



INTEGRATED PROGRAMME OF THE EU SOCIAL DIALOGUE 2009-2011

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

NATIONAL FICHE:

LITHUANIA

PREPARED BY: Eckhard Voss
Draft version: October 2010
Revised version: March 2011



Project of the European Social Partners with the financial support of the European Commission

Contents

Preface	3
1 The economic and social context.....	4
Economic crisis and recovery	4
Labour market indicators and trends.....	5
Flexicurity in the labour market and labour market policy	6
2 Flexibility and security in recent labour market and social policy reforms	7
Introduction and overview.....	7
Lifelong learning and the mobility of workers	7
External/internal flexicurity and contractual arrangements.....	8
Active labour market policy	8
Supportive social security systems.....	9
High quality and productive workplaces	9
Gender equality.....	10
Financial sustainability	10
Conclusion: Strengths, weaknesses and challenges.....	10
3 The role of the social partners	11
General remarks on the role of social partners	11
Main instruments and levels of influence	12
Recent changes and challenges	12
4 Key points arising	13
Sources and references.....	13
Replies to the questionnaire survey, interviews and other contributions.....	13
Further resources	13

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:¹

- 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.²
- 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 (31st January-1st February 2011) and The Hague (8th 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 31st March and 1st 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 9th and 10th 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.

¹ Expert team: Eckhard Voss (co-ordinator), Alan Wild, Anna Kwiatkiewicz and Antonio Dornelas.

² 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

Lithuania was particularly hit by the financial and economic crisis of 2008. After almost a decade of very high economic growth (2007 nearly 10%), the Lithuanian economy was sliding into a deep economic recession, with GDP falling by 15% in 2009 – which was equally high as in Latvia and the largest slump in the EU. Domestic demand contracted sharply followed by declining external demand. Private consumption decreased by 17% in 2009.

The contraction of economic activity has weighed heavily on employment, which is expected to decrease by 11% from 2009 to 2010. Even though nominal wages have been adjusting to labour market conditions, job losses, particularly in the non-tradable sectors, are pronounced. Unemployment more than doubled between 2008 and 2009, reaching a peak of almost 17% in 2010, almost three times higher than the pre-crisis rate of 5.8%. Youth unemployment is particularly high and already reached 30% in mid-2009, threatening with a new emigration wave. It shall be added that after 2004, the immigration outflow was estimated at the level of 400 000 (some 10% of the population), which already then posed serious problems for the Lithuanian employers to hire employees with appropriate skills. Worsening of the labour market situation in Lithuania was the most dramatic one in the EU – no country (including Spain and Ireland) apart from Lithuania and Latvia experienced such a drastic increase in unemployment. Large-scale employee dismissals affected in particular the lower skilled, low qualified young people, rural residents and older workers.

In the light of the severe economic downturn, major adjustments of the Lithuanian economy took place, involving price and wage decreases in the private and public sectors and restructuring processes.

LITHUANIA - MAIN ECONOMIC INDICATORS AND OUTLOOK

	2007	2008	2009	2010	2011
GDP – annual percentage change	9.8	2.9	-14.7	0.4	2.8
Employment - annual percentage change	2.8	-0.7	-6.8	-5.6	1.1
Unemployment rate (Eurostat definition)	4.3	5.8	13.7	17.8	16.9
General government balance (as percentage of GDP)	-1.0	-3.3	-9.2	-8.4	-7.0
General government gross debt (as percentage of GDP)	16.9	15.6	29.6	37.4	42.8

Source: European Commission: Autumn 2010 Economic Forecast.

The Government’s policy in response to this worsening situation was the introduction of the three successive fiscal consolidation packages in order to limit debt and deterioration of public finances.

After several months of negotiations, the Lithuanian government and the major national social partner organisations signed a national agreement in October 2009 that includes a number of fundamental measures of social and economic policies in reaction to the economic downturn until the end of 2010.³

³ See EIRO article on Lithuania: “National agreement to combat economic downturn finally signed”, 23 December 2009, <http://www.eurofound.europa.eu/eiro/2009/11/articles/lt0911019i.htm>.

