

Industrial relations and social dialogue Latvia: Developments in working life 2023

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Eurofound reference number: WPEF24051

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Introduction

In compliance with the data from the Central Statistical Bureau of Latvia (Official Statistics Portal, 2024), compared to the relevant period of the previous year, GDP declined by 0.4% in the first quarter of 2023, by 0.8% in the second quarter of 2023 (both seasonally quoted) and 0.7% (seasonally unquoted) in the third quarter of 2023 (it grew by 3.4% on Y/Y basis in 2022).

The unemployment rate was low throughout the year (6.6 - 6.7% in age group 15 - 64 years old during the first to third quarters 2023). It was slightly lower than in 2022, when unemployment level in this age group and relevant period changed from 6.9 to 7.5%. In 2023, the employment level in the same period was 70.8 - 72% among people aged between 15 and 64 in 2023, about the same as in 2022, when it was 70.5 - 72%.

The Bureau informs that annual average inflation was 8.9% in 2023 (10,6% in 2022), while through the year it changed from 21.5% in January 2023 to 0.6% in December 2023. A major impact on inflation in 2022 and beginning of 2023 was the rise in prices of housing-related energy resources – electricity, gas, solid fuel and heating.

In 2022 the government introduced support measures to compensate for the rapid increase in the prices of energy resources which initially continued to 30 April 2023. The relevant law was amended and extended several times and is still in force. These support measures partially compensated households' payments for energy and maintained their purchasing power. In end of 2023 energy prices rapidly fell. Due to these two circumstances, impact of inflation was not strong.

In 2023, energy poverty or other economic disasters were not observed in Latvia.

On the political scene, the main events were elections of the state president and change in the government connected with this.

No changes were introduced regarding industrial relations and social dialogue. Social partners were heard mainly in connection with planning and introducing of so-called banks' tax, pay in education and health care sectors, developing "Tax policy guidelines for 2024-2027", as well as in serving of their members (informing and training) and implementation of EU funded projects that were started in previous years. Except in education and health sector, protests, demonstrations, political movements and similar actions were not observed.

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Political context

In the political context the main event was elections of the state president and change in the government connected with this. On 31 May 2023 Edgars Rinkevičs (party "New Unity") was elected as Latvia's president (Latvijas valsts prezidents, 2024). During the year, two governments were in office: the second government of prime minister Arturs Krišjānis Karinš (party "New Unity" (in office from 14 December 2022 to 15 September 2023) and a government led by prime minister Evika Siliņa (party "New Unity" (in office from 15 September 2023). Both governments had 14 ministries and ministers (Cabinet of Ministers, 2023b).

Presidential elections were complicated. Already before the elections it appeared that the existing Cabinet of Ministers and even existing coalition of three parties ("New Unity", "The United List" and "The National Union") are not united. The coalition was not able to agree on a single nominee for president's elections, and several candidates were proposed. The existing state president Egils Levits initially agreed to run for the position of the country's president for a second term, but shortly before the elections announced that he would not apply to act as the first official of the state, because he apparently did not have sufficient support from the political parties. After this announcement "New Unity" nominated Edgars Rinkevičs, who at that time was minister of foreign affairs. Two more nominees were submitted: Uldis Pīlēns (party "The United List") himself nominated his candidacy, and Elīna Pinto was nominated by the political party "Progressives".

Immediately after the president's elections, prime minister Krišjānis Kariņš declared that if the current coalition could not agree on a single candidacy for the state president, the discussion should be started about the enlargement of the coalition by party "Greens and Farmers union" and party "Progressives". The discussion resulted in important changes in the existing government and coalition. In August 2023 Krišjānis Kariņš resigned, and on 24 August 2023 President appointed Evika Siliņa as prime minister and approved a new government from 15 September 2023.

"Greens and Farmers union" and "Progressives" were included in the coalition, while "The National Union" and "The United list" left the coalition and joined the list of opposition parties.

In the new government, three ministers remained from the previous government and coalition, one remained but changed field of responsibility, two were ministers in the same fields of responsibility in previous governments and eight became ministers for the first time. Saeimas (Latvian Parliament) speaker was also re-elected: the position of Eduards Smiltēns ("The United list") was taken by Daiga Mieriņa ("Greens and Farmers union"). Heads of some Saeima commissions were changed.

First 100 days of the new government were assessed positively despite quite populistic approach to the opportunities for the development of the national economy and lack of long term vision about the tasks and duties of the government. The most urgent problems (limitation of energy prices, assistance to borrowers, adoption of the Istanbul convention and timely adoption of the state budget) were solved in the first months of action of the new government. The government demonstrated the ability to act quickly and decisively, however, sometimes without assessing the long-term consequences of its decisions.

The society observed this process with positive attitude. The new government promised different social benefits and resolution of difficult social problems – these were good news promoting social peace. Provided social assistance at least partly compensated raising cost of living. Promised

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increase of salaries in education and health care sectors calmed down the social partners in the sectors where their activity was the greatest. Energy prices and inflation decreased and stress about growing living costs lowered. Except in education and health sector, protests, demonstrations, political movements and similar actions were not observed.

In 2023 inflation lowered, and the local political context became less important. Latvia is an open country politically and economically, and heavily dependent on processes in its external markets and EU in general.

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Actors and institutions

Social partners

During 2023, the national level actors and institutions dealing with working life related issues did not change. The Free Trade Union Confederation of Latvia (LBAS) represented employees' rights and interests, and the Latvian Employers' Confederation (LDDK) represented its members – employers' interests. New national level social partners organisations were not established.

Neither Law on Trade Unions (Latvian Saeima, 2014) nor Employers' Organisations and their Associations Law (Latvian Saeima, 1999) were amended. The relevant chapters of the Labour law (Latvian Saeima, 2001) also were not amended. The very last amendments to the Labour law were made in 2022, when the amounts of minimum wage in 2023 and 2024 were fixed in the Labour law (Latvian Saeima, 2022b).

Rules of representativeness of social partners did not change.

Currently, LBAS unites 19 sector level trade union federations (LBAS, 2024). LDDK unites 97 companies with more than 50 employees and 64 industry and regional business associations and federations (LDDK, 2024). Official data on mergers and demergers of social partners organisations at sector level and membership of sector level organisations is not collected and published. LBAS collects annual data on membership and collective bargaining for its internal needs, but these are not publicly available.

Main directions of activities of trade unions were protection of employees' rights and social interests, as well as active involvement in development of the governments' social policy and tax policy. LBAS participated in the tax policy reform working group.

In video on 31 August 2023, LBAS chairman Egils Baldzens earmarked actualities of LBAS work and their demands in connection with: increase in average wages in light of competitiveness among the Baltic states; tax policy; relations between employers and employees; the need to rapidly raise the non-taxable minimum; fulfilment of politicians' promises to employees of all sectors and fulfilment of strike demands, problems in the field of transport; inflation compensation; insufficient restriction of the shadow economy (LBAS (2023h).

