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**JOINT STUDY OF THE EUROPEAN SOCIAL PARTNERS  
“THE IMPLEMENTATION OF FLEXICURITY AND THE ROLE OF THE  
SOCIAL PARTNERS”**

**NATIONAL FICHE**

**Latvia**

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## Preface

This national fiche is part of the EU Social Partners’ Study “The implementation of flexicurity and the role of social partners” carried out in the context of the EU Social Dialogue Work Programme 2009-2011, which includes “*Jointly monitoring the implementation of the common principles of Flexicurity, notably in order to evaluate the role and involvement of the social partners in the process and to draw joint lessons*”.

To implement this task in the best possible way and to involve national member organisations actively in the gathering of data and information, the study applies a methodology that consists of multiple levels of analysis using a variety of instruments to be implemented with the help of a team of experts:<sup>1</sup>

- The expert team, with the advice of European Social Partners, agreed on a *set of selected statistical indicators* in the field of employment and economic and social development with labour market relevance.
- National social partners were asked to participate in a *questionnaire-based survey* focussing on the relevance of the flexicurity concept within national labour markets, the role of the social partners in policy implementation and their views of the flexicurity concept. To complement the research, the expert team visited a number of countries and carried out interviews with national social partners.<sup>2</sup>
- Based on the two sources above and a review of available written materials and information, the expert team prepared *29 national “fiches”* on the implementation of the flexicurity principles and the role of social partners in the respective national contexts.
- Results of the questionnaire survey and main findings of the national analyses were discussed at four “*country cluster seminars*” that were organised by the European Social Partners with the help of national sections in Warsaw (November 2010), Lisbon (December 2010), Paris (31<sup>st</sup> January-1<sup>st</sup> February 2011) and The Hague (8<sup>th</sup> February 2011).
- In the light of the overall study results and the comments received by national social partners in the contexts mentioned above, the expert team has prepared a *comparative synthesis report* on “Social Partners and Flexicurity in Contemporary Labour Markets” that was presented and discussed at a *EU-level synthesis seminar* on 31<sup>st</sup> March and 1<sup>st</sup> April 2011 in Brussels.

This national fiche aims to present a broad overview on the economic and social context and the state of play with regard to flexibility and security in the labour market and current social security arrangements (sections one and two). Secondly, the report describes the role of the social partners and social dialogue in the implementation of policies and practices that can be considered under the broad umbrella of “flexicurity” (section three), also summarising inputs provided by national social partners to the questionnaire, from interviews carried out and other contributions made in the context of the study. Section three also presents brief descriptions of cases of good practice as has been indicated by the national social partners.

The text was originally prepared as draft report in the autumn of 2010 in order to facilitate the discussion at the cluster seminar on 9<sup>th</sup> and 10<sup>th</sup> December 2010 in Lisbon. The original dossier has been reviewed and revised to take into account the comments and discussions that took place during the seminar or received afterwards.

However, it should be stressed that this report is presented as an “independent expert report”. It represents the views of the individuals involved in its preparation and does not purport to represent the views, either individually or collectively, of the social partners’ representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

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<sup>2</sup> The following countries were visited in the context of the project between May and July 2010: Denmark, France, Ireland, Italy, Czech Republic, Poland, Germany, Portugal and the Netherlands.

# 1 The economic and social context

## Economic crisis and recovery

Latvia officially joined the World Trade Organization in February 1999. Membership of the European Union, a top foreign policy goal, came in May 2004. During the post 1990 restructuring process the majority of companies, banks, and real estate were privatised, although the state still holds sizable stakes in a few large enterprises.

Latvia's economic performance improved considerably in the new millennium and the country experienced GDP growth of more than 10% per year during 2006-07, driven mainly by a credit fuelled house price boom. In this period the country enjoyed the highest growth in the EU. Latvia then experienced the EU's deepest recession starting in 2008 as a result of an unsustainable current account deficit and large debt exposure amid the softening world economy. GDP plunged by 18% in 2009 as the three former Soviet Baltic republics suffered the world's worst declines in that year. The IMF, EU, and other donors provided assistance to Latvia as part of an agreement to defend the currency's peg to the euro and reduce the fiscal deficit to about 5% of GDP. The aim for 2011 is to reduce the fiscal deficit to 6% of GDP and further to 3% of GDP in 2012.