The agreement was signed by the government and, on the trade union side, by the *Lithuanian Trade Union Confederation* LPSK, the *Lithuanian Labour Federation* LDF and the *Lithuanian Trade Union LPS ‘Solidarumas’* as well as some other unions. On the employer side, the signatories comprised the *Lithuanian Confederation of Industrialists* LPK, the *Association of Lithuanian Chambers of Commerce, Industry and Crafts* LPPARA, the *Lithuanian Business Employers’ Confederation* LVDK, the *Lithuanian Business Confederation* ICC and others. However, several independent trade unions abstained from signing the agreement.

Anti-crisis tripartite agreement of October 2009

The agreement contains a number of measures aiming at coping with the effects of the economic crisis: fiscal consolidation measures to control the public spending (including reduction in the number of civil servants by 10%), increase in the state social insurance contributions, efforts in combating shadow economy. On the other hand, the national agreement contains an obligation not to reduce the basic amount of salaries for civil servants and budgetary employees. Furthermore, the government commits itself to implementing a reform of public institutions, adopting decisions prohibiting the funding of these institutions from the budget, with the exception of such services as schools and hospitals. The agreement provides for a differentiated reduction in all pensions (and the plan to extend the retirement age to 65 years) and other social benefits based on the fundamental principle that such benefits would be paid on time and that all beneficiaries would share the burden of benefit reduction on the solidarity basis.

Regarding economic stimulation measures, the government commits itself to reducing corporate income tax to 15% and for small enterprises to 7.5%. In addition, the government will grant loans of up to €25,000 from European Union funds to small and medium-sized enterprises (SMEs) and supporting employees of enterprises in a difficult situation by funding public works.

The national agreement stipulates that the government shall plan a reduction of wages and social benefits, taking into account the crucial requirements raised by the trade unions – namely, that any reduction should be made on a solidarity basis, where the most vulnerable groups of society should be affected the least. Furthermore, the agreement demands that business organisations should undertake initiatives to enhance corporate social responsibility through specific projects in support of informal education and training of children and young people. In addition, the government undertakes to develop reforms of the state social insurance, healthcare and education systems in 2010.

All of these measures are of a temporary nature, covering a two-year period. The agreement also comprises a provision that legislation governing industrial relations shall not be amended without consent of the Tripartite Council of the Republic of Lithuania LRTT during the period until 2011.

The national agreement will remain in force until the end of 2010. The Prime Minister, Andrius Kubilius, expects to sign a new agreement at that time concerning economic and social policy measures in 2011 and possibly in 2012. The prime minister also mentions the possibility of negotiating a national plan covering the period up until 2020.

Source: EIRO 2010.

For 2010, economic stabilization and a slow recovery have been forecasted in the autumn 2010 Economic Forecast of the EU Commission and by 2011, Lithuania’s economy is expected to be back to positive GDP growth. However, the rapid increase of unemployment and the social effects of the crisis are a huge challenge for the Lithuanian government and public policy.

Labour market indicators and trends

Before the severe economic and financial crisis changed everything, the major labour market indicators of Lithuania have been developed quite positively against the background of solid and high economic growth rates: in 2007, the unemployment rate standing at 4.3% was historically low and the employment rate was above 64%. Also, the unemployment rates of young people and the elderly showed quite positive results with both indicators clearly below the EU average.

Points of concern, however, were the large disparities in employment/unemployment amongst the Lithuanian regions, and a significantly high unemployment rate in rural areas. It should also be mentioned in this context that Lithuania after the EU accession suffered from a strong outward migration, in particular of young and high qualified people.

According to forecasts the labour market was still expected to experience growing unemployment rates peaking in 2010. As a result, the emigration is likely to experience a new impetus in 2010 and the years to come.

