

## Chapter 17

# Latvia: post-Soviet legacy and the impact of neoliberal ideology on collective bargaining

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The dominant characteristics of the current collective bargaining system in Latvia were established during the years following the restoration of state independence in 1991. This chapter begins by providing a brief macroeconomic analysis of the period 1990–2017 in order to place the bargaining system in a broader context. After the collapse of the USSR (Union of Soviet Socialist Republics), Latvia, together with the two other Baltic states, Estonia and Lithuania, implemented neoliberal economic policies, with extensive privatisation, which has increased socio-economic inequality. There have been twenty government coalitions in Latvia since 1990. Short-lived coalition governments, in most cases dominated by the centre-right, are typical of the Latvian political landscape. A neoliberal economic course has been maintained by all coalitions, emphasising ‘individualisation’ and the private market.

Latvia entered the European Union (EU) in 2004 and joined the euro zone in 2014. At the macro level, development in Latvia has been uneven. The period since accession to the EU in 2004 can usefully be divided into three economic phases, each lasting three to four years. High economic growth with annual rates of more than 10 per cent and low unemployment were characteristic of the first phase, from 2005 to 2007. Consumption, retail and real estate borrowing generated high rates of GDP growth rather than investment in industry. The short period of high growth ended in 2008 when growth plummeted and high unemployment and a deep economic and financial crisis prevailed from late 2008 onwards (Bukovska *et al.* 2016: 4–6). In June 2009 an agreement, colloquially known as ‘the 11 June agreement’, was concluded between the coalition parties and the social partners ostensibly to cut the budget deficit by 500 million LVL (771.4 million euros). The social partners included the Free Trade Union Confederation of Latvia (Latvijas Brīvo arodbiedrību savienība, LBAS), the Employers’ Confederation of Latvia (Latvijas Darba devēju konfederācija, LDDK), the Latvian Association of Local and Regional Governments (Latvijas Pašvaldību savienība, LALRG), the Latvian Chamber of Commerce and Industry (Latvijas Tirdzniecības un rūpniecības kamera, LTRK) and the Latvia Pensioners’ Federation (Latvijas Pensionāru federācija). The negotiations on the severe budget cuts took the form of social dialogue rather than collective bargaining. As is discussed below in the section on the ‘Depth of bargaining’, the content of the agreement was not fully incorporated in the 2009 Budget Bill and its amendments. A steep decline in GDP followed and total unemployment peaked at 17–20 per cent in 2010. The economic and financial crisis that started in late 2008 had a profound influence on Latvia’s economy and on the character of collective bargaining and social dialogue. Latvia was forced to seek international financial help from the International Monetary Fund (IMF) and the European Commission. Financial

Table 17.1 Principal characteristics of collective bargaining in Latvia

| Key features                                     | 2000                    | 2016  |
|--|-------------------------|---|
| Actors entitled to collective bargaining         | Employees and employers |   |
| Importance of bargaining levels                  | Company level           |   |
| Favourability principle/derogation possibilities | Yes                     |   |
| Collective bargaining coverage (%)               | 34.2 (in 2006)          | 24.0 (in 2014)  |
| Extension mechanism (or functional equivalent)   | n.a.                    | A company-level collective agreement is binding on the parties, unless provided for otherwise in the collective agreement. There are no other voluntary extension mechanisms as regards collective agreements |
| Trade union density (%)                          | 20.2 (in 2003)          | 13.0  |
| Employers' association rate (%)                  | n.a.                    | 44, 66–68 industries  |

Sources: Authors' compilation of data from LBAS, LDDK and Appendix A1.

support from these institutions came in a package that imposed the implementation of austerity measures: wages were cut in the public sector by 20–30 per cent, payments to pension funds were reduced or halted and other welfare provisions were cut, including maternity and child support benefit (King and McNabb 2011). A third phase from 2011 was characterised by a recovery when GDP grew by 5.5 per cent. From 2012 Latvia exhibited a more stable recovery with GDP growth and employment rate increases among the highest in the EU.

A combination of large-scale emigration and a below-replacement birth rate, however, has led to overall population decline from 2.67 million in 1990 to 1.95 million in 2017 (CSB 2017). These trends and the neoliberal political ideology pursued by right-wing and conservative ruling parties provide the context for industrial relations in Latvia. Furthermore, after the switch from a command to a market economy, social democratic as well as communist ideology was linked to the Soviet past. This has had a negative impact on the public perception of trade unions and within a state apparatus that wants to break free from the Soviet past. Compared with trade union movements in western European countries, trade unions in Latvia are less influential due to the lack of political support, given the neoliberal inclinations of successive governments, and a lack of knowledge among many trade unionists on how to engage in collective bargaining (Line 2016: 96; Stacenko 2014: 75–76, 103–107).