Main directions of the LDDK activity were protecting rights and interests of their members, direct participation in the development of economic policy and vocational education. LDDK mission is "to create a supportive environment for business in Latvia, promoting the competitiveness of entrepreneurs and representing employers within the framework of social dialogue at the national, European Union and international levels (LDDK, 2021).

Both social partners cooperated with all levels and profile state institutions, including direct meetings with the state president and prime ministers, as well as sectors' ministers. These meetings aimed at formation of a platform for coordination of action and cooperation plans and providing input of social partners in solving existing and initiating new issues in the interests of employers and employees (for instance, LBAS, 2023p; LDDK, 2023b and other). Social partners persistently declared readiness to take part in priority directions of the government, which however are not yet clearly defined.

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Social dialogue bodies or frameworks

In 2023 the institutional basis and legislative framework of social dialogue and collective bargaining did not change except minor changes in the National Tripartite Cooperation Council (NTSP) ((NTSP, 2024). The role of social partners slightly decreased amid wider involvement of NGOs in the public consultation process before adoption of policy documents and legislative acts. NTSP was less than before used in the social dialogue. Meanwhile social partners actively communicated with government, provided their suggestions and proposals, and tried to increase their role in a decision making process.

The National Tripartite Cooperation Council remains the main social dialogue discussion platform. In 2023, NTSP revised statutes and personnel of three sub-councils (NTSP, 2024).

The legislative framework for social dialogue and collective bargaining also did not change in 2023.

In practice, the trend of involving a wide range of non-governmental organizations in the government's consultation bodies continued also outside NTSP. The rights of social partners as specific government partners were officially not changed, however, their importance decreased as consultation bodies include large groups with sometimes more than 100 involved persons and organisations. Based on this trend in 2021 during the intensive discussion period about COVID-19 containment policy, larger cooperation partners, such as the Latvian Chamber of Commerce and Industry (LTRK), the Latvian Academy of Sciences (LZA) and the Latvian Association of Local and Regional Governments (LPS) and social partners LDDK and LBAS formed a coalition and prepared their common vision on the discussed issues. This on one hand helped to improve challenge of social partners to be heard, but, on the other hand, reduced the need for a separate discussion in the framework of social dialogue. To illustrate, in 2022 only three meetings and in 2023 only four meetings of NTSP were held, while in 2021 – five meetings, in 2017 nine meetings were held.

In 2023, NTSP discussed very narrow scope of items. Of ten discussed items:

- three were organisational issues (approval of the personnel and regulations of three Tripartite Cooperation Sub-councils of NTSP);
- three times NTSP discussed government action plans (process of developing the action plan of the second government led by A.K. Kariņš; the Government's action plan of the second Cabinet of Ministers headed by Arturs Krišjānis Kariņš; and the action plan of the E. Siliņa's government);
- three times discussed State budget issues (macroeconomic indicators, revenue and general government budget balance forecasts for 2023, 2024 and 2025, the state budget for 2023 and the budget framework for years 2023-2025; and the state budget for 2024 and the budget framework for 2024-2026);
- one meeting was devoted to just one issue (about the strike announced by the Latvian Education and Science Employees' Union (LIZDA) (NTSP, 2024).

During 2023, national level social partners tried to put social dialogue back on politicians' agenda. They repeatedly demanded for general NTSP meetings on their most important issues and submitted proposals for discussion (LBAS, 2023a; LBAS 2023b; LDDK 2023m and other). Social partners prepared their proposals during the meetings of NTSP sub-councils. For instance, on 12 January 2023 the proposals of social partners and ministries for the government's action plan were discussed in five sub-council's meetings of NTSP. LBAS invited government to hold NTSP meeting on 6 February, before submission of the state budget so that social partners can discuss the budget, but this did not happen. The next meeting was held on 24 February 2023) (short before the state budget for 2023 was adopted by Saeima on 9 March 2023).

During the NTSP meeting on 6 February, LBAS planned to call for the adoption of a timetable for NTSP meetings for 2023, as well as to identify the main topics to be discussed in 2023, among them not only traditional "trade union's items" (the annual state budget framework, raising the non-taxable minimum and the minimum wage, increasing the competitiveness of wages at least in the context of the Baltic states). In the meeting on 23 February 2023, some new topics were added to the NTSP agenda:

- increasing the coverage of collective agreements in connection with the EU directive;
- inclusion of the members' fee in the eligible expenses of personal income tax (IIN, Latvian Saeima, 1993);
- application limits of the differentiated income tax;
- extension of VAT reliefs applicable to the employer's expenses stipulated in collective agreements - for transport, service hotel/accommodation, general professional and higher education, to further promote the expansion instruments, extending of meaningful support also to employed in state and local governments' joint-stock companies and budget institutions;
- highlight the revision of the daily allowance for business trips in the territory of Latvia;
- increasing the VAT exempt amount, to at least €960 per year (€80 per month) and several other issues (LBAS, 2023b).

In the beginning of March, LBAS repeatedly called on state institutions to include in the government's action plan measures providing significant benefits for trade union members and employees, promote the development of social dialogue, improve the capacity of social partners and meaningfully engage them in bilateral and tripartite social dialogue (LBAS, 2023a).

National level social partners provided joint or individual proposals and opinions in all important socio-economic issues not only in frameworks of NTSP, but also in other formats, such as thematic working groups, created by government for solving specific issues. Social partners provided comments and proposals to the action plans of two governments (NTSP 2024; LBAS, 2023a; LDDK, 2023i) drafts of two state budgets (NTSP, 2024), European Semester documents (LDDK, 2023I), implementation of the Latvia's Recovery and Resilience Plan (LDDK, 2023r).

In middle March during the meeting with the minister of welfare, LBAS representatives initiated a discussion on guaranteeing the rights of collective agreements only to members of trade unions, extending the benefits of collective agreements (in whole or in part) only to trade union members and on the support of the Ministry of Welfare for the release of trade union members' fees from IIN (LBAS, 2023p). LDDK supported some of LBAS proposals. For instance, on 4 April 2023 LDDK and LTRK submitted to Ministry of Finance joint proposal on revision of the labour tax policy (LTRK, 2023b). Some of the social partners' proposals were considered by the state institutions. For instance, in end of April LBAS reported that Ministry of Education and Science has responded to the LBAS proposal on personal income tax relief for trade union members (LBAS, 2023d).

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The cooperation between employers based LDDK and the largest business organisation LTRK strengthened in 2023. Above mentioned joint proposal of LDDK and LTRK to the Ministry of Finance on the revision of the labour tax policy (LDDK, 2023b) is just one example. LTRK is not an employers' organisation by law, and as to now, is not an official participant in social dialogue. It may participate in NTSP meetings, but it does not have voting rights. To increase its influence in the decision-making process, LTRK has expressed a wish to become an official member of NTSP. If this happens, the disproportion between employers and employees' representation would increase to the advantage of employers. The inclusion of LTRK in NTSP is not yet officially discussed, nevertheless the rapprochement of LDDK and LTRK in large working groups and lowering of significance of the role of NTSP negatively affects the opportunities of trade unions to defend the interests of employees in the political discussion.

