals. Without the additional financial support and considering declining membership rates, employing experts presents a significant challenge and therefore, threatens the political influence of trade unions.

Despite not being able to successfully put pressure on decisionmakers regarding remuneration, wages in the public sector, the availability of social protection and health care services, LBAS managed to keep the Labour Law standards on a respectful level in Latvia. However, it can be concluded that LBAS and its member organisations failed to advertise and promote their contribution and success in society. As a result, there is no vast recognition of trade union work in society. Workers enjoy the benefits provided by the Labour Law and other legislative acts without connecting them to the achievements of the trade union movement.

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