LITHUANIA - MAIN LABOUR MARKET INDICATORS 2008 IN COMPARISON TO EU27

	Lithuania	EU27
Employment rate – % population aged 15 – 64	60.1	64.6
Employment rate older people – % population aged 55-64	51.6	46.0
Self employed - % total population	12.1	15.5
Employment in services - % total employment	63.5	70.4
Employment in industry - % total employment	27.2	24.1
Employment in agriculture - % total employment	9.3	5.6
Unemployment rate - % labour force 15+	13.7	8.9
Youth unemployment rate - % labour force 15-24	29.2	19.6
Long term unemployment rate - % labour force	3.2	3.0
Inequalities of income distribution (2008)	5.9	5.0

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

Flexicurity in the labour market and labour market policy

Measuring flexicurity in terms of some specific flexicurity indicators as in the table below, it seems that among Lithuania’s strengths is its highly qualified population with around 90% of the population aged 25 to 64 having completed at least upper secondary education in 2008 compared to a EU27-average of 71.5%.

LITHUANIA- FLEXICURITY INDICATORS IN COMPARISON

Total population having completed at least upper secondary education (population aged 25-64, %), 2009	91.3	72.0
Part-time employment - % total employment, 2009	8.3	18.8
Fixed-term contracts - % total employees, 2009	2.2	13.5
Access to flexitime, % total employees aged 15-64, 2004	16.9	31.3
Percentage of employees (all enterprises) participating in CVT courses , 2005	15.0	33
Lifelong learning participation – percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey, 2009	4.5	9.3
Job satisfaction – percentage of workers that are either very satisfied or satisfied with working conditions in their main paid job (EWCS 2010)	70.6	84.3
Strictness of employment protection – regular employment, 2008	n.a.	2.11*
Strictness of employment protection – temporary employment, 2008	n.a.	2.08*
Strictness of employment protection – collective dismissals, 2008	n.a.	2.96*
Public expenditure on <i>passive</i> labour market policies (categories 8-9) - % of GDP, 2008	0.15	0.96
Public expenditure on <i>active</i> labour market policies (categories 2-7) - % of GDP, 2008	0.14	0.46
Persons at-risk-of-poverty after social transfers - % of total population, %, 2009	20.6	16.3

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

The labour market, on the other hand, appears rather inflexible with little access to flexible working times, low part-time employment and low participation rates in continuous vocational training and lifelong learning. Job satisfaction is, with around 67% of workers being very satisfied or satisfied with their job, also clearly below the EU average of 82%.

A fact worth mentioning here is the particularly low coverage of collective bargaining which in 2006 was reported to be only 11% - one of the lowest rates throughout the EU.

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

Introduction and overview

The information in this chapter is largely based on reports of the Lithuanian government in the context of the implementation of the Lisbon National Reform Programme as well as the Eurofound Report on flexicurity and industrial relations in Lithuania (Eurofound 2009).

According to the EU Commissions' assessment of the progress made in Lithuania with regard to the *National Reform Programme on Growth and Jobs* (EU Commission 2009), Lithuania has been addressing all flexicurity components to some extent without a clearly established pathway. According to the Lithuanian government it has planned to set up a “Flexicurity Task Force” to agree on an integrated set of flexicurity measures by 2010.

From the point of view of the EU Commission, the Lithuanian labour market is insufficiently flexible, as there is more focus on job rather than employment security. Though expenditure on active labour market policy measures is higher than on passive, but the participation in lifelong learning is critically low.⁴

Lifelong learning and the mobility of workers

Lifelong learning is identified as a national priority in Lithuania and adult training is considered to be the most important component of lifelong learning process. The government in consultation with the social partners has adopted a *Strategy of Lifelong Learning* and a related action plan in 2004. Recent activities of the government focussed on the structure of ongoing education and lifelong learning: efforts to reorient not only the activities of education institutions, redirecting it towards lifelong learning, establishing special institutions, improving accessibility of training and qualifications etc. In 2007 a new law on Vocational Education and Training was adopted.