On 6 June 2023, the LBAS sent a letter to the Minister of Finance Arvils Asheradens and the President of LDDK Andris Bite calling for a meeting of the Tripartite Cooperation Sub-council of the Budget and Tax Policy of NTSP in June 2023. At the meeting, LBAS planned to discuss updating and revising of the amount of daily allowance for business trips in the territory of Latvia (LBAS, 2023i). The amount of daily allowance for business trips in the territory of Latvia was last revised in 2020.

It is hoped that the new government, led by Evika Silina, will be more open to social dialogue. The first NTSP meeting of the new government was held on 6 November 2023, less than a month after approval of her government. The social partners were introduced to the draft state budget for 2024 submitted to the Saeima a week earlier. Social partners emphasized that 2024 state budget project was not reviewed before being approved by the Cabinet of Ministers either by the Tripartite Cooperation Sub-council of the Budget and Tax Policy of NTSP, or at the NTSP meeting, therefore the meeting can be considered a formality. However, General Director of LDDK Kaspars Gorkšs expressed satisfaction with the budget for 2024 because, "it has been possible to achieve that three LDDK initiatives are included in the budget package: exemption from population income tax for the employer's employee's study fees paid by the employer; increased health insurance threshold; and compensation for remote work" (LDDK, 2023m). This shows that negotiations are held, and agreements are achieved outside social dialogue infrastructure. He added that it is important to follow how the social dialogue proceeds in the future, because the approval of the state budget for 2024 was not in accordance with the normative regulations – it was not discussed in NTSP, among all social partners. The government has declared its priorities – education, health care and security, yet employers also have their priorities – increasing competitiveness, without which welfare is not achievable, implementing ambitious plan to limit the shadow economy, and reducing of bureaucracy. Trade unions also had good proposals for improvement of social situation, which were not discussed.

The Council of the LDDK, whose representatives are delegated to participate in the NTSP meetings, expressed the opinion that the prolonged imitation of social dialogue observed in Latvia should be stopped, and the focus should be on joint, predictable and effective work. "The absence of social dialogue is one of the reasons that leads to public distrust of the government," said Uldis Biķis, representative of the LDDK council, chairman of the board of JSC "Latvijas Finieris" (LDDK, 2023m).

According to the LDDK, what is needed is the political will to create a sustainable, prosperous country. This cannot be achieved by the parties acting separately, but only together. Therefore, a respectful, responsible and meaningfully structured process of social dialogue is an essential tool for achieving nationally important goals. (LDDK, 2023m, NTSP, 2024)

National level social partners continued promotion of the development of social dialogue and collective bargaining in regions. For instance, LDDK General Director Kaspars Gorkšs participated in the regional event project "Strengthening the capacity of local tripartite social dialogue and NGOs to ensure the participation of Latgale non-governmental organizations in policy development and business development" organized by the Rēzekne Entrepreneurs Association, a member of LDDK. (LDDK, 2023j)

Other working life related institutions

Operation of the State Labour Inspectorate (VDI) is regulated by the State Labour Inspectorate Law. The law did not change in 2023 (Latvian Saeima, 2008).

Operation of the public employment service – the State Employment Agency (NVA) is regulated by the Regulations of the State Employment Agency (Cabinet of Ministers, 2012).

On 3 January 2023, the regular session of the Employment Council (established in 2016) was held, where the Minister of Economy Ilze Indriksone, the Minister of Welfare Evika Siliņa and the Minister of Education and Science Anda Čakša together with the representatives of the Ministries of Economy, Welfare and Education and Science discussed the issues of human capital development in Latvia - the current situation, the main challenges and necessary changes in the existing system to reduce inconsistencies in the labour market.

The Employment Council, consisting of three ministers - economy, education and science and welfare - was established in 2016 to promote changes in the labour market, providing the necessary specialists for the national economy and promoting economic growth. The Council is a collegial informal platform for ministerial discussions aimed at harmonisation interdepartmental cooperation in the planning, development, implementation and monitoring of labour market reforms and reducing of inconsistencies in the Latvian labour market (Ministry of Economics, 2023).

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Developments in collective bargaining

Changes to the collective bargaining structures and frameworks

Legislative framework of collective bargaining (Labour law, Sections 17 - 27) did not change.

Data on collective bargaining

Data on collective agreements is not collected on a regular basis in Latvia.

There are a few general (sectoral) agreements in Latvia – in construction sector, in railway sector and in fibre glass sector. The Ministry of Welfare concludes an agreement with health and social care trade unions. All other collective bargaining is at the company level. Main topics usually covered in those agreements are additional pay and working time issues.

One of rare data sources is data from State Statistical bureau "Distribution of the number of employees by type of activity by type of collective agreement at the end of October 2018 (thousands of people)" (table 1). There is no information on developments in 2023.

Table 1. Distribution of the number of employees by type of activity and type of collective
agreement at the end of October 2018 (thousands of people)

	2018
Number of collective agreements	n.a.
Signed	n.a.
renewed	n.a.
In force	n.a.
Workers covered by these agreements, thsd people	244,7
Collective bargaining coverage	27,1%
Bargaining levels (by coverage)	
inter-confederation collective agreement	5,1
regional	3,5
sectoral	18,2
company	218,0
Topics covered in collective bargaining	n.a.
Other data	n.a.
Number of workers, thsd. people	904,5

Source: Official Statistics Portal, table DSS170. <u>Darbinieku skaita sadalījums pa darbības veidiem pēc koplīguma</u> <u>veidiem oktobra beigās (tūkst. cilvēku)</u>(Distribution of the number of employees by type of activity by type of collective agreement at the end of October (thousands of people).

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Collectively agreed pay outcomes and wage-setting mechanism

Collectively agreed pay is adopted at sectoral and company level.

At national level, monthly amount of statutory minimum wage is discussed among social partners, still the final decision is taken by the government and fixed in the annual Regulations of the Cabinet of Ministers. According to the amendments to the Labour law and annual Regulations of Cabinet of Ministers, minimum statutory wage was increased to €620 in 2023 and €700 in 2024.

In 2023 the Ministry of Welfare organised a working group designing measures, necessary for adjustment to the principles set forth by the EU minimum wage directive (EUR-Lex, 2024). It is envisaged the Regulation of Cabinet of Ministers No. 563 (Cabinet of Ministers, 2016) will be changed or a new minimum wage setting regulation will be developed.

On 29 March 2023, LBAS participated in the first meeting of the expert working group of the European Commission, member states and social partners on the adoption of the directive on minimum wages. There was an active debate about what the provisions of the directive provide, what the European legislator wanted to say and what the member states' obligations are or are not when implementing the directive (LBAS (2023t).

At sectoral level, there is one example of true collectively agreed minimum wage – in the construction sector, where sectoral minimum wage is fixed in the sector's level collective agreement (called General Agreement in Latvia) (in force since 2019) (LBNA, 2019). To meet the needs of the industry its signatories have established the Committee of the Parties to the General Agreement, which has the right to amend the General Agreement. The committee is composed of four representatives of the Latvian Construction Industry Trade Union (LBNA) and four representatives of the Latvian Construction.