Contraction in 2009 was strongest in hotels and restaurants (-33.9%), construction (-33.9%) and retail and wholesale sales (-28.7%) as domestic consumption collapsed. Manufacturing output fell by 19.2% hit by declining demand both at home and abroad. Unemployment in 2009 reached the level of 20% and the incidence of part-time and short time working increased substantially. Pay also fell by 12%. These latter indicators almost certainly underestimate the real effect due to the existence of the very large informal sector in the country.

In 2010 exports have returned to growth, but recovery is hampered by weakness in the labour market and low domestic demand. Going forward, the Latvian authorities have already outlined measures to slash state spending through a review of social insurance benefits and pension systems as well as reduce public administration cost.

### LATVIA - MAIN ECONOMIC INDICATORS AND OUTLOOK

	2007	2008	2009	2010	2011
<b>GDP – annual percentage change</b>	10.0	-4.2	-18.0	-0.4	3.3
<b>Employment - annual percentage change</b>	3.6	0.9	-13.6	-5.6	0.5
<b>Unemployment rate (Eurostat definition)</b>	6.0	7.5	17.1	19.3	17.7
<b>General government balance (as percentage of GDP)</b>	-0.3	-4.2	-10.2	-7.7	-7.9
<b>General government gross debt (as percentage of GDP)</b>	9.0	19.7	36.7	45.7	51.9

Source: European Commission: Autumn 2010 Economic Forecast.

## Labour market indicators and trends

The Latvian population and the number of people of working age have decreased over recent years primarily due to the high net migration of workers. The total population was 2.67 million people in 1990 and this had reduced to 2.28 million by 2007. The population of working age was 1.5 million people in 1990 and 1.49 million people in 2007. A smaller decline in the working age population in the future is anticipated due to a change in retirement age and as a reflection of the good demographic situation in the 1980s. Thereafter it is expected that number of population of working age will decline dramatically.

Up to the crisis of 2009, unemployment was not particularly high for the country as a whole. It was however extremely regional in nature and, even in 2008, was up to 30% in some regions. It was mainly caused by structural reasons.

The Latvian labour market is described in figures in the summary table below, which offers basic labour market data and the second table describes a series of specific flexicurity indicators. In reviewing the indicators below, which provide a snapshot in 2008, the enormous impact of the crisis on labour markets in 2009 has to be borne in mind, i.e. the rise in unemployment from 7.7% to 20% or one in five of the workforce.

The ways in which the Latvian labour market differs from the European average in 2008 are listed below:

- Latvia's employment rate, and that for older people in particular is high in European terms. This has been aided in recent years by the very high net migration of younger workers;
- The economy is generally well balanced at around the EU average between services, industry and agriculture;
- Contract flexibility is low in Latvia in terms of self employment, part-time work and fixed term contracts. Access to flexible working hours is also low;
- Latvia is not a member of the OECD so there is no available data on strictness of employment. However, if the less preferred World Bank indicator is used Latvia ranks 128th in the world. This is an extremely high score in European terms;
- Latvia's investment in continuing vocation training, lifelong learning and general investment in adult training is amongst the lowest in Europe.
- Youth unemployment is below the EU average as well as long-term unemployment is significantly lower than the EU average (1.9% compared to 3% in 2008).

**LATVIA - MAIN LABOUR MARKET INDICATORS 2009 IN COMPARISON TO EU27**

	Latvia	EU27
<b>Employment rate – % population aged 15 – 64</b>	60.9	64.6
<b>Employment rate older people – % population aged 55-64</b>	53.2	46.0
<b>Self employed - % total population</b>	11.6	15.5
<b>Employment in services - % total employment</b>	58.0	70.4
<b>Employment in industry - % total employment</b>	23.4	24.1
<b>Employment in agriculture - % total employment</b>	8.6	5.6
<b>Unemployment rate - % labour force 15+</b>	17.1	8.9
<b>Youth unemployment rate - % labour force 15-24</b>	33.6	19.6
<b>Long term unemployment rate - % labour force</b>	4.6	3.0
<b>Inequalities of income distribution (2008)</b>	7.3	5.0

Source: Eurostat, *Employment in Europe Report 2010*.