Involvement of the social partners in the formation and implementation of LLL in Lithuania has been increased in recent years. The social partners (employers in particular) are among the members of the managing Councils of all vocational training institutions. They are involved in programme drafting, evaluation of final papers, qualification awards, drawing up of activity development plans for training institutions. LLL programmes may be submitted for evaluation only with the consent of the social partners in the relevant area. However, the secondary research results (Eurofound 2009) showed that the social partners in Lithuania do not have adequate capacities to properly represent their interests in training institutions, and their involvement in these activities is often quite formal.

⁴ European Commission 2009: Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan: Annual country assessments – a detailed overview of progress made with the implementation of the Lisbon Strategy reforms in Member States in 2008, p. 60.

External/internal flexicurity and contractual arrangements

According to a recent overview (Eurofound 2009), the “legislation on employment relations and employment policy (...) ensuring flexibility of the labour market” is regarded as one of the priority tasks of the Lithuanian government.

Already in 2003, the New Labour Code (LC) and other legal acts regulating labour relations were reformed and the conditions for the termination of employment contract eased. In 2007 a further flexibilisation was developed focusing on working hours flexibilisation in enterprises, agencies in state and municipal enterprises and organizations. Before the adaptation of the Decree, any flexibility of working time was hardly possible, especially in the public sector.

Though the labour legislation was slowly liberalizing, according to employers existing employment protection legislation in Lithuania is still regarded as too strict. Since the time when the new labour code came into effect, employers permanently raised the issue of the need for a reform.

As the trade union federation LPSK commented to this study, in reaction to the crisis of 2008, some important amendments have been agreed in regard to external flexibility: The Lithuanian social partners started negotiations at national level about flexibility and security amendments in the Labour Code in 2008 and the national trade unions and employers' associations reached an agreement which was approved by Parliament. According to this the Labour Code allows social partners to determine lower minimum standards (e.g. shorter notice period) in collective agreements at company or branch level. These provisions were of temporary validity and they were supposed to terminate on 31st of December in 2010.

The social partners also reached agreements on other issues, e.g. on internal flexibility and working time:

In 2009 a national agreement was signed that recommended changes to the Labour Code which then came into effect on 1st August 2010. The main provisions were (again according to LPSK):

- the possibility to apply working time accumulation periods without major restrictions: the employer after consulting with the trade unions may establish working time accumulation periods of up to 4 months (in some branches, as transport, railways - up to 12 months). During this period a worker is allowed to work up to 48 hours per week, but at the end of this period he/she should get an adequate rest period or compensation payment
- an amendment in regard to fixed-term labour contracts: Before the amendment it was not possible for an employer to conclude a fixed-term contract in cases the job is not of temporary nature only. Because the social partners thought that this provision hindered job creation the rule was liberalised and for a temporary period until the end of July 2012, fixed-term contracts are now not prohibited.
- Finally an amendment tried to improve the protection and social security of workers in case of violations of basic rights by the employer: according to an amendment of the labour law an employee may stop working immediately in such a case and will receive the legally guaranteed minimum salary up to a period of three months

Active labour market policy

Despite a rather low overall expenditure on labour market policies, there is a trend towards ‘activation’ in Lithuania – according to the EU Commission (EU Commission 2009) the spending share of active labour market policy is higher than on passive measures. Also participation in ALMP has increased already before the economic crisis. However, the situation before 2008 was fundamentally different from today: the Lithuanian Labour Exchange (the Lithuanian public employment services) was

confronted with a situation of a shortage of labour in the most dynamic regions and need for integration of persons regarded as not sufficiently attractive for the labour market (the long-term unemployed, elderly, lower-skilled individuals, etc.) was the major objective. Therefore, measures in the field of guidance, motivation and adjustment of qualification and skills were important at that time.

In formation and implementation of the active LMP measures, the social partners play the role of advisory experts. Representatives of the social partners take part at the National Tripartite Commission at the National Labour Exchange level and tripartite commissions at territorial labour exchanges level. Social partners bear no considerable obligations or responsibilities, though in fact they could have influenced formation and evaluation of the active LMP.

According to the Lithuanian NRP implementation report 2009 active labour market policy will be further extended in reaction to the crisis, and will mainly be financed by the ESF. In August 2009 an amendment of the Law on Employment Financing came into force that aims to cushion the effect of economic crisis on growth of unemployment, to support job security and to increase the participation rate in active labour market policy measures.

Supportive social security systems

A new law on unemployment insurance in 2005 significantly increased the levels and availability of unemployment benefit. The provisions of this new law ensure a more reliable control over qualification to unemployment benefits and sustain the motivation of the unemployed persons to search actively for a job.

Other measures that need to be mentioned are reduction of income tax and the increase in the minimum wage level. According to the government of Lithuania this increases real income of individuals and, simultaneously, ensures better social security of the population (in case of unemployment as well). Regularly growing old-age and disability pensions also contribute to better social security provisions for the population. With a new law on occupational pensions in 2006 it was intended to encourage employers to provide additional social guarantees for their employees, including the possibility to accumulate pension rights when taking up employment with another employer.

According to the Lithuanian commentators (Eurofound 2009), the participation of social partners in social security policy is rather weak. Social partners were able to submit their proposals for the draft law on social insurance for the unemployed, but they were not able to work out a serious alternative proposal. Since the reform came into force in 2005, social partners have not raised any questions concerning social insurance of the unemployed.

On the other hand it has to be noted that before the final decision is taken regarding legislation regulating social security issues the national tripartite council will be consulted with the social partners having the opportunity to discuss, criticize and submit proposals to the legislation under discussion.

In reaction to the crisis, in August 2009 an amendment of the Law on Social Insurance of Unemployment came into force. It extended the duration of the unemployment benefits to those living in municipalities with the highest unemployment rates by 2 months.

High quality and productive workplaces

To increase productivity and competitiveness is one major challenge for Lithuania. In 2007, labour productivity has been only at 60% of the EU average and the Government's objective in the NRP 2008-2010 was to increase productivity rates to 65% by 2010. Labour productivity was not only much lower than in Western European countries, it was also 1.1 times lower than in neighbouring Poland or than in Estonia.

In order to improve health and safety at work and to decrease the number of accidents, the *Law on Safety and Health at Work* of 2003 was reformed in 2007, adding provisions related to the prevention of accidents at work and occupational diseases and defining employers’ duties in the context of health and safety at work.

In line with the *Community Strategy 2007-2012 on Health and Safety at Work*, Lithuania has drafted a national Strategy for Safety and Health at Work for 2008-2012, supplemented by an action plan for 2008-2010. This engagement was continued with the approval of a 2009-2012 strategy for employee’s safety and health and a related action plan for 2009–2010.

Gender equality

In 1998, the Lithuanian Parliament adopted the *Law on Equal Opportunities for Women and Men* that has been reformed since then. Among others it already established a legal obligation for state and private institutions to implement gender equality principles in employment, education, science, etc. The *National Programme on Equal Opportunities for Women and Men 2003–2004* included concrete implementation measures.

According to the NRP 2008-2010, the Lithuanian Government was aiming at implementing the European Commission Manual for Gender Mainstreaming of Employment Policies with the objective of reducing gender gaps in employment, unemployment and pay as well as sectoral and occupational segregation of the labour market.

In order to improve the access to and sustainable participation of women in the labour market and in order to integrate the gender equality aspect in employment, the Government introduced measures on training for women returning to the labour market after a long break and for elderly women. Furthermore, awareness raising activities on stereotypes related to gender roles in the labour market and aiming at changing prevailing discriminatory attitudes were initiated.