On 22 September 2023, after difficult negotiation process (employers several times voted against raising of the minimum wage in the construction industry in 2024), the Committee of the Parties to the General Agreement in the construction sector took decision to increase minimum wage for normal working hours in construction sector from €780 (valid from 3 November 2019) to €930 from 1 January 2024. The minimum hourly rate for those employed in construction was increased from €4,67 (valid from 3 November 2019) to €5.57. For those employed in construction, the bonus for overtime work was set in the amount of 50% of the fixed salary, but if piecework salary is agreed, - not less than 50% of the contract price for work done.

For one year, until December 31, 2024 (transition period), employers can maintain the current minimum wage - €780 per month or €4.67 per hour - for workers in the ninth basic group of professions. (LBAS, 2023m)

Minimum pay may be included in company level collective agreements, usually as increase in percent compared to the previous year. The data is not publicly available, because wage agreements are considered as commercial secret.

Collective bargaining and inflation

Collective agreements rarely include clauses on how to deal with inflation, nevertheless such cases are known in company level collective agreements. Unfortunately, company level collective agreements are not available for research. It is not possible to compare situation in years. When setting national level statutory minimum wage in 2022 (for 2023 and 2024) inflation was not considered, because inflation was low, and there were not expectations about rapid and important increase of inflation.

At the company level, negotiations on wages are usually held every year. At the sector level, the situation is more problematic. As an example, in the construction sector it is difficult to include inflation clauses in the calculation of the minimum wage, because opening of the sector level collective agreement is not welcomed. The level of minimum pay is sensitive issue in all sectors. In 2019 when sector level collective agreement was signed in the construction sector, negotiations were long and difficult. Employers want to pay low wages to stay competitive on the state procurement markets, where the key to success are low costs, and pay additional, sometimes hidden, money in kind of envelope or underground pay. It should be mentioned that construction sector has one of the highest levels of hidden economy.

In company level negotiations, special requirement for inclusion of inflation in the pay negotiations is not introduced.

Employers may also introduce support measures for their employees. To assess the readiness of employers to provide support to employees to mitigate the energy crisis, LDDK together with McCANN Rīga launched a survey. The purpose of the survey was to find out to what extent organizations face the expectations of employees to increase wages to mitigate the consequences of the energy crisis and whether entrepreneurs would be ready to do so if a tax policy were introduced where the energy crisis support payment would not be subject to personal income tax (LDDK, 2023a).

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Developments in governmental responses to inflation

In response to inflation the government introduced several benefits, mostly aimed at compensation of increasing energy prices. The support was targeted both for households with a low or medium income level, and for all households, to limit the increase in tariffs of the electricity supply operator JSC "Sadales tīkls".

In 2023 government adopted Law on State Support for Energy Supply Costs (Latvian Saeima, 2023). Support is targeted for specific groups of households with low and medium-low income levels and should be provided if the market price of energy resources exceeds a certain price threshold, which is determined and approved by the Cabinet of Ministers. The support goes to households whose monthly expenses per member for housing make up 30% of the household income (Latvian Saeima, 2023).

Before adoption of this Law, the government supported amendments to the "Law on measures to reduce the extraordinary increase in energy resource prices". This law was introduced in January 2022. (Latvian Saeima, 2022a). Initially it was intended to be in force until 30 April 2023, but was extended several times and is still in force. The amendments have yet to be decided in the Saeima. According to the amendments, the fixed fee of the tariff (fee for capacity maintenance) will be reduced by 60% for all household users. Some of the measures prescribed in this law are in detail described in EU Policy watch database, namely Additional measures to support for household energy expenses¹ and Additional support for vulnerable groups to address energy price increases¹¹.

High inflation affects not only the population, but also businesses creating cost – price spiral. In an attempt to compensate for the increase in costs, business raise prices, which in turn contributes to an increase in inflation. In some cases, enterprises need the state involvement to compensate raising living costs for population.

In this regard the most discussed item in 2023 was price reform in the electricity supply system when electricity supply tariffs for residents increased significantly. Social partners were involved in this discussion.

On 24 August 2023, LDDK held a members' meeting, where the state-owned electricity supply system's operator JSC "Sadales tīkls" explained the impact of the new tariffs on the business environment. (LDDK, 2023c). Among the members of LDDK are the largest Latvian companies, for which the new electricity supply tariffs could potentially help to promote competitiveness, and the existing reform is a real opportunity to achieve a breakthrough in Latvia's economy. This meeting was held in response to residents' protests to increasing electricity supply tariffs from 1 July 2023. (LDDK, 2023s)

Before reform, enterprises indirectly subsidized the costs of the electricity distribution network for households, and in some elements the costs for households and businesses differed as much as four times. In result of the reform, the price of electricity supply is the same for both enterprises and private residents.

The approved tariff has caused an increase for those households that have a small consumption compared to the connected capacity, but solutions are also offered to these households - to review

the capacity, choose an appropriate tariff model, use the compensating mechanisms provided by the protected user.

LDDK supported the reform, motivating their support by hope, that "the tariff reform is the key to future success in the balanced development of the energy sector and will help to get rid of the long-standing dictate of Russian energy prices and increase the security of our region. Now it remains for the politicians to do their job responsibly, explaining to the public the need for this reform and, without populism, finding means to compensate for the increase in the costs of the less protected groups of society." (Uldis Biķis, chairman of the board of AS "Latvijas Finieris", member of the LDDK Council) (LDDK, 2023c).

Representative of the distribution network JSC "Sadales tīkls" added that if the current approach were to be maintained, the tariff for all customers, including enterprises, would increase by approximately one third, thus continuing to widen the gap in the competitiveness of the national economy with neighbouring countries. (LDDK, 2023c) Among the reasons why the distribution tariffs should be raised is the reduction of electricity consumption, which is facilitated by the energy efficiency improvement measures taken in recent years.

LDDK considers it its duty to promote mutual dialogue and prevent the spread of inaccurate or speculative information in society and invited the rest of the NGO sector to act similarly. In the specific situation, when a significant part of company costs is made up of electricity, reducing production costs is one of the directions for increasing productivity, and reducing electricity distribution tariffs is a significant opportunity for large manufacturing companies to save. New tariffs are more equal, thus preserving the competitiveness of entrepreneurs and creating an opportunity to raise wages.

ⁱ Eurofound (2023), <u>Additional measures to support for household energy expenses</u>, case LV-2022-40/3144 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin

ⁱⁱ Eurofound (2023), <u>Additional support for vulnerable groups to address energy price increases</u>, case LV-2022-45/2909 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin

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Labour disputes and industrial action

Normative regulation of collective labour disputes (Labour Dispute Law (Latvian Saeima, 2002b)) and industrial actions (Strike Law (Latvian Saeima, 1998)) did not change in 2023.

In 2023 industrial actions were discussed in two sectors - education and health care.