The first characteristic of collective bargaining in Latvia is the low trade union coverage and the gradual decline of trade union membership (see Table 17.1). Latvian trade unions, however, are unified within LBAS, even though some are less active. A second characteristic of collective bargaining is related to the Soviet past, coupled with the neoliberal ideology that promotes individualisation. In combination, these features result in a lack of understanding in society regarding workers' rights and the need for collective bargaining. Hence social dialogue in Latvia was weak during the 1990s and early 2000s, and especially during the crisis years (2008–2011) when trade union

demands were not taken into account by the government (Bukovska *et al.* 2016: 6–7, 33, 50–51; Romele 2017: 128–130).

Latvia is an open economy. Its industrial structure is divided between public and private sectors. In a strict sense, however, only state institutions and municipalities are fully public. Many services are public–private and natural resources (land, forests) are also publicly or privately owned. The public sector has large shares in land and forests, energy, transport, culture, education and health services. Imports exceed exports. Most Latvian services and goods are exported to the EU: according to Bank of Latvia, this stood at 73 per cent in 2016, while 77 per cent of imports are from the EU. Within manufacturing, mechanical engineering and metal work used to generate the most important share of exports and manufacturing output. Due to the collapse of Liepajas metalurģs in early 2010s, however, this output has plummeted. The second largest component of output and of exports is wood processing, which has remained relatively stable throughout the first two decades of the twenty-first century. In third place in terms of output is food processing, but this is oriented more towards the domestic market: exports of processed food are half the output consumed at home.

## **Industrial relations context and principal actors**

Bargaining is regulated by Part B of the Labour Law (Darba likums, Likumi.lv 2002a: Articles 17–27). The law describes the content and form of collective agreements, the parties to them, their effects over time, their effects on workers, procedures for entering into agreements, their approval, amendments to provisions in agreements, familiarisation with agreements and settlement of disputes. Collective bargaining is voluntary, usually initiated by trade unions.

The law allows an indefinite number of trade unions and authorised employee representatives in one enterprise. Authorisation means that trade unions and employers have to sign agreements stating who represents employees for joint negotiations with an employer in proportion to the number of people they represent, but not less than one representative each (Karnite 2016b). Article 10 of the Labour Law (Likumi.lv 2002a) also states that ‘if representatives of one or several trade unions and authorised employee representatives have been appointed for negotiations with an employer, they shall express a united view’.

The Labour Law (*ibid.*) sets out employees’ bargaining rights. Article 10 of the Labour Law stipulates that the social, economic and occupational rights of employees can be exercised directly, by themselves; or indirectly, by their representatives. A representative can be a trade union and/or an authorised employee representative. According to Article 7 of the Trade Unions Act (Arodbiedrību likums, Likumi.lv 2014), company-level trade unions can be established by no fewer than 15 employees or no fewer than one-quarter of the employees of the company as long as this proportion comprises five or more employees. If a company has fewer than five employees then a union cannot be established, but the employees can join an existing union or create a branch of an existing union. Fifty or more members can establish a trade union beyond the company

level. LBAS explains that such requirements are in place in order to avoid the formation of countless small and fragmented inter-industry unions (LBAS 2014). Authorised employee representatives may be elected if a company employs at least five people. Representatives may be elected by a majority vote and at least half of the employees must participate in the election.

The legal framework of trade unionism in Latvia dates back to the 1922 Constitution (Satversme), which initially guaranteed the free organisation of workers. After the collapse of the Soviet Union, the collective bargaining system was elaborated in the Associations and Foundations Act (Biedrību un nodibinājumu likums, Likumi.lv 2004), adopted in 1991. The main basis for collective bargaining was established through the adoption of the Labour Law (Darba likums) in 2002. International Labour Organization (ILO) legislation was adopted by Latvia before 2004. Joining the EU did not have much impact on collective bargaining. A separate Trade Unions Act (Arodbiedrību likums) was adopted in 2014 (Likumi.lv 2014).

The initial constituent congress of LBAS was held on 25–26 May 1990. A new organisation was established, but it was not immediately reformed and many structures from Latvia's Soviet-style trade unions were initially maintained (LBAS n.d. a). LBAS, however, is currently the only confederation in Latvia. LBAS coordinates 21 affiliated trade unions at the industry level, represents and protects the interests of its members in national and international institutions and implements a joint working programme. LBAS advises trade unionists at all levels of their organisations on how to conclude collective agreements, and participates in labour disputes and social and economic conflicts (LBASb n.d. b). These are unions at the industry level. In August 2014, a total of 216 trade unions were registered in Latvia, although only 197 were listed as being active (Fulton 2015). LBAS thus represents only a minority of Latvian trade unions, but, importantly, it is the most influential trade union voice. Most unions that are not affiliates of LBAS are small and firm-based.

Recovery from the economic crisis has resulted in new trends that are shaping the identity of trade unions in Latvia. More young people have been educated abroad and are thus more aware of trade unionism. In addition, substantial support, both material and intellectual, from EU organisations and trade unions across Europe, as well as Norwegian grants, have enabled Latvian trade unions to raise a voice and an awareness of trade unions and collective bargaining as a public good (EEA Grants 2016a, 2016b). Trade unions have begun to emerge as an important intellectual partner and within the courts qualified support for labour rights is emerging (Romele 2017: 130–136).

It is rare for employers' organisations to be involved in collective bargaining. Relevant data on the membership of employers' organisations are partial, as employers' organisations do not monitor their association rate (Karnite 2016b). It is known, however, that the largest employers' association in Latvia is LDDK. Members of LDDK employ 44 per cent of all employees in Latvia. The share of workers employed by LDDK member organisations is much higher than the proportion of workers involved in trade unions. LDDK represents both private employers and also mixed private and public enterprises. The annual turnover of member companies in 2017 was 40 billion euros, according to

LDDK. In 2017 LDDK had 64 branch and regional associations and federations, as well as 112 enterprises that employ over 50 people. LTRK is also a vocal player supporting employers' interests, but represents industries instead of employers. LTRK operates at national level and participates in social dialogue, but is not an employers' organisation under the law (Karnite 2016b).

The government, LDDK and LBAS are represented on the National Tripartite Cooperation Council (Nacionālā Trīspusējās sadarbības padome, NTSP) (Likumi.lv 1999: Article 1). The NTSP is a two-stage tripartite institution: at the first stage discussions are carried out in committees and at the second stage decisions are taken in the main body of the NTSP. The NTSP is directly responsible to the Prime Minister, to which it owes its legal status. The secretary of the NTSP is subordinate to the State Chancellery (Valsts Kanceleja) in institutional matters and to the Prime Minister in functional matters. Meetings of the NTSP are organised on request, but not less than once every two months. The NTSP examines policy-planning documents and drafts of proposed legislation and sets out proposals for their improvement in the following areas: social security; guidelines on the state budget; economic and regional development strategy; health care; development of general and vocational education; employment and classification of occupations; and implementation of international commitments (ibid.).

This chapter argues that Latvia exhibits typical features of post-socialist states, with the emphasis on social dialogue, albeit only rhetorically, rather than strong structures of collective bargaining. The remainder of the chapter analyses the six dimensions identified by Clegg (1976). A conclusion highlights the contemporary realities of collective bargaining in Latvia.

## **Extent of bargaining**

A wage survey undertaken by the Latvian Central Statistical Bureau (Centrālā Statistikas pārvalde, CSP) indicates that collective bargaining coverage is higher than union density. In 2006, for instance, 34.2 per cent of all employees were covered by collective agreements (CSB 2012), falling to 24.0 per cent by 2014, according to LBAS. Both bargaining coverage and trade union density, however, are among the lowest in Europe (Fulton 2015). Industrial differences are substantial: in 2006, 69.4 per cent of those engaged in health and social work and 68.6 per cent of those in education were covered by collective agreements, while in banks and finance the figure was only 16.9 per cent, in retail and wholesale 13.9 per cent and in hotels and catering 11.2 per cent (Fulton 2011). Collective bargaining is more widespread in the public sector and at large state-owned companies than in the private sector. Small and medium-sized companies in the private sector typically do not have trade unions. Traditionally, education and health care are more active in wage negotiations (Fulton 2015). Bargaining coverage is higher than trade union density due to Latvian legislation, which requires employees working in industries that have trade union representation to be covered by collective agreements through extension.

There are no data on the duration, renewal and long-term validity of agreements. Article 19 of the Labour Law (Likumi.lv 2002a), however, states that ‘if a collective agreement does not specify a period of effect, the collective agreement shall be deemed to have been entered into for one year’. After a collective agreement expires, its provisions continue to apply to its signatories and those whom they represent until a new agreement comes into effect, unless agreed otherwise by the stakeholders.

The state allows, but does not promote unionisation through legislation. Union density is relatively low, at about 13 per cent, and is much higher in the public than in the private sector, according to the list of LBAS members, although there are union members in former state-owned companies that have now been privatised and in some companies owned by multinationals. There were just over 100,000 employed trade union members in Latvia in 2013. There are cases, however, that suggest that employees are beginning to recognise their rights and seek to exercise them. The Union of Latvian Interior Employees (Latvijas Iekšlietu darbinieku arodbiedrība, LIDA), for example, affiliated to LBAS on 27 September 2017, becoming the latter’s twenty-first affiliated union. LIDA brought LBAS 2,600 new members among police officers, firefighters, border guards and prison officers (Karnitis 2017).

According to Article 18 of the Labour Law (Likumi.lv 2002a) an industry or regional level agreement signed by an employers’ organisation or an association of employers’ organisations is binding on members. Moreover, with regard to extension mechanisms, Article 18 of the Labour Law (*ibid.*) stipulates that

if members of an organisation of employers or an association of organisations of employers employ more than 50 per cent of the employees in an industry or the turnover of their goods or the amount of services is more than 50 per cent of the turnover of goods or amount of services in an industry, a general agreement entered into between the organisation of employers or association of organisations of employers and a trade union or an association of trade unions shall be binding on all employers of the relevant industry and shall apply to all employees employed by such employers.

This is a general entitlement and serves as a public good for workers, but in a country in which a minority of workers are trade union members, trade unionists see that it may preclude some employees from joining a trade union. The reason is that trade union members pay membership fees, while others do not contribute financially to sustain the everyday needs of trade unions.

At enterprise or establishment level, collective agreements are often regarded as stronger instruments to protect employees’ rights than industry or regional agreements (interview with Latvian Trade Union of Education and Science Employees’ representative, LIZDA, 2017). Such a view is common in Latvia because of the historical context in which top-down initiatives have been perceived as disregarding the realities of actual life. In contrast, agreements made at enterprise or establishment level are concluded between stakeholders who know each other personally and know the context in which an agreement will be applied. An enterprise or establishment level collective

agreement is binding on the parties, unless explicit provisions stating the contrary are included in the collective agreement. There are no voluntary extension mechanisms regarding such collective agreements (Karnite 2017b).

The level of awareness of employment rights and entitlements remains low among employees. Many still do not know their rights and or do not demand them despite being entitled to them. This kind of knowledge could be gained from trade unions. Because union density is low and trade unions have very limited resources, their capacity to undertake this task is restricted. Furthermore, although the bargaining coverage is low, employees who are not trade union members nevertheless benefit from trade union efforts. Some trade unions, for example LIZDA, one of the more active unions, object to the extension of collective agreements to all workers and argue that they should only apply to union members, as was recently introduced in Lithuania (see Chapter 18). Trade union representatives argue that in the current circumstances union members are questioning why they should have to join a union, pay membership fees and devote time and knowledge to the union if most people can benefit without making any contribution (interview with LIZDA representative, 2017). Presumably, trade unions hope that if agreements applied only to union members, more employees would be encouraged to join, thus increasing trade unions' resources.

## **Security of bargaining**

Security of bargaining refers to the factors that determine trade unions' bargaining role, including legislation and the ability to take strike action. The Trade Union Act (Arodbiedrību likums, Likumi.lv 2014) provides the general outline of union establishment and recognition procedures. The Trade Union Act defines a trade union as a voluntary union of persons, meaning that people have the right not to join a union. A trade union is established in order to represent and defend employees' labour, economic, social and professional rights and interests (ibid.: Article 3). Before the amendments to the law were made in 2014, only people who were employed or studying had the right to establish trade unions: now, however, any inhabitant of Latvia has this right (ibid.: Articles 4 and 7). There are some restrictions regarding unionisation in special legal acts: the State Security Institutions Act (Valsts drošības iestāžu likums, Likumi.lv 1994), the Military Service Act (Militārā dienesta likums, Likumi.lv 2002b) and the Border Guard Act (Robežsardzes likums, Likumi.lv 1998a). As a consequence, workers in state security institutions, border guards and members of the armed forces cannot join trade unions.

Article 6 of the Trade Union Act (Likumi.lv 2014) states that trade unions shall be independent of national and municipal institutions and employers' organisations. The same article also establishes that any action aimed directly or indirectly at preventing unionisation, subordinating unions to national and municipal institutions and employers' organisations or hampering the performance of tasks laid down for unions and union associations by law shall be prohibited. Trade unions have the status of legal persons from the moment they are entered in the Register of Associations and Foundations (ibid.: Article 10). Unions can have territorial or other

types of branches and are allowed to establish independent units with legal person status (*ibid.*).

The Latvian state has acted to ensure that collective agreements are legally binding, thereby enhancing the security of collective bargaining. Article 20 of the Labour Law (Likumi.lv 2002a) establishes the 'favourability principle' by stating that 'an employee and an employer may derogate from the provisions of a collective agreement only if the relevant provisions of the employment contract are more favourable to the employee'. The legal way of derogating from an existing collective agreement is by amending the provisions of a collective agreement. Article 23 of the same law specifies the mechanism for amending provisions of a collective agreement. Article 19 of the law states: 'upon termination of a collective agreement its provisions (...) shall apply up to the time of coming into effect of a new collective agreement, unless agreed otherwise by the parties'. Collective agreements and the right to collective bargaining also apply to posted workers at the EU level (*ibid.*: Article 14).

The terms of collective agreements constitute actual terms of employment only to a limited extent. This is the case, for example, because terms of employment, working time and wages in the public sector are laid down in the budget. The terms of agreements also have a limited effect on the management of pension contributions. In April 2012, for example, the Post and Telecommunications Workers' Trade Union (Latvijas Sakaru darbinieku arodbiedrība, LSAB) elected a representative to the board of the private pension fund, as agreed in paragraph 109 of the collective agreement between LSAB and Lattelecom. During the meeting of the JSC company's (JSC Sadales tīkls, electrical manufacturing and electricity distribution) 'First Closed Pension Fund' stakeholders on 24 May 2012, however, Lattelecom nominated two employer representatives. The LSAB representative was thus excluded from further board participation (ITUC-DCI-IGB 2013:64). In this case employers' representatives were favoured and trade unionists excluded despite a general trend in the legislation that collective agreements must be taken into account regarding the management of pension funds.

The Trade Unions Act (Likumi.lv 2014) and the Labour Law (Likumi.lv 2002a) also provide for the protection of union representatives. Union representatives, for example, have the right to fulfil their union obligations at work during working hours, as long as they fulfil their direct job responsibilities for at least half of working hours, without it affecting their wages in any way. In practice, LBAS reports, there are cases in which union representatives do not fulfil their job obligations while serving as representatives. In such cases they have a right to keep their job or to be offered an equivalent position after they cease to act as representatives. The Trade Unions Act and the Labour Law also protect union representatives by regulating the procedure of labour contract termination and disciplinary penalties, which requires consultation with the representative union.

Legal types of industrial action are set out in the Labour Dispute Act (Darba strīdu likums, Likumi.lv 2002c) of 2002, including labour disputes, dispute resolution mechanisms and lockouts. The Meetings, Processions and Pickets Act (Par sapulcēm, gājieniem un piketiēm, Likumi.lv 1997) of 2002 allows trade unions to call protest actions, such as meetings, pickets and demonstrations. The most widespread protests



in Latvia, with approximately 10,000 participants, occurred in January 2009 after the introduction of austerity measures (deputatiuzdelnas.lv 2012). Trade unions called for these protests alongside politicians and individual activists. Demonstrations and similar protest actions are more common than strikes in Latvia, in part due to the ease of notifying the authorities of a demonstration compared with organising a strike.

The Labour Dispute Act (Likumi.lv 2002c) sets the terms of the collective dispute resolution procedure. According to Article 16, ‘during the period when a collective dispute regarding interests is settled by mediation, the parties to the dispute must refrain from exercising the right to collective action, including a strike or a lockout’. In a similar manner the same law states that ‘during the period when a collective dispute regarding interests is settled in the arbitration court the parties to the dispute must refrain from exercising the right to a collective action, including a strike or a lockout’ (ibid.: Article 20). Furthermore,

If for the settlement of a collective dispute regarding interests the representatives of employees or the employees (...) use a strike as a final means for the settlement of the dispute, (...) [employers] have the right to respond in protection of their economic interests [in the form of a] lockout. (...) A lockout is prohibited in state administration and local government, as well as in undertakings that shall be regarded as services necessary to the public in accordance with the Strike Law. (ibid.: Article 21)

Consequently, in most industries in which trade union coverage is considerable strike action is prohibited.

Latvia does not operate a variant of the Ghent system. The main responsibility for the management of the welfare system lies with government agencies. The state has introduced elements of a welfare system as a result of social dialogue where unions have been stakeholders. In 2016, for example, the government introduced compensation for workers injured while on active service in the internal security services. The government also introduced a minimum social insurance payment, calculated at 75 per cent of the statutory minimum wage in 2017 (Karnite 2016a). A statutory minimum wage was established in Latvia in 1998, but remained at a low level until recently; in 2018 it reached all-time high at 430 euros per month. Trade unions have always been vocal advocates of a higher minimum wage.

## **Level of bargaining**

In Latvia, as in the other Baltic states, single employer bargaining at the company level is predominant (Fulton 2015). Bargaining is much more prominent in the public sector, including state-owned companies. Data are sporadic, but it is possible to discern trends. Wage bargaining is not formally monitored at national level, although LBAS carries out an annual survey as a means of estimating collective bargaining coverage. It should be noted that these data are not representative because participation in the survey is voluntary. With this caveat the trend is clear. At the beginning of 2008 there were 1,921

company level agreements: this number fell to 1,460 by 2011 and thereafter to 1,339 in 2013, 1,284 in 2014, 1,268 in 2015 and 1,152 in 2016 (Karnite 2016b). Industry-level agreements often only provide a broad framework for company level negotiation (Fulton 2015). In 2008 there were 23 industry-level agreements in force (Fulton 2011). This number rose to 29 by 2011 before falling to eight in 2016. There is currently no official means whereby the number of employees covered by these company and industrial agreements can be calculated.

According to the Labour Law (2002a: paragraph 4 of article 18) industrial agreements can be general, related only to employers' associations or to individual employers who have agreed to sign such an agreement. In 2018, general industrial agreements were valid in the railway industry and in health care and a general industrial agreement was signed between the Ministry of Welfare and the Trade Union of Health and Social Care Employees of Latvia (Latvijas Veselības un sociālās aprūpes darbinieku arodbiedrība, LVSADA) (LVSADA 2017). In 2018, LBAS was working on a project funded by the European Social Fund aimed at establishing industrial agreements in five priority industries: construction; wood and forestry; chemical production; telecommunications; and ground transport. Other efforts by the social partners to develop industrial and regional collective bargaining have not met with any success (Karnite 2017b).

The 'architecture' of bargaining differs between industries. In education, for example, teachers usually initiate collective agreements and single employer bargaining. Education collective agreements are signed with school directors. The mayors of municipalities are supposed to deal with such agreements, as municipalities fund schools in Latvia. This can complicate the bargaining process because municipalities may not be interested in supporting employees' rights and demands due to municipal budget planning. The situation is further complicated in vocational schools because these are usually funded by the Ministry of Education and Science or the Ministry of Culture and a clear mechanism for concluding a collective agreement does not exist. Directors of vocational schools do not want to take sole responsibility for concluding collective agreements, as they are dependent on funds from these ministries. In institutions of higher education agreements are usually signed between a trade union and the rector. When there is more than one trade union in an institution of higher education, the trade unions tend to agree a common approach and only then present it to the management (interview with LIZDA representative, 2017). The situation in education highlights the challenges in terms of bargaining articulation and coordination. Each party has its own agenda and when several employee representatives must decide on a common view on how employee rights and interests should best be enforced, it is not straightforward. This becomes even more complex when common ground must be reached with employer representatives.

## **Depth of bargaining**

Depth of bargaining is concerned with the extent of involvement of local employee representatives and local managers in the formulation of claims and the administration of agreements. Because collective bargaining practice, including industry-level bargaining,

was relatively uncommon in the Baltic countries between 2000 and 2017, employees' ability to have a meaningful influence on decision-making regarding industrial relations, such as depth of bargaining, has not increased. Industrial bargaining in Latvia typically takes place between the government and trade union leaders, who formulate claims. At this level, bargaining can be constrained: trade unions, for example, were unable to influence the terms of the austerity budget (2008–2011). Although tripartite agreements were signed in October 2008 and June 2009, they were no more than declaratory. Although there are a small number of industry-level agreements, it is common for industries in which they are signed either to have a network of company-level unions that are members of an industry-level union federation, such as in education and health, or to have one or a very small number of companies in the industry, as in air traffic control and electricity generation. There are no data that would allow us to assess whether employers apply the terms of industrial agreements. It should be noted, however, that signed agreements have legal status, thus increasing the likelihood of unions and employees implementing them. Union members and activists are involved in the formulation and approval of agreements to various extents; active trade unionists and their leaders, especially in health and education, are actively involved. Generally, public sector workers are more active than their private sector counterparts.

Because company-level agreements dominate Latvian collective bargaining, it is safe to assume that a broad range of issues regarding employment relationships are settled at company level. Furthermore, the 'shallow' character of collective bargaining in Latvia encourages low union density. Company-level agreements come into force after trade union(s) and employees, represented by the union(s), agree with company managers upon common terms and sign an agreement.

Trade union activities have focused on public awareness raising and integration into international trade union structures rather than internal processes of deeper bargaining. This is a result of the Soviet legacy and the backlash against any form of collectivism, in combination with a neoliberal culture that emphasises the market and individualisation. Latvian trade unions lack power in relation to employers' and their representatives, and need to increase public awareness of trade unions as a public good. After gaining public support, trade unions would also gain more symbolic capital to influence deeper bargaining. Two examples illustrate this. First, the narrative of 'hope' for trade unions is usually related to meaningful engagement in social dialogue, especially in relation to youth employment (Romele 2014). This 'hope', however, is not related to collective bargaining or to increased membership. LBAS hoped, for example, to find innovative solutions to current issues regarding employment during the Latvian Presidency of the European Council. As part of the Presidency events LBAS organised an international conference 'The Trade Union Role in Promoting Sustainable Growth and Quality Job Creation' in Riga in 2015. Prominent on the conference agenda was the need to tackle youth unemployment across the EU, the role of trade unions in facilitating youth employment and an evaluation of the European social partners' agreement on the Framework of Actions on Youth Employment. The spread of collective bargaining was not a priority. Second, in 2014 the Financial Sector Trade Union of Latvia (Finanšu nozares arodbiedrība, FNA) and the Association of Estonian Financial Sector Employees (Eesti Finantssektori Töötajate Liit/Igaunijas finanšu nozares darbinieku asociācija,

EFT/IFNDA) signed a memorandum of cooperation. The goal of this memorandum was to develop cooperation and information exchange between employees in finance in Latvia and Estonia in order to secure stable employment (BC 2014). This practice of widening collaboration geographically may contribute to broader bargaining in future at the industrial level as some employers in finance are the same in Estonia and Latvia. The role of collective bargaining and increased union membership, however, was downplayed in both of these events.

## **Degree of control of collective agreements**

In terms of mechanisms for controlling the implementation of collective agreements, the trade unions have few options. Strict provisions are made in the Labour Law (Likumi.lv 2002a: Article 6) that prohibit forms of flexibility that erode employees' rights:

- (1) Provisions of a collective agreement, working procedure regulations, as well as the provisions of an employment contract and orders of an employer, which, contrary to regulatory enactments, erode the legal status of an employee shall not be valid.
- (2) Provisions of an employment contract which contrary to a collective agreement erode the legal status of an employee shall not be valid.

Regardless of these provisions, wage formation in the private sector is strongly influenced by the labour market, whereas wage formation in the public sector is influenced by the labour market and the state budget situation. In the private sector the principles of wage formation and pay are described in the employment contract. Trade unions may influence wage formation through collective bargaining in companies where they are established and in industries in which the social partners are represented. State bodies play a role in wage setting insofar as they elaborate, implement and control relevant legislation, set tariffs in public service industries, particularly in transport, heating, gas, water supply and electricity, and establish wage systems and levels in public institutions (Karnite 2009).

The State Labour Inspectorate (Valsts darba inspekcija, VDI) carries out national surveillance and control of the implementation of labour relations and occupational health and safety. The VDI can impose administrative sanctions on employers in accordance with the procedures prescribed for administrative violations. According to Article 3 of the State Labour Inspectorate Act (Valsts darba inspekcijas likums, Likumi.lv 2008), the basic function of the VDI is to control the employment relationship and work safety. Another task is thus to ensure that employees and employers abide by the terms of labour contracts and collective agreements.

Strikes are rare. When they do occur it is generally in the public sector, particularly in health care and education. Several restrictions regarding strikes are in place as a result of the 1998 Strike Act (Streiku likums, Likumi.lv 1998b). There is an obligation to have majority support for strike action; a majority is at least 50 per cent of all employees that attend a meeting for a company strike or 50 per cent of members of the trade union for industrial strikes. Political strikes are illegal and so are solidarity strikes, with the

exception of disputes on general or industry-level collective agreements, which are a rarity in Latvia. There is also a list of ‘essential services’ that must be ensured during a strike, in accordance with Article 17 of the Strike Act (*ibid.*). The list is very broad and includes medical and first aid services; public transportation services; drinking water supply services; services producing and supplying electrical energy and gas; communication services; air traffic control and the service supplying meteorological information to the air traffic control; services relating to the security of all kinds of transportation; waste and sewage collection and water purification services; radioactive goods and waste storage utilisation and control services; and civil protection services (ETUI 2017). Judges, prosecutors, police officers, fire-protection, fire-fighting and rescue service employees, border-guards, members of the state security service, warders and persons who serve in the national armed forces are prohibited from striking altogether (Karnite 2017a).

## Scope of agreements

Article 17 of the Labour Law (Likumi.lv 2002a) states that in collective agreements stakeholders agree upon terms of the employment relationship covering, in particular, wages, work safety, beginning and ending employment relationships, increasing employee qualifications, working regulations, employee social security rights and the duties of parties. The scope of agreements is regularly reviewed by Latvian trade unions, primarily in the light of changes in legislation. Changes to agreements usually concern basic wage and national legislation, particularly amendments to the Labour Law. The scope of agreements can be enlarged due to health and safety regulations, work–life balance improvements and lifelong learning. Mutual learning within trade unions is also common. When some trade unionists negotiated additional support for parents of school age children, other trade unionists introduced similar additions to other collective agreements. LBAS coordinates and exchanges information between affiliated unions at the industrial level.

The content of collective agreements most frequently covers qualitative issues, such as work–life balance and quality of life. Wages are seldom set by industrial agreements, with the exception of certain industries, such as education. Specifically, these agreements cover additional holidays and various allowances and financial support, especially for parents with school age children. Financial support prior to the beginning of the school year is very popular, for example, as it helps parents make ends meet when preparing children for a new school year. Other support includes additional vacation money for health improvement purposes, additional holidays when related to personal issues, such as weddings, funerals and graduation from schools; and health and safety related support, such as for health checks, doctor appointments and buying glasses (Interview with LIZDA representative, 2017; Karnite 2016b).

Throughout the 2000s LBAS priorities have been increases in the minimum wage and overall wage levels, tax reductions for the low paid and increases in social benefits for wage earners, covering care for children and/or family members (LBAS 2014). LBAS supported the increase of minimum monthly wage for 2017, but pointed out that,

despite the increase, the minimum wage in Latvia still remained the lowest in the Baltic states (Karnite 2016a).

Employers' representatives are more active in comparing the terms and conditions of employees. From the point of view of public sector employers, the most pressing issue is the loss of good workers to the private sector due to wage differences. The LDDK and LTRK, representing mainly private enterprises, but also some public-private enterprises, for example, have repeatedly sought reforms to the public administration system. The first condition for successful change, according to a report published by SIA Fontes Management Consulting in the third quarter of 2016, is to ensure that salary levels, especially for key positions, are in line with those in the private sector. The report showed that 90 per cent of those employed in public administration were paid less than their private sector counterparts, with senior experts, IT professionals and high level managers in the public sector paid substantially less than their private sector counterparts. The report called for an increase in salaries across the board for public administration employees in 2017 (Karnite 2016a). As a result, on 4 January 2018 during a meeting of State Secretaries amendments to the Remuneration of Officials and Employees of State and Local Government Authorities Act (Valsts un pašvaldību institūciju amatpersonu un darbinieku atlīdzības likums, Likumi.lv 2010) were announced, raising the wages of lower and higher level managers. Although these public sector employees receive higher wages than most other public sector employees, their wages had not risen since 2010. An increase was necessary in order to align management wages in the public and private sectors because, as the report by SIA Fontes Management Consulting revealed, lower, middle, and higher level managers and experts in the public sector were paid only 37 per cent of the average monthly wages of managers and experts in the private sector (Brikmane 2018). This shows the effectiveness of employers' representatives regarding improvements in employment relations.

The scope of industry agreements is wider than that of company agreements. In the former, it is possible to determine the direction of development, professional classifications and regional development, while the latter deal with specific conditions in a certain company and may include the following: salaries, bonuses, additional holidays including those related to study, redundancy, study and obtaining further qualifications, health checks, working conditions, grievances, social guarantees and analyses of the challenges faced by the company and its likely future development. If branch and general industry agreements set terms and conditions, company agreements cannot undercut them.

## Conclusions

Collective bargaining is rudimentary in the neoliberal and open Latvian economy. Robust institutions capable of conducting collective bargaining were not established in the transition from the Soviet-style economy. There are clear political and economic reasons for this outcome: in 1991 Latvia declared its independence from the crumbling USSR and set out on a neoliberal path. Most industries were dismantled, privatisation was imposed and private business was promoted politically, albeit without the

underpinning of stable tax policies. While the initial constituent congress of LBAS, held before the restoration of state independence in Latvia, indicated a willingness to take part in the restoration of industrial relations in the independent state, this gesture was not enough to secure political influence, as the majority of Latvia's coalition governments have comprised centre-right parties.

Company bargaining is predominant in Latvia: industry agreements act as guidelines rather than substantive documents, similarly to the situation in the other Baltic States (see Chapters 9 and 18 of this volume). The depth of bargaining is shallow and relies on bargaining between government representatives and senior trade union leaders. Instead of negotiating within a tripartite system, trade unions are more focused on social dialogue and adding a voice in consultations on legislation and legal initiatives ranging from work relations to education. In terms of the degree of control of collective agreements, the strict provisions of the Labour Law prohibit flexibility. Wage levels are set in the public sector by legislation, influenced by the labour market and the state budget situation, while wage formation in the private sector is strongly influenced by the labour market. In terms of the scope of bargaining, agreements set conditions for pay, minimum pay and bonuses, additional bonuses for higher qualifications and experience and higher productivity. These terms are negotiated between the signatories to the agreement. Typically, trade unions want to include more terms, while employers want more flexible and less specific agreements. In practice, however, collective bargaining is constrained by economic and political realities, not least of which is the trade unions' lack of influence within government.

Trade union bargaