



Industrial relations and social dialogue  
**Lithuania: Institutions, policies and  
practices for enforcing minimum  
wage compliance**

*Minimum wages: Non-compliance and  
enforcement across EU Member States  
Comparative report*

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*Research carried out prior to the UK's withdrawal from the European Union on 31 January 2020, and published subsequently, may include data relating to the 28 EU Member States. Following this date, research only takes into account the 27 EU Member States (EU28 minus the UK), unless specified otherwise.*

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# 1. Legal framework and minimum wage enforcement institutions

## Regulation of minimum wage enforcement

<b>LEGAL FRAMEWORK</b>	<p>The enforcement of minimum wage is included in over-arching labour regulation. Provisions on enforcement of minimum wage are included in the Labour Code, in the Code of Administrative Offences, Law on Employment (in relation to undeclared work) and Law on the State Labour Inspectorate.</p> <p>Main recent reforms include:</p> <ol style="list-style-type: none"> <li>1) the introduction of the Social Insurance Contribution floor in 2018.</li> <li>2) the prohibition to pay minimum wage for skilled labour (introduced by the new Labour Code on 1 July 2017).</li> <li>3) the transparent employee identification information system, coming into force in the construction sector on 1 April 2022. Employees working in the construction site - self-employed, employees and/or posted workers - are obliged to register in the system and to obtain and hold a construction worker ID number.</li> </ol>
<b>SPECIFIC REGULATIONS</b>	<p>There are no specific regulations for MW enforcement in sectors, territorial areas, or for specific groups of workers, except in the construction sector where the construction worker ID system came into force on 1 April 2022.</p>
<b>DISPUTE RESOLUTION MECHANISMS</b>	<p>An employee considering that his/her rights have been violated has the right to defend them by applying to a Labour Dispute Commission under the State Labour Inspectorate (SLI) and/or the court (Art. 216, par. 1, LC), or to apply to the SLI for the defence of his/her rights in administrative procedure (Art. 18, LC).</p> <p>Protection of employees (present or former) or other persons who disclose information about illegal activities of the employer and/or other persons subordinate and accountable to the employer is regulated by the Law on the Protection of Whistleblowers of the Republic of Lithuania and by the Labour Code.</p>

## Enforcement institutions and coordination system in place

<b>ENFORCEMENT INSTITUTIONS</b>	<p>The State Labour Inspectorate (SLI) is a generalist institution in charge of labour law enforcement, thus including minimum wage.</p> <p>Police and the Financial Crime Investigation Service may be involved by the State Labour Inspectorate to conduct investigations.</p>
<b>INTERNAL ORGANISATION</b>	<p>The State Labour Inspectorate is under the Ministry of Social Security and Labour. It has 10 regional units all over Lithuania.</p>
<b>COORDINATION</b>	<p>The State Labour Inspectorate cooperates with all trade unions and employers' organisations and maintains relations with more than 30 governmental institutions and organisations, municipalities, organizations of counties and Government representatives in counties.</p> <p>In 2019, seven public authorities (State Tax Inspection, Financial Crime Investigation Service, Police Department, State Border Guard Service, Customs Department, SLI and State Food and Veterinary Service) signed an agreement to establish a Risk Analysis Centre and five Joint Operation Centres. These centres are not specifically designed to enforce the compliance with MW, but rather to address the problems of undeclared work, illegal work and shadow business.</p>

<b>MONITORING AND DATA COLLECTION SYSTEM</b>	The State Labour Inspectorate monitors the implementation of the Labour Code and submits a report on the monitoring and an assessment of the results achieved to the Government and the Parliament at the end of every year. Reports include the number and classification of violations of the law and contain proposals for legislative improvements. This monitoring is also supported by the Open Sodra system, where anyone can see the number of employees earning less than the MW and average wages paid by all companies and organisations operating in Lithuania.
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## Resources and capacity of control/enforcement institutions in charge of MW compliance

<b>FINANCIAL RESOURCES</b>	EUR 8,052 thousand in 2021. No special allocations for minimum wage enforcement. The number has increased in recent years (doubled in the period from 2012 to 2021). Considered partially adequate.
<b>HUMAN RESOURCES</b>	Number of inspectors in regional divisions of the SLI: 162 (2022). Number of inspectors decreased by 17.3% in the period 2012-2020.  No special staff for minimum wage enforcement.  Partially adequate. The Inspectorate has issues in attracting human resources. Inter-institutional cooperation helps to partially compensate for staff shortages, but this does not solve the problem. The Inspectorate needs to increase its staff by at least 30%.

## 2. Enforcement measures

<b>BALANCE BETWEEN DETERRENCE AND PREVENTIVE MEASURES</b>	Supporting/preventive measures are becoming increasingly important, and the control system has been improved with the collaboration of other institutions (such as the State Tax Inspection). The number of campaigns and measures introduced in recent years demonstrates the attention of institutions to the issue.
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### Deterrence measures

<b>TYPE OF MEASURE AND CHANGE IN USE IN THE LAST DECADE</b>	Targeted inspections, use of data matching: decreased.  Use of peer-to-peer surveillance, use of sanctions: stable.
<b>INSPECTIONS AND VIOLATIONS</b>	The number of inspections has declined in the last decade and violations are difficult to detect. Considered as partially adequate.  No data available on the number of violations, but they are estimated to have declined, likely as a result of the preventive measures introduced recently.
<b>SANCTIONS</b>	The Labour Inspectorate can impose fines for non-compliance with MW and, in case of undeclared work, can oblige the employer to establish regular employment relations. Employees have the right to claim unpaid wages or part thereof.  According to the Code of Administrative Offences, fines for violations of wage calculation go from €300 to €1,450. Fines are higher for repeated or intentional violations.  Fines are considered to be very mild, while other measures (including preventive measures) have been more effective.

## Persuasion/preventive measures

<b>TYPE OF MEASURE, INSTITUTION IN CHARGE, CHANGE IN THE LAST DECADE</b>	Awareness raising and information, incentives and awards for compliant firms: increased.
<b>ROLE OF DIGITAL TOOLS</b>	Digital tools are largely used by the Labour Inspectorate, including digital databases and an electronic counselling system to answer frequently asked questions from interested parties. During the pandemic a remote labour dispute resolution system and online counselling opportunities were developed.

## 3. Role of social partners

### Social partners

<b>ROLE + FOCUS ON SPECIFIC SECTORS/TERRITORIES/WORKERS</b>	<p>There is no special role of trade unions and employers' organisations in detecting and enforcing/promoting MW compliance among companies and workers.</p> <p>While unanimously agreeing that paying close to minimum wage for skilled labour is a big problem, social partners do not consider the detection and enforcement and promotion of MW compliance as a problem. If aware of irregularities, however, trade unions report to the State Labour Inspectorate.</p> <p>The Trade Union Solidarumas set up a labour inspectorate in 2018, but its activities are not focused on minimum wage enforcement.</p>
<b>CHANGE IN LAST DECADE</b>	Stable
<b>COORDINATION</b>	The only cooperation initiative is <i>Baltoji banga</i> (Clear Wave), which unifies over 80 companies and aims to promote transparency and integrity in business. The State Labour Inspectorate is one of the partners of <i>Baltoji banga</i> .
<b>STRENGTH/WEAKNESSES</b>	<p>In Lithuania, trade unions and employer organisations play a negligible role in the enforcement of MW, because they do not see any problem in this area. Trade unions also tend to put greater emphasis on the problem of forced labour, human exploitation, etc., rather than on the problem of MW compliance and enforcement.</p> <p>Overall, while trade unions and employer organisations are aware of the problem of illegal work and undeclared work - especially in sectors such as construction, transport and manufacturing and for foreign workers – they are not in a position to represent third-country nationals and non-unionised workers.</p>

### Role of other institutions/stakeholders

<b>OTHER INSTITUTIONS/STAKEHOLDERS</b>	Increased role of the State Social Insurance Fund and the State Tax Inspection
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### EU cooperation

<b>EXAMPLES OF EU COOPERATION</b>	Lithuania cooperates with other EU countries in the European Platform Tackling Undeclared Work. The State Labour Inspectorate has carried out joint inspections with enforcement institutions of other EU member States such as Belgium, Latvia and Norway. If there are bilateral
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	or multilateral agreements, labour inspectors and other officials from other EU Member States and European Free Trade Association countries may also participate in inspections conducted on the territory of Lithuania.
<b>CHANGE IN LAST DECADE</b>	No
<b>STRENGTH/ WEAKNESSES</b>	Language barrier is a major problem, both during inspections and when analysing documents. However, the European Labour Authority (ELA) is making a major contribution by organising all the inspections, including the translation of the documents and hiring interpreters if needed.

## 4. Enforcement challenges, strengths and weaknesses of the enforcement system

<b>MAIN ENFORCEMENT CHALLENGES</b>	<p>The main challenges for minimum wage enforcement are related to inadequate working time accounting, where employers state in employment contracts and agreements that employees do not work full time, while they actually work longer hours to avoid paying full social insurance contributions. The solidarity of employees with their employers in committing such offences makes it more difficult for inspection authorities to detect them.</p> <p>The construction sector, which employs a high number of foreign workers, is particularly at risk of non-compliance with minimum wage; but it is difficult for authorities to detect violations.</p>
<b>STRENGTHS AND WEAKNESSES</b>	<p>Lithuanian legal system is rather effective as it imposes several key obligations on employers that reduce the risk of non-compliance with minimum wage.</p> <p>Among the strengths of the enforcement system there are the regional organisation of enforcement institutions and the good level of cooperation.</p> <p>However, controls can only be effective if workers cooperate and denounce violations or testify to the fact that the accounted or recorded working time does not correspond to the de facto situation.</p> <p>Investments are being made in technology and inspectors' qualification, although inspectorates are understaffed and are facing issues in attracting new personnel.</p>

Source: National Eurofound Correspondent for Lithuania

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