Changes to the right to strike

Normative regulation regarding right to strike: Latvian Satversme (Constitution of the Republic of Latvia) (Satversme, 1922), Strike Law (Latvian Saeima, 1998) and Sections of the Labour law about representativeness of employees were not changed in 2023.

The right of employees to strike in Latvia is guaranteed by Article 108 of Chapter VIII "Basic Human Rights" of the Constitution of the Republic of Latvia, which states that "employees have the right to a collective agreement, as well as the right to strike. The state protects the freedom of trade unions", Strike Law, Article 12 of the Trade Union Law, as well as Article 6 of the European Social Charter binding on Latvia.

The Strike Law regulates the procedure for applying for and conducting a strike, the rights and obligations of parties to an interest dispute, restrictions and supervision.

Article 108 Chapter VIII "Basic Human Rights" of the Constitution of the Republic of Latvia, as well as Strike Law and Trade Union Law have not been changed since 2018.

Data on industrial action

Official data on industrial actions were not found.

Collective labour disputes in 2023

There was one major strike in Latvia in 2023 in education sector, which was supported by employees from another public sector – medical workers.

On 14 April 2023 Latvian Education and Science Employees' Trade Union submitted to NTSP, the State Labour inspectorate and the Ministry of Education of sciences announcement about the strike of education workers for three days – from no 24 April 2023 to 26 April 2023 (Cabinet of Ministers, 2023a, LSM, 2023b). The reason for the strike is the resumption of the strike applied on 12 September 2022 and withdrawn on 17 September 2022, based on the third part of Article 6 of the Strike Law, which stipulates that "If an employer does not fulfil the agreement regarding the resolution of the collective interest dispute reached during the strike negotiations, the trade union or employees have the right to re-commence the strike".

When announcing the strike of the employees of the education and science sector on September 12, 2022, LIZDA asked government to fulfil the following:

1) requirement of the Law on Education that the teacher's monthly salary for one workload is not lower than the teachers' salary schedule approved by the Cabinet of Ministers in the particular time period. The teachers' salary schedule should comply with the principles of salary increase determined in the Education development guidelines for 2021 - 2027 and the planned performance indicators. It must be approved for the next five-year period starting

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from 1 September 2023. The government should anticipate the relevant funding in the 2023 and mid-term budget project;

2) balancing the workload of all educators from 2023.

After not reaching an agreement with the government on raising teachers' salaries and balancing workloads, LIZDA started a three-day strike on April 24, in which more than 8,000 teachers participated and went on a large-scale protest march in Riga. They were joined by the healthcare professionals. According to the estimates of the Latvian Health and Social Care Workers' Union (LVSADA), more than 1,000 health workers have joined the pedagogues' protest. (LSM, 2023b).

In addition to the strike demands of 12 September 2022, in 2023 LIZDA required:

1) to determine the lowest pay rates for teachers from 1 September 2023, from 1 January 2024 and from 1 January 2025;

2) to balance the principles of workload from 1 September 2023 for all groups of educators;

3) to increase the amount of the targeted grant per student in accordance with the increase in teachers' salaries;

4) in the medium-term budget, provide funding for salary increases in 2023-2025.

It should be mentioned that financing of both sectors, education and health care, is in the permanent reform process. Ministers often change, and every new minister proposes new financing model. In the short period of time, all of them appear ineffective, because the main problems of both sectors are lack of funding and consequences of this – low wages and, due to this - lack of workers. Leaders of both trade unions carefully follow the developments in the financing of sectors and try to increase funding and avoid mistakes.

After the strike, LIZDA concluded, that it has given positive results - all demands, including load balancing, average student costs and remuneration for the administration of educational institutions, have been eliminated. On April 26, government approved the amendments to the Regulations Cabinet of Ministers granting an additional €4,168,067 in targeted grants to local governments to increase teachers' salaries, to meet the demands of the teachers' strike. However, LIZDA still insisted that due to the absence of calculations, it is not clear whether the agreement on load balancing has been fulfilled and governments' calculations of necessary funding for wage increase are correct (Jauns, 2023).

In November 2023, Cabinet of Ministers approved the Informative report on complex solutions for providing high-quality education in general basic and secondary education, which envisages the introduction of a new model for the calculation of targeted grants for the remuneration of teachers in general basic and secondary education. LIZDA has already criticised this model as "an incomplete funding model for the current experiment" (TVNET/LETA, 2024).

LVSADA also continued negotiations with the Ministry of Health about increasing of salaries for medical workers. On 28 December 2022, two weeks after the approval of the second government of A. K. Kariņš, LVSADA sent a letter to newly appointed minister of health Līga Meņģelsone, inviting to hold a meeting and discuss development of the health sector. Several meetings occurred already in January 2023. During the first meeting on 10 January 2023, LVSADA presented proposals for supplementing the government's action plan (LBAS, 2023k). One of the LVSADA's proposals foresees that for three years in a row, the salary of the employees of the industry is significantly increased, to

finally meet the indicators that twenty years ago the government promised doctors to achieve in 2025. The new salary model for doctors initiated by the first government of A. K. Kariņš promised much less, and a specific salary increase schedule disappeared from the model altogether. Therefore, during the negotiations, it was jointly concluded that introducing the new wage model that was discussed at that time would not be desirable.

While discussing the state budget project for 2023, Health care sub-council of NTSP (NTSP VANA) unanimously decided that, in accordance with the Public Health Guidelines for 2021-2027, in 2023, at least €306 million additional funds should be allocated for health care needs (LBAS, 2023k). The initial offer of Ministry of Health for the salary increases in 2023 was an additional €27 million, which LVSADA rejected as not applicable to the real situation. Continuing the discussion, it was possible to raise the discussed additional funding to €69 million.

During NTSP VANA meeting on 7 March LVSADA reached an agreement with the Ministry of Health regarding the increase of wages for employees of the health sector from 1 April 2023 (LBAS, 2023n). Unfortunately, from the letter sent by Ministry of Health. to LVSADA on 7 July 2023, it appeared that the ministry will not fulfil the agreement, because "the primary criterion for providing additional funding is the availability of additional services to citizens, as well as the limited financial possibilities of the state budget, the relevance of other urgent measures in the sector and the financial impact of the measure for the coming years." (LSM,2023a).

On 16 August, LVSADA presented the Ministry of Health their demands for a collective interest dispute, essentially starting a pre-strike procedure (LBAS, 2023r). These demands were based on the agreement that was reached by NTSP VANA sitting on 12 January 2023 (LBAS, 2023k). Thus, LVSADA just required to fulfil the tripartite agreement on increasing wages in the industry.

The demands of LVSADA provided that from 1 September 2023: 1) the state-guaranteed average monthly salary for doctors and other specialists will be increased by 4.5%; 2) the state-guaranteed average monthly salary for employees of medical institutions who are not medical personnel will be increased by \notin 70.

Along with the mentioned demands, LVSADA expects constructive negotiations from the Ministry of Welfare regarding the additional financing of the state budget for the health sector in 2023 and 2024. (LSM, 2023a)

The strike of medical workers did not happen, because after reviewing the budgets of other ministries, government was able to find €140 million for financing of health care (by €60 million less than the amount provided for in the public health guidelines still more than envisaged before negotiations). Moreover, the total budget of the health sector in 2024 is increased by €275 million which gives an opportunity to increase the salary of doctors, improve the quality and availability of health care services, expand the list of compensable medicines and implement other initiatives.

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Developments in working time

Changes to legislation

Legislation on working time did not change in 2023.

Bargaining outcomes

No information to report.

Debates on duration and organisation

Duration and organisation of working time was debated in relation to the officials of the Ministry of the Interior and Prisons Administration with a special rank.

Latvian Internal Affairs Employees' Union (LIDA) on 2 August 2023, sent a letter to the President of Latvia "On the overtime payment procedure for officials of the Ministry of the Interior and Prisons Administration with a special rank", in which it invites the President to evaluate the information provided by LIDA and as far as possible initiate changes in the regulatory acts, in which, under conditions of shortage of employees and understanding that the officials will be employed in overtime work, such overtime work should be primarily compensated with pay and bonus in order to prevent constant "accumulation" of overtime within the year (LIDA, 2023).

For those employed in the services work that is performed beyond the prescribed time of official duties (overtime) is regularly formed, because regardless of the lack of personnel, it is necessary to ensure the performance of official duties. LIDA, working with its members daily, finds that the 100-120 overtimes that have occurred during every reporting period cannot be considered as something atypical or exceptional, but rather as everyday practice.

The current regulatory framework stipulates that accrued overtime is primarily compensated by granting appropriate rest time. However, the granting of compensatory rest time does not exclude further overtime already in the next reporting period. Overtime is largely formed due to the fact that it is necessary to replace colleagues during the compensated rest period. In this way, a constant "circle" is formed, and overtime accumulates. The problem aggravates due to shortage of employers.

Verdict of the Court of the European Union in the Jaeger's case prescribes that compensatory rest time should be awarded immediately after overtime, while in Latvia the procedure for awarding of the compensatory rest time is not clear.

Article 14, nine prim part of the Law on Remuneration of Officials and Employees of State and Local Government Authorities (Latvian Saeima, 2009) prescribes that overtime work should be compensated no later than within a year. LIDA concludes that with this formulation, the situation is legitimized in which the institution can grant compensatory rest time "someday" when it is possible, thus saving funds and human resources.

For improving the conditions of the employed, LIDA calls on the President not only to initiate changes in the regulatory acts, which would provide for the primary compensation of overtime work with pay and a bonus, but also those that would prevent officials from compensating overtime with rest time "sometime" within the year, but would bring to life the interpretation of the Court of the

European Union that equivalent compensatory rest periods must follow immediately after overtime work.

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Other important policy developments

Regulations on employment status and contracts

Regulations on employment status and contracts did not change in 2023.

On 29 August 2023, LDDK sent a letter to the Ministry of Welfare, repeatedly drawing attention to the previously proposed and discussed employers' proposals for amendments to the Labour Law. LDDK points out the need to address five priority issues promoting the competitiveness of Latvian business: overtime payment; idle time regulation; incomplete accumulated working time; termination of the employment contract for a member of the employee union; the validity of the collective agreement over the time.

In September 2023, LDDK proposed amendments to the Labour law which envisaged lowering the standards for the protection of employees' rights. In its proposals, the LDDK proposes to reduce the amount of overtime allowances set for employees, to cancel the requirement for the existence of collective agreements until the conclusion of a new collective agreement, as well as to cancel the employer's obligation to obtain the consent of the trade union in the event of the dismissal of a trade union member (LDDK, 2023g, LDDK, 2023k).

In the week from September 18 to 22, 2023, two meetings of the Budget and Tax Sub-Council of the NTSP took place, in which LDDK presented its proposals on the necessary changes to the payment procedures for overtime and sick leaves. The Ministry of Finance, after listening to both social partners - LDDK and LBAS - should come up with an effective change plan and action.

At the meeting held on 19 September 19, LDDK demonstrated and explained the analysis prepared by its members and experts, which justifies the employers' demand to reduce overtime pay from 100% to 50%, as well as to change the model of incapacity for work payment so that it is competitive with those existing in the other Baltic states. The goal of LDDK, in stimulating these changes, is to achieve a rapid economic boom by introducing measures that promote the competitiveness of companies. (LDDK, 2023k)

LBAS characterised employers' proposal as attempt to optimise company expenses at the expense of employees' wages and social guarantees and calls not to support the amendments to the Labour Law proposed by LDDK, which envisage lowering the standards for the protection of employees' rights. In its proposals, the LDDK proposes to reduce the amount of overtime allowances set for employees, to cancel the requirement for the existence of collective agreements until the conclusion of a new collective agreement, as well as to cancel the employer's obligation to obtain the consent of the trade union in the event of the dismissal of a trade union member (LBAS, 2023g).

Policies to reduce the gender pay-gap

Reducing of the gender pay gap is constantly under the government's attention. It is a long-term and persistent problem, so the appropriate policy is permanent, long-term and multifaceted. It is implemented as a horizontal policy through measures included in different policy directions.

In 2018 government adopted the Plan for the promotion of equal rights and opportunities for women and men for 2018-2020 (Cabinet of Ministers, 2018). In 2021 government adopted a plan to promote equal rights and opportunities for women and men for 2021-2023. (Cabinet of Ministers,

2021). Similar plan for the following period is not yet published, and the existing plan continue to be valid.

The Plan for promoting equal rights and opportunities for women and men for 2021-2023 aimes at ensuring an integrated, targeted and effective policy that promotes the implementation of equal rights and opportunities for women and men. To achieve the goal, three directions of action are proposed: (1) equal rights and opportunities for women and men in the labour market and education; (2) gender-based and domestic violence; (3) strengthening the integrated approach of gender equality in sectoral policies. In the first direction of action, eight measures are envisaged, among them a measure 'promotion of equal pay in the labour market'. In the second direction five measures are envisaged, in the third direction – seven measures.

Measure "Promotion of equal pay in the labour market" was planned to support public awareness of worker's right to receive equal pay for equal work or for work with equal value and to promote the whistle-blower platform, as well as to support measures of the State Labour Inspectorate (VDI) and the Office of the Ombudsman in the field of labour law violations.

The envisaged performance indicators were informative measures on the right of everyone to receive equal pay; as well as information on wage differences in specific sectors (in particular, the financial and insurance sector and the information and communication technology sector).

The responsible institution for implementation of the Plan for the promotion of equal rights and opportunities for women and men for 2018-2020 is Ministry of Welfare, involved institutions are VK, VDI, NVO, sector level trade unions and local governments. The measure had to be implemented in the third quarter of 2022.

Health and safety regulations and policies

Health and safety issues are covered by several normative acts, including the Labour protection law (Latvian Saeima, 2002a) and 28 normative acts regulating labour protection requirements (VDI, 2024).

Health and safety policies are traditionally implemented by coordinated actions of VDI and social partners. For example, on April 26, 2023, LBAS organized a dedicated conference - "Labour protection = the fundamental right of every person". The conference was attended not only by the representatives of LBAS, the Ministry of Welfare and the State Labour Inspectorate, but also by the representatives of the Institute of Occupational Safety and Environmental Health of Riga Stradins University, LDDK, SIA Vidzemes slimnīca, AS Schwenk Latvija. The conference focused on the following topics: psycho-emotional risks and their prevalence in Latvia, burnout syndrome as an occupational disease, correct choice of individual protection means and work methods, court practice in the field of labour protection and other (LBAS, 2023f).

In 2023, LDDK has organised series of webinars on "Safe and inclusive work environment" (LDDK, 2023t) and Good practice study tours in Latvian companies (LDDK, 2023e). Such tours LDDK organised in AE Partner (in Liepājā), JSC Stora Enso Latvija, in Smiltene, "Jeld Wen Latvija", and other companies. The aim of the study tour is to raise employers' awareness of the importance of labour protection, economic profitability and to promote interest in arranging the work environment for their employees, as well as to promote the exchange of experience and good practices. They are

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organized within the framework of the European Social Fund (ESF) project "Improving the practical implementation and supervision of occupational safety regulations" with the support of the ESF.

Work-life balance related policies

Work-life balance related policy is also permanent, long-term and multifaceted. It also is implemented as a horizontal policy through measures included in other policy directions. For instance, work- life balance related measures can be found in the Plan to promote equal rights and opportunities for women and men for 2021-2023 (Cabinet of Ministers, 2021).

Within the policy direction "Equal rights and opportunities for women and men in the labour market and education", the first measure is "Improved support for work-life balance", and the second measure is "Study of good practice examples of work-life balance".

Measure "Improved support for work-life balance" envisages two results: encouraged discussions on respect for the balance of work and private life in Latvian companies; and ensured adoption of Directive 2019/1158 of the European Parliament and the Council of 20 June 2019 on work-life balance for parents and carers and which repeals Council Directive 2010/18/EU.

Measure "Study of good practice examples of work-life balance" also envisages two results: popularized examples of good practice for balancing work and private life in companies; and collected examples of good practice of employers in ensuring work-life balance.

Life-long learning and skills development

Life-long learning and skills development was effectively promoted by implementation of the EU Structural and Cohesion Funds. Every policy direction of EU Funds program includes education, training and skills development measures. These measures are not interconnected – they are focused on the policy goals and priorities of the particular EU fund, and are actively used in practice. The discussion of a new education policy also continued. Much attention was paid to the development of professional education.

Examples of education, training and skills development measures

In 2023, LBAS continued to organize educational events - lectures on labour protection and labour rights - for students of vocational education institutions, as well as competition PROFS (LBAS, 2023j). In the competition PROFS (derived from "professional/vocational") in which teams of students from vocational education institutions from all regions of Latvia compete in knowledge of labour law, labour protection and social dialogue. The purpose of the PROFS competition is to promote the interest and understanding of the students of vocational education institutions about labour law and occupational safety when starting work, as well as to promote their understanding of trade unions and social dialogue. In the first half of the year, LBAS carries out educational work - professional education institutions are invited by LBAS to apply for lectures labour law and labour protection consultants.

To improve the working legal environment and to remind young people of safe and fair working conditions right from their first work experience, the LBAS has developed a material on the legal aspects of employment of children and teenagers (LBAS, 2023e).

There are a lot of its activities which LDDK devoted to vocational education and skills development. Among the most important are:

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- operating of the Sectors expert council (NEP) (LDDK, 2023o);
- organisation of online accreditation workshops to promote understanding and dialogue about the processes, benefits, challenges and opportunities related to accreditation (LDDK, 2023d);
- organisation of good practice study tours in Latvian organisations and companies, aimed at increasing the employers' understanding of the importance of labour protection, economic profitability and to promote interest in arranging the working environment for their employees, as well as to promote the exchange of experience and good practices (LDDK 2023e);
- measures for promoting safe and inclusive work environment, such as webinar series "Safe and inclusive work environment" for professionals in the sectors;
- career education lectures (LDDK, 2023d);
- skills competition for young professionals SkillsLatvia 2023! (LDDK, 2023n);

Majority of LDDK activities are co- financed from EU funds and implemented in twin projects by both national level cooperation partners – LDDK and LBAS.

In 2023 finished the EU funded project 8.5.2. "Improving the sectoral qualification system for the development of professional education and quality assurance" conducted by the State Educational Content Center, implemented from 2017 to 2022 (LDDLK, 2023p). In this project LDDK was mandated to fulfil the state function – to ensure and coordinate the involvement of industry representatives in the development of project results.

Development of education policy

In February 2023, in the meeting of the Sub-council of tripartite cooperation of professional education and employment (PINTSA), the Ministry of Education and Science (IZM) presented the priorities in professional education, including the adult education development plan for the promotion of skills development. One of the most important goals is to move towards the 50/50 goal, i.e. 50% of students' study in general education and 50% in vocational education. The Ministry planned to introduce study programs also in foreign languages (LBAS, 2023o).

Trade unions had several objections regarding the progress in the financing of professional education programs, mostly related to the fact that the costs of both teaching materials and electricity costs in training workshops, have increased significantly. During the remote working period, the number of used computers has increased significantly, as well as the expenses for their maintenance. The funding allocated to the Ministry of Education and Science to cover the cost of electricity is only enough for one month, while the salary increase for teachers is close to zero, which is related to the change in the number of students. PINTSA members agreed that a letter will be prepared to the NTSP, informing about the critical situation in the expenses section and calling for an increase in funding to cover the primary expenses of vocational education institutions. LBAS supported demand of PINTSA. (LBAS, 2023o)

Already in 2022, LBAS invited the Ministry of Finance and other involved parties to extend the personal income tax reliefs applicable to the employer's expenses for employees stipulated in collective agreements, for example, expenses for the acquisition of an appropriate level of education

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and qualification (general professional and higher education) of workers in the sector, with the goal of raising employee qualifications and productivity (LBAS, 2023d; LBAS 2023a).

In April 2023 in the context of the new financing model for higher education institutions, the Ministry of Education and Science proposed to amend the law on personal income tax, by determining that employers can fully or partially pay for the acquisition of higher education, as well as scholarships for students during internships, without applying personal income tax (LBAS, 2023d).

This proposal was supported by members of the Saeima and representatives of employers at the meeting of the Saeima commission, encouraging it to be discussed in the working group of the Ministry of Finance. LBAS hoped for the support when preparing proposals for improving the tax system, but this was not received.

On 7 August 2023, LDDK sent similar invitation to the Ministry of Education and Science to initiate changes in regulations related to the benefits available to the employer to cover the expenses of the employee's higher education, as well as equal benefits for the payment of scholarships to students who, in parallel with their studies, skills are learned in companies. (LDDK, 2023f)

LDDK has appealed to the minister of education and science, Anda Čakša, and the minister of finance, Arvils Ašerādens, not to allow a decrease in state funding for professional education, but to seek solutions for its increase, starting with the 2024 state budget. The call was made in the context of the publicly announced information about the search for solutions for the redistribution of additional financial resources to the Ministry of Health from other budget departments and the potential redistribution of funding from the funds planned for professional education. (LDDK, 2023h)

On 11 October 2023, during meeting of the Tripartite Cooperation Sub-Council for Vocational Education and Employment (PINTSA) Ministry of Education and Science presented its project on Individual Learning Accounts, which could be a major turning point in adult education. Employers expressed concern about the sustainability of the initiative, whether the platform developed as part of the project would turn into a "ghost" after the end of the project. However, the Ministry of Education and Science dispelled the concerns of employers, expressing the possibility that in the future, individual study accounts could be partially financed from the state budget as well.

The PINTSA meeting also discussed the issue of the planned institutional accreditation of professional education institutions. The State Service for the Quality of Education (IKVD) informed that institutional accreditation has been introduced, educational programs no longer need to be accredited, educational institutions are accredited. The trade union representatives reminded the IKVD and the Ministry of Education and Culture that the financing of professional education has not changed since 2007.

In conclusion, the trade unions suggested that the issue of funding of vocational education should be included in the agenda at the December PINTSA meeting. The trade union draws attention to the fact that, despite the changes in the requirements of the professional education implementation process and the rapid inflation, the funding per student per year has not been reviewed since 2007. The social partners agreed that the issue will be raised for consideration in the National Tripartite Cooperation Council and the Saeima Education, Culture and Science Commission, as well as the Saeima Budget (Tax) Commission. (GOOD, Social partners agree) (LBAS 2023s)

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Other topics

On January 24, the government supported the plan to revise the minimum income thresholds, which came into force from 1 July 2023, but starting from 2024, the minimum income thresholds will be revised every January (as to now - not less than once every three years). The lowest possible limit of the minimum income threshold should be not lower than 20% of the median income. Minimum income threshold is the basis for determination of minimum pensions, the housing allowance, and the guaranteed minimum income (GMI). The social partners and the Ombudsman have long demanded an increase in the minimum income threshold, still in the assessment of LBAS, the new amounts of minimum income thresholds are too low (LBAS, 2023I).

During the meeting with the minister of welfare, among the discussed topics were also increasing of the amount of the unemployment benefit, receiving a full benefit for the first three months, determining a pension supplement for years of service up to 1996 for those who retired starting in 2012, ILO Convention No. 190 on combating violence and harassment in the work environment ratification, implementation of joint and several liabilities in sub-company chains and other issues (LBAS, 2023p).

The agenda of the Ministry of Finance for 2023 includes the task of developing of Tax policy guidelines for 2024-2027. As part of the goal of developing a policy planning document, Ministry of Finance has established a Tax Policy Improvement Coordination Group", in which Latvian social and cooperation partners, including LBAS and LDDK, participate and submit their proposals. Meetings of the Group are held regularly. For instance, the meeting of the Tax Policy Improvement Coordination Group was held on 7 June 2023, where the progressivity of the personal income tax and proposals for other reliefs were considered. At this meeting, LBAS advanced its proposals on the expansion of the basket of VAT benefits, including both education expenses and transport expenses, which have been agreed upon in the collective agreement, as well as increasing the amount of benefits from €480 to €1000 per year. LBAS's position on the progressivity of personal income tax and changes in the differentiated non-taxable minimum from 2024 was agreed at the meeting of the National Economic Council with Ministry of Economics, and in discussion with the heads of trade unions and experts.

The government and social partners also discussed increasing the retirement age. LBAS rejected the need to raise the retirement age (LBAS, 2023c)

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Commentary and outlook

Developments in the Latvian economy in 2023 were determined by the consequences of the COVID-19 pandemic and Russia's war against Ukraine (high energy and food prices, high inflation, reduced consumption, and the high interest rate policy of the European Central Bank), as well as the slower growth of global economic-development engines such as China and Germany. On the political scene, Prime Minister Krišjānis Kariņš resigned in August, and on 15 September 2023, the parliament approved a new government, led by Evika Siliņa. According to experts, the first 100 days in office of the new government has been a success both internally and internationally.

According to the Central Statistical Bureau of Latvia (CSP), compared with the same period of the previous year, gross domestic product (GDP) declined by 0.4% in the first quarter of 2023 and by 0.8% in the second quarter of 2023 (both seasonally adjusted) and 0.7% (not seasonally adjusted) in the third quarter of 2023. Overall, GDP grew by 3.4% year on year compared with 2022. According to the CSP, consumer prices (inflation) fell from 21.5% in January 2023 to 1% in November 2023 compared with the same period of the previous year. In 2023, the employment rate was over 80% among people aged between 25 and 54 years and 72% among people aged between 15 and 64 years.

The Ministry of Finance assessed that annual inflation in 2023 was 8.9%. A significant factor influencing inflation in 2022 and in early 2023 was a surge in the price of housing-related energy sources such as electricity, gas, solid fuel and heating. In 2022, the government introduced support measures to compensate for the rapid increase in energy prices, which continued to 30 April 2023, partially compensating households' energy payments and maintaining their purchasing power. At the end of 2023, energy prices fell sharply.

In December 2023, the Bank of Latvia published its latest macroeconomic forecast. The bank predicts low annual inflation in the coming three years (2% in 2024, 2.3% in 2025 and 1.8% in 2026) and moderately weak growth of 2% for the Latvian economy. It projects low unemployment rates, falling to 6.3% in 2024, 6.2% in 2025 and 6.1% in 2026, while nominal wages will grow by 8%, 7.9% and 7.6%, respectively, over the three years.

When the national statutory minimum wage was set in 2022 (for 2023 and 2024), inflation was not considered. The only sector in Latvia with a collectively agreed minimum wage is the construction sector. On 22 September 2023, the sector's social partners agreed to raise the minimum wage to €930 after difficult negotiations that took account of the impact of inflation, among other things.

No changes were introduced regarding industrial relations and social dialogue. The social partners were prominent mainly in connection with the planning and introduction of an additional tax for banks, pay in the education and health care sectors, and developing tax policy guidelines for 2024–2027. They continued serving their members in relation to information sharing and training, and implementation of projects that were started in previous years.

On 31 August 2023, the chairman of the Free Trade Union Confederation of Latvia (LBAS), Egils Baldzens, highlighted the areas LBAS was focusing on and its expectations of politicians, including: increasing average wages; competitiveness among the Baltic states; tax policy; relations between employers and employees; the need to rapidly raise the non-taxable minimum; fulfilment of politicians' promises to employees of all sectors and fulfilment of strike demands; problems in the field of transport; inflation compensation; and insufficient restrictions on the shadow economy. The social partners will take part in developments regarding the government's policy priorities, which as of now have not been not clearly identified.

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All Eurofound publications are available at <u>www.eurofound.europa.eu</u>

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WPEF24051

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