According to the European Commission Autumn Forecast 2010, one of the biggest present challenges for Latvia is to combat unemployment and reduce regional disparities in unemployment rate. Another challenge would be reducing the size of informal economy by implementing “making work pay” principle and improving lifelong learning and continuing vocational training provisions.

### Flexicurity in the labour market and labour market policy

According to the OECD, in 2007 the majority of people in Latvia had achieved upper secondary and post-secondary non-tertiary education levels (approx. 86% of the 25-64-year-old population). This Latvian achievement exceeds the EU27 average of over 14 percentage points.

Taking into consideration the ageing population and emigration of workers, it is very important for Latvia to ensure longer economic activity for older workers, especially in the longer perspective.

The National Strategies for Lifelong Learning were developed as policy basis for allocation of the EU funds earmarked for training and development of human resources; one of them is “The National Strategies for Lifelong Learning in Latvia 2007-2013”. In its Annual NRP 2008-2010 Progress Assessment the European Commission suggested that further development of the education sector is crucial for ensuring competitiveness of Latvian economy as well as strengthen its ability to return to the path of economic growth. According to available data, in 2009 only approx. 5% of population aged 25-64 participated in the education on training initiatives in the last four weeks prior to the survey compared to the 10% of the EU average.

The use of part-time work and fixed-term work in Latvia is much lower than the EU27 averages: respectively 8.9% for Latvia compared with 18.8% for the EU27 and 4.3% for Latvia compared with 13.5% for the EU27. The main reason for taking up part-time job in Latvia is inability to find full-time employment. Access to flexitime is some 10 percentage points lower than the EU27 average. Job satisfaction of the Latvian workers is some 10 percentage points lower than the EU27 average.

#### LATVIA - FLEXICURITY INDICATORS IN COMPARISON

	Latvia	EU27
<b>Total population having completed at least upper secondary education (population aged 25-64, %), 2009</b>	86.8	72.0
<b>Part-time employment - % total employment, 2009</b>	8.9	18.8
<b>Fixed-term contracts - % total employees, 2009</b>	4.3	13.5
<b>Access to flexitime, % total employees aged 15-64, 2004</b>	19.3	31.3
<b>Percentage of employees (all enterprises) participating in CVT courses , 2005</b>	15.0	33
<b>Lifelong learning participation – percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey, 2009</b>	5.3	9.3
<b>Job satisfaction – percentage of workers that are either very satisfied or satisfied with working conditions in their main paid job (EWCS 2010)</b>	74.2	84.3
<b>Strictness of employment protection – regular employment, 2008</b>	n.a.	2.11*
<b>Strictness of employment protection – temporary employment, 2008</b>	n.a.	2.08*
<b>Strictness of employment protection – collective dismissals, 2008</b>	n.a.	2.96*
<b>Public expenditure on <i>passive</i> labour market policies (categories 8-9) - % of GDP, 2008</b>	0.35	0.96
<b>Public expenditure on <i>active</i> labour market policies (categories 2-7) - % of GDP, 2008</b>	0.08	0.46
<b>Persons at-risk-of-poverty after social transfers - % of total population, %, 2009</b>	25.7	16.3

Source: Eurostat; *Employment in Europe Report 2010*; Eurofound (*European Working Conditions Survey 2010*); OECD. \*OECD average

## Conclusion

It seems that the biggest challenge related to flexicurity is promoting good quality flexible employment, reducing informal sector that currently absorbs significant share of employees, also those who need flexible work arrangements. Underdeveloped lifelong learning and CVT systems also need to be improved to ensure timely and labour market-oriented training programmes.

## 2 Flexibility and security in recent labour market and social policy reforms

### Introduction and overview

In many 2004 and 2007 entry Member States, the integration of the flexicurity concept at national level is in its early stages of development and the effects of the debate on flexicurity on the policymaking process have been relatively weak. The Latvian government response to the suggested approach to flexicurity contained in the spring 2006 European Council recommendation suggests that the main areas for action are in activation of those in long term unemployment and upskilling for those currently in the labour market. In their report issued in 2008, as the crisis unfolded in Latvia, the government suggested that the labour market had made substantial progress in recent years both in terms of reducing unemployment and increasing activity rates. These figures were to change fundamentally over the next few months.

Official debate on labour market flexibility in Latvia started in 2005, when the goal to increase flexibility of labour legislation was set in the Declaration of the Cabinet of Ministers led by Prime Minister Aigars Kalvītis. This goal was further developed in Latvia’s National Lisbon Program 2005-2008, where the creation of a flexible labour market in order to improve the ability of workers and employers to adjust to changing economic situations was set out. The main tasks in this regard were to:

- Facilitate the implementation of laws to regulate safety and health protection at work, to better communicate laws and increase the role of the social partners in implementation;
- Reduce undeclared work;
- Promote entrepreneurship and geographic mobility in less developed areas;
- Improve road safety and to establish an integrated passenger transportation system.

In May 2006, the government prepared an Informative Report (the first stage of public policy development) on proposals necessary to ensure flexibility and security in legal labour relations. The Informative Report is based on the principle that implementation of the flexicurity approach does not necessarily mean the development of new policies. Rather it means improving existing legislation and employment policies so that they ensure more flexibility for both sides - for employers by making labour legislation more flexible and for employees by improving their knowledge about labour market and their ability to adjust to changing economic circumstances. The report included nine directions in which the flexicurity approach should be developed:

- Improve social dialogue and the capacity of the social partners (National program supported by the EU Social Fund for capacity building of national level trade union organisation Free Trade Union Confederation of Latvia (Latvijas Brīvo Arodbiedrību savienība, LBAS) and national level employers’ organisation Latvian Employers’ Confederation (Latvijas Darba Devēju konfederācija, LDDK), and some other measures;

- Ensure the availability of flexible employment options;
- Inform employers about the options provided by current labour legislation and the support given by the state to facilitate flexibility;
- Improve legal regulation of the labour market;
- Create new incentives in legal labour relations;
- Pay and remuneration issues;
- Lifelong learning;
- Reduce illegal and unregistered unemployment;
- Improve professional and geographical mobility;

The issue was discussed in a sub-commission of the National Tripartite Co-operation Council - the Tripartite Co-operation Subcouncil in Labour Affairs (Darba lietu trīspusējās sadarbības apakšpadome).

### Lifelong learning and the mobility of workers

Lifelong learning is seen as important element of Latvian employment policy and features prominently in the National Development plan under the title 'Elaboration and implementation of lifelong learning strategy'. Regional institutions were required to establish regional life-long learning systems and the first was in the Bauska region with the involvement of trade unions and employer associations. Performance in this area prior to the crisis was weak in European terms and, although there are no new data, it is probable that the crisis has made things worse. Lack of appropriate lifelong learning practices seems to be one of the main obstacles to improving adaptability of workers and developing their skills as needed by labour market.

### External/internal flexicurity and contractual arrangements

Contractual arrangements are the most discussed issue under the broad heading of increasing flexibility of labour legislation in Latvia. Flexibility of contractual arrangements is possible through a variety of legal forms in which work might be organised. Employers may employ workers in permanent or temporary work and may purchase services from other company or from self-employed individuals. General rules on contractual agreements regarding work are set in the Labour Law (employment contract), the Civil Code (service contract and work performance contract) and certain other laws dealing with specific circumstances (authors' contracts, etc). Despite the legal availability of varying and flexible contract terms their use in Latvia remains very low. However, LBAS stresses that the incidence of work performance contracts has grown recently. They believe that it is caused by the fact that this type of contract does not imply employment relations and does not bring any responsibility to employer, therefore impedes worker's security. LDDK (the Latvian employers) and LBAS (the trade unions) have initiated several amendments to the Labour Law to improve employment flexibility. The term of an employment contract entered into for a specified period was extended from two to three years (including extensions of the term) and the time period for notice of termination by an employer in circumstances when employee cannot work due to health problems was shortened to 10 days from one month. The involvement of trade unions and employer associations in the implementation of contractual agreement policies is substantial. It should be noted that in 2010 Latvia was still ranked in 128th place in the world for rigidity of employment<sup>3</sup>. It is suggested by both social partners that the "real" labour market works more flexibly because employers often do not follow the letter of the law and there exists a high level of informal working with no employment security rights.

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<sup>3</sup> World Bank "Doing Business indicators 2010"

## Active labour market policy

The Latvian government has set out five main policy areas in its ALMP strategy. These are professional training, re-training and improving professional skills; paid public works; groups of measures for increasing competitiveness; specific measures to promote employment in eight disadvantaged population groups (individuals in age 15-24, disabled persons, people after imprisonment and other); and measures aimed at promoting people to start a new business or to enter self-employment.

In its reply to the questionnaire survey, the trade union organisation LBAS summarizes the implementation of active employment policy measures as follows:

The State Employment Agency (SEA) is a state agency under supervision of the Ministry of Welfare of Republic of Latvia. SEA is an implementing body of the state policy on unemployment reduction. The primary function for SEA is to register unemployed persons and job seekers and to help them to find proper jobs. According to the Law on Support for Unemployed Persons and Persons Seeking Employment SEA organizes and implements various active labour market measures for unemployed and job seekers: occupational training, retraining and raising of qualification courses; measures and projects aimed at helping unemployed persons and job-seekers to increase competitiveness; measures for specified groups of unemployment persons at the risk of social exclusion and measures to facilitate start up of business activities and self-employment. SEA strategy is to improve the quality of services and adjust the services to the clients' needs. In 2008, the SEA involved 84765 unemployed persons in the active employment measures, which constituted 75.6% of the unemployed, who were assigned the status of the unemployed in 2008. During the 1st half of 2009, 30855 unemployed persons were involved in the activities of the SEA. SEA constantly expands the active employment measures - in 2009 new support measures have been launched, for instance, training provided by the employer, business start-up or self-employment measures, trial work in the working places, complex support measures and preventive measures for reduction of unemployment, for example, support to facilitation of competitiveness of the employed and self-employed persons and prevention of unemployment, support to regional mobility of the employed persons. To ensure high quality of services SEA cooperates with Ministries of Latvia, social partners and nongovernmental organizations. The trade unions and employer organizations are consulted in planning the SEA services at the state and at the local level. SEA has a close cooperation with local governments (municipalities) and this cooperation is developing very fast in the recent years. (LBAS questionnaire reply)

## Supportive social security systems

The most commonly discussed issues in the social security field in Latvia are the minimum wage and non-taxable wage minimum, unemployment benefits and sickness benefits. An important issue for the social partners is the elimination of illegal and unregistered employment. In 2006 a working group was established with representatives of all main Ministries and several social partners. On the basis of conclusions made in the working group, the Cabinet of Ministers prepared the Informative Report described above. Despite this, little practical progress has been achieved.

LBAS points out that recently the most commonly discussed issues include pension system. Several changes have been introduced to ensure stability in the social security system during the crisis and cope with the decrease of public budget. The recent changes in law resulted in abolishing early retirement as of January 2012, reducing pension in case of early retirement scheme of 30% (from the level of 80% to 50%) and freeze pension indexation till 2013.

Currently discussed topics include: rising retirement age to 65 (by 6 months every year), to increase minimum insurance period from 10 to 15 years (condition for pension entitlement) and cancel benefit supplement to those retiring after end of December 2011. LBAS believes that these changes will reduce security for workers, especially in a situation of high unemployment rate.

## High quality and productive workplaces

The following information and comments were received in the reply to the questionnaire survey on this issue from LBAS:

One of the tasks of the government is to provide conditions for safe and healthy work environment. Labour Protection Development Guidelines for 2008–2013 were approved in 2008. The guidelines define

the main development directions and measures to be implemented for the labour protection system of Latvia to ensure a successful practical implementation of legislative regulations with regard to labour protection and to reach the goal of ensuring a safe and healthy work environment for all employed persons. The guidelines set target for reduction of the number of fatal accidents at work in Latvia by 30% (per 100 000 employed persons). The Labour protection development programme for 2008–2010 has been developed to achieve the goals set in the guidelines, as well as to solve the identified problems. In 2008, the number of fatal accidents per 100 000 employed persons decreased by 23%, which is a positive trend continuing also in the 1st half of 2009. In the 1st half of 2009, the Cabinet of Ministers adopted new regulations providing better regularity of health checks, as well as regulations on the labour protection requirements at work places. A new, simpler procedure for investigation and registration of accidents at work has been in force since 1 January 2010 – it is called “Procedure for Investigation and Registration of Accidents at Work”. There are also plans to implement changes in several normative acts concerning the labour protection. The social partners are actively participating in the promotion of employment relations and the practical implementation of legislative requirements on labour security, thus decreasing the number of employment relations’ violations and accidents, as well as in the building of socially responsible entrepreneurship, thus decreasing illegal employment. By attracting the EU fund financing, social partners (the Employers’ Confederation of Latvia and the Free Trade Union Confederation of Latvia) have established consultation centres to provide information and consultations to both, the employers and employees on employment relations and labour protection. In 23 October 2010 LBAS signed an agreement with the State Labour Inspection on co-operation in promotion of labour protection and on informing about labour protection standards’ violation in enterprises.

Latvia has a relatively high level of undeclared employment, especially in the sectors of construction, manufacturing, agriculture and transport services, thus reducing the social security benefits and hindering reduction of the tax burden on employment. In order to reduce undeclared and illegal employment, the work is oriented towards three directions: increasing the administrative capacity of the competent institutions and improving control; improving the cooperation of supervisory institutions; informing the society and implementation of measures promoting legal culture. The Ministry of Welfare in cooperation with the State Labour Inspectorate developed plan for reducing undeclared employment 2010-2013, which was adopted on 7 April 2010 (Source: LBAS)

### Gender equality

According to the LBAS trade union organisation, the most significant norms of gender equality as internationally accepted, are fixed in the Latvian legislation. According to the organisation there are many initiatives about reconciling work and family life, but in reality situation has not changed, i.e. availability of kinder gardens is still limited. Mostly all financial recourses to gender equality programs are cut in 2009-2010.

### Financial sustainability

According to LBAS most of the anti-crisis activities are scheduled until 2011 or 2012. Moreover, LBAS points out that the consolidation of the state budget for 2012 resulted in lack of financial stability. These changes imply cuts in social security provisions and labour promotion activities. Additionally, recent changes in the pension system may also bring changes in other security pillars.

LBAS appreciates the role of the ESF. It guarantees financial support both for developing vocational training provisions and for supporting social partners’ organisations.

### 3 The role of social partners

#### The role of social partners in Latvia and positions on flexicurity

##### LATVIA - MAIN SOCIAL DIALOGUE INDICATORS

	Latvia	EU27
<b>Collective bargaining coverage, 2006</b>	34%	63%
<b>Trade union density, 2005</b>	16%	25%
<b>Employer organization density, 2006</b>	30%	n.a.

Sources: EIRO, ETUI (collective bargaining coverage, trade union density).

Social dialogue and tripartite cooperation in Latvia is characterised by a rather weak overall performance: During the flexicurity cluster seminar at the beginning of 2011 in Paris a representative of a Latvian employers' organisation pointed out that consultations with social partners are by and large symbolic activities. The Latvian trade union organisation LBAS confirmed this by stating that social partner's voice is never heard. Mechanisms for tripartite social dialogue are coordinated at the municipal level. According to employers' representative it is important to note that collective agreements are concluded in the enterprises that contribute the most to the economy.

According to the LBAS trade union organisation, social dialogue plays an important role in the implementation of the flexicurity principles. Tripartite dialogue, involving not only employers and employees, but also the state, is currently more used in Latvia. This dialogue is held within the framework of the National Tripartite Cooperation Council. The dialogue between employers and employees is as important as tripartite cooperation to ensure well functioning labour relations aiming to balance social security and flexibility on the basis of reciprocal compromise.

As LBAS further comments, over the years an institutional system for tripartite and bipartite dialogue and a legal framework for the status of both social partners have been established (apart from the law „On Trade Unions”, the „Law on Employer Organisations and Associations Thereof”, and the „Strike Law” have been adopted). While drafting the new and more up-to-date Labour Law and Occupational Safety and Health Law in 2001, numerous provisions were introduced facilitating bipartite social dialogue at the enterprise level

With regard to flexicurity however, it has to be stressed that employers and trade unions tend to highlight different dimensions of flexicurity. Employers focus most of their attention on flexibility, while trade unions are more concerned about security and wage levels. Public debate focuses on the various individual dimensions of flexicurity without establishing linkages between them in a strategic manner.

The national approach to flexicurity as it stands places emphasis on the partnership dimension and capacity building of the social partners. They are involved in the official debate and policymaking process on implementation of all national employment policies and these discussions contain elements of the flexicurity approach. The focus of government has centred on making existing employment policies more effective rather than developing new ideas and concepts associated with flexicurity.

The national employers' organisation LDDK was the first to use the term 'flexicurity' in its thinking and discussions. In the absence of an overall flexicurity agenda the employers support flexicurity oriented measures in a selective way and associate it with increasing workplace flexibility and reducing legislative rigidity. Whilst the institutions for social dialogue at the national level and social partner participation in governmental working groups are well established in Latvia, the mutual consensus of the social partners, where it can be reached, is not always implemented in official decisions of the government.

On contractual arrangements, employers’ organisations have been initiators of almost all measures aimed at more flexible labour relations and employment models. They have focused on improving the legal basis for new forms of work such as telework and have advocated legislation to ensure higher flexicurity through changes in the approach to employment protection. The trade unions support the promotion of more flexible employment arrangements, but within the context of appropriately designed work contracts and securing employees’ rights in situations where they work without a work contract. Whilst employers’ associations and trade unions support different dimensions of contract security there is probably scope for consensus and compromise between flexibility and security in labour relations.

On the approaches to lifelong learning and active labour market policies, trade unions and employers’ organisations participate in developing policies through the established consultation and co-operation process but little practical progress has been made. The social partners both agree that an effective system for lifelong learning is not established in Latvia and believe that more regulation and state support are needed to promote intensive employers’ participation in upskilling the Latvia workforce to meet current and future demands. In the area of active labour market policies, trade unions and employer associations are not typically involved in activities such as training, counselling or job placement services to certain categories of workers, like atypical workers, young or elderly people, women and migrants. Trade unions and employer organisations have however participated in working groups dealing with combating illegal and unregistered employment and have organised joint actions to inform the general public of the consequences of illegal and unregistered employment.

On social security, income issues are the priority of trade unions whilst employers try to achieve a better division of functions between the state and the employer in providing social security to workers. Employers have discussed with government a reduction of the period on sickness leave which has to be compensated by the employer and controlling better the issue of sickness certificates by doctors. Some trade unions have established supplementary social security schemes.

It is expected that by improving the capacity of social partner organisations, they will be able to contribute more to the implementation of the flexicurity approach at the sectoral level through collective bargaining.

However where collective bargaining does take place in Latvia it is mostly at the workplace level. From desk research it appears that the application of the flexicurity approach is not typically discussed in company level collective bargaining. Where related discussions take place they are usually led by trade unions and relate to the provision of more security for employees. Whilst collective bargaining in companies normally results in higher than average wages and improved working conditions, this is a result of negotiation rather than a conscientious aspiration to implement the flexicurity approach.

## Conclusion

The issue of flexicurity is particularly relevant in sectors like trade, culture, sports, education and research, governmental services and construction. Unfortunately it is in these areas where social partner engagement and collective bargaining is least effective in Latvia. Looking at collective bargaining, its contribution to flexicurity is primarily at the national level and is marginal at the sector or company levels. Collective bargaining does not exist at the territorial level.

In summary, the debate about measures that are necessary to progress towards a full-fledged flexicurity approach are in their infancy and it appears that employers’ organisations are more active in the pursuit of a strategic approach to the overall flexicurity approach.

## Cases of good practice in the field of labour market flexibility and security

In the reply to the questionnaire survey, the trade union organisation LBAS has indicated the following cases of good practice:

### CASES OF GOOD PRACTICE IN THE FIELD OF “FLEXICURITY” AS SUGGESTED BY LBAS

Good Practice	Description	Flexicurity principle addressed
“Sustainability Index”	In cooperation with Employers’ Confederation of Latvia (LDDK), which was the initiator of this idea, we have created so called “Sustainability index” for Latvian enterprises. The first enterprises have been evaluated already and in the end of April we congratulated the best Latvian enterprises according to this index. This index was created and used for the first time in Latvia, and its methodology is very similar to already well known “Dow Jones Sustainability Index” and “Corporate Responsibility Index”. Our (LBAS) role was to create index’s section concerning working conditions.	High quality workplaces
““Memorandum on principles of corporate social responsibility”	On the 10th of February, 2010, the Memorandum was signed by Free Trade Union Confederation of Latvia (LBAS), Employers’ Confederation of Latvia (LDDK) and other cooperation partners. This memorandum was initiated by Employers’ Confederation of Latvia (LDDK) and it defines the basic principles of corporate social responsibility, including those, which are related to working conditions at enterprises and in public sector.	High quality workplaces
Local plans of measures on promoting employment	The idea of the Local Plans is to expand cooperation of local governments and the State Employment Agency (SEA) in order to encourage the increase of the employment at the regional, as well as at the local level. Once a year every local government of Latvia has a duty to work out a Plan of Measures on Promoting Employment for the respective territory in co-operation with SEA and other institutions involved in employment administration according to the Support for Unemployed Persons and Persons Seeking Employment Law. In the Local Plans of Measures on Promoting Employment: 1) the employment situation and the main problems that hinder employment development in the particular administrative territory are analysed; 2) the projects planned by local governments and the projects in which they wish to involve SEA are identified; 3) the possibilities of co-operation between local governments and local offices of SEA, as well as other partners are marked in order to improve the competitiveness of population and to foster employment of people from socially excluded risk groups; 5) the information about the planned support of local governments for entrepreneurship development and the beginners of entrepreneurship and about the planned projects of local governments to gain the funding from the EU is provided. There are 525 Local Plans of Measures on Promoting Employment worked out for the year 2006 by local government, which were implemented in cooperation with SEA.	Job transition and mobility

Sources: Questionnaire reply LBAS

## 4 Key points arising

From the point of view of the author of this report the following key points are arising in regard to flexicurity in Latvia:

- *Discussions on flexicurity are quite new to Latvia. It appears however that little has been done either to develop a cohesive approach to flexicurity or to implement the individual measures discussed. Up to 2008 the Latvian government appears to have been happy with the way the labour market was developing but events from mid 2008 onwards have reversed the considerable progress made in prior years. Does this mean that the flexicurity debate is suspended or that it has a role to play in Latvia's recovery?*
- *One of the biggest obstacles to flexicurity in Latvia would appear to be a very rigid series of employment laws that not followed by some employers and the existence of a substantial informal sector where there is little or no concept of security. Can flexicurity discussions ever be successful in this situation ... or is the notion of flexicurity a potential vehicle for resolving these difficulties?*

## Sources and references

### Replies to the questionnaire survey, interviews and other contributions

A questionnaire reply was received by the ETUC member organisation LBAS. LBAS also commented in written form to the 1<sup>st</sup> draft of this national fiche and the comments made contributed to this revised version.

### Further resources

1. Flexicurity and Industrial Relations EIRO 30.9.2008  
[http://www.eurofound.europa.eu/eiro/studies/tn0803038s/tn0803038s\\_4.htm](http://www.eurofound.europa.eu/eiro/studies/tn0803038s/tn0803038s_4.htm)
2. Flexicurity and Industrial relations EIRO 5.9.2009  
<http://www.eurofound.europa.eu/eiro/studies/tn0803038s/uk0803039q.htm>
3. Employee relations profile - Latvia EIRO
4. Report on progress in implementation of the national Lisbon programme of Latvia October 2008
5. European Economic Forecast - spring 2010 Latvia
6. World Bank "Doing Business" indicators 2010