Finally, in the context of promoting Corporate Social Responsibility (CSR) in companies, a gender quality index in the private sector was introduced and the gender equality policy implementation in several companies and one public institution was assessed. In the follow-up, two training courses on gender equality in the workplace were organised and an electronic self-assessment tool was made available. For now results of the undertaken initiatives are not known due to a too short period of its functioning

Financial sustainability

Considering the tight budget situation the financial sustainability of policies aiming at social security, active labour market policy and other policy fields relevant to flexicurity are under strong pressure in the light of the crisis. Here the recent National Agreement is playing an important role in the field of financial sustainability.

Conclusion: Strengths, weaknesses and challenges

The trends and measures described above are illustrating major strengths and weaknesses of the Lithuanian labour market policy: a functioning tripartite consultation and social dialogue at the government level on the one hand and problems and deficits in the implementation of the measures developed and adopted in the context of the Lithuanian NRP on the other hand.

Major challenges for the years to come were described by the EU Commission in its country specific recommendations:

- In the light of negative demographic trends and an ageing population, maintaining adequate labour supply, both in quantity and quality, is a key challenge for Lithuania. The country needs to address low territorial mobility, social exclusion, undeclared work, disincentives to work and insufficient opportunities to balance work and private life.
- Against the sharp increase in youth unemployment it is also a major challenge for the Lithuanian government to improve youth employability and expand the entrepreneurship education.
- Efforts are needed to boost productivity and alleviate skills mismatches by improving education and training systems, lifelong learning and occupational health and safety.

3 The role of the social partners

At the time of writing we had received no responses from the Lithuanian social partners to the flexicurity questionnaire launched in association with this project. The information below is based therefore on desk research and, in particular, the EIRO national report on flexicurity and industrial relations (Eurofound 2009).

General remarks on the role of social partners

Social partners, both trade unions and employers’ organisation, side suffer from a very low membership in Lithuania since the country’s independence. Trade union density is very low with only around 8-10% of employees being organized. There are three national trade union organisations working in the same regions, sectors and enterprises: the *Lithuanian Trade Union Confederation* (LPSK), the *Lithuanian Trade Union “Solidarumas”* (LPS) and the *Lithuanian Labour Federation* (LDF) – all three are members of the ETUC. Besides, there are several smaller trade unions, not belonging to those three confederations. While cooperation between the trade union confederations was not common in the past, the situation has changed recently and unions started to better coordinate their activities. In May 2007, they signed a “*Declaration of cooperation*” including provisions to establish a coordination centre.

LITHUANIA - MAIN SOCIAL DIALOGUE INDICATORS

	Lithuania	EU27
Collective bargaining coverage, 2006	11%	63%
Trade union density, 2005	13.2%	25%
Employer organization density, 2006	~ 20%	n.a.

Sources: Eurofound EIRO Country profiles, EU Industrial Relations Report 2008.

The two major organisations on the employers’ side are the *Lithuanian Confederation of Industrialists* (LPK) and the *Lithuanian Business Employers’ Confederation* (LVDK), both member of BUSINESSEUROPE. They are said to have a rather low membership. Small and medium sized companies are organised in the *Lithuanian Business Employers Confederation* (LVDK) which is also the national UEAPME section.

The country’s rapid economic growth between 2000 and 2008, along with rising emigration since 2004, led to labour force shortages between 2004 and 2007. In turn, this situation resulted in an increasing role of the social dialogue, strengthened social dialogue institutions and created more favourable conditions for trade unions to negotiate on better working conditions. As a result, in 2008, some legislative amendments were introduced with the view to creating better conditions for the development of social dialogue. Unfortunately, the effects of the global economic recession impacted

on the country during the second half of 2008 and prevented these positive changes from gaining further momentum.

Main instruments and levels of influence

Although the trade union density level is relatively low in Lithuania, collective bargaining is present and collective agreements are signed in the majority of enterprises with functioning trade unions. However, the coverage rate of collective bargaining is estimated to be relatively low. As no collective bargaining occurs at the national or sectoral levels and no collective agreements are signed at these levels, the company level is the most important level of collective bargaining.

On the other hand, since working time and minimum wage are set by regulatory legislation in Lithuania, and all legislation in the domain of the labour market and industrial relations is agreed on by the national social partners in the national tripartite council LRTT prior to its adoption, the role of national-level social dialogue also plays an important role in Lithuania. Therefore, social dialogue at the national level may be considered even more important than that at the company level, because it affects the working conditions of all employees in the country.

A number of tripartite councils and commissions operate in Lithuania. Most of these organisations are specialised and operate at national level, while some of them have extended their activities to the regional level. The main tripartite organisation, the LRTT, was established in 1995. According to the parity principle, the LRTT consists of 15 members (extended recently to 21 members), including representatives from the trade unions, employer organisations and NGOs.

According to Lithuanian law, legislative drafts that are submitted to the government on relevant labour, social and economic issues should be agreed in advance with the LRTT. Despite the fact that the LRTT reviews all draft legislation, the opinion of the national social partners is often neglected at a later stage, notably when the drafts are being adopted by the Parliament of the Republic of Lithuania. With the view to changing the existing situation, in 2008–2009 the social partners undertook some initiatives to increase the significance of social dialogue at national level.⁵

Tripartite councils and commissions operate almost under all main state institutions including the Lithuanian Labour Exchange and local labour exchanges, the State Social Insurance Fund Board, and the Lithuanian Labour Market Training Authority.

Recent changes and challenges

According to the Eurofound analysis on flexicurity and industrial relations the Lithuanian social partners have not found a common position on flexicurity and flexicurity has rarely been an issue of debate:

“Social partners in Lithuania rarely discuss the issue of flexicurity. (...) Employer organisations and trade unions did not start the discussion on the issue themselves. There is no common position shared by the social partners and other labour market stakeholders or any agreement regarding implementation of the principle of flexicurity in the labour market and employment policy.” (Eurofound 2009)

In the light of recent developments (see in particular the description in chapter 2 on “External/internal flexicurity and contractual arrangements”, this assessment has to be reconsidered. In particular with view on the amendments of the labour law after 2008 the social partners and social dialogue played quite an active role.

⁵ See EIRO article: “Social partners in favour of enhanced role for social dialogue”, 7.10.2008, <http://www.eurofound.europa.eu/eiro/2008/09/articles/LT0809029I.htm>

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 Lithuania:

- *Was the concept of flexicurity and the need to define a “flexicurity pathway” in the context of the EU Lisbon Strategy of any help to develop further the practice and structures in policy fields such as labour law, employment policy, education and training in Lithuania?*
- *Labour market and social security reforms as carried out before 2008 seem to seek a balance between higher flexibility and an increase in security – is this assessment right?*
- *What are the effects of the severe financial and economic crisis on balancing flexibility and security in Lithuania?*

Sources and references⁶

Replies to the questionnaire survey, interviews and other contributions

There were not any questionnaire replies from the Lithuanian social partner organisations. However, Lithuanian social partner representatives made comments on the draft text of the national fiche at the cluster seminar in Lisbon and LPSK also send a written comment on the report afterwards that were taken into account for the revised version.

Further resources

1. EU Commission 2009: Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan - Annual country assessments: Recommendation for a Council Recommendation on the on the 2009 up-date of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States' employment policies, Brussels, January.
2. EU Commission 2010: Spring Economic Forecast 2010.
3. Eurofound 2009: Flexicurity and Industrial Relations – Country Report Lithuania.
4. Lithuanian Government 2008: National Lisbon Strategy Implementation Programme for 2008-2010.
5. Lithuanian Government 2009: Annual Progress Report on the Implementation of the National Reform Program of Lithuania.

⁶ NRPs and other EU documents available on:
http://ec.europa.eu/archives/growthandjobs_2009/documentation/index_en.htm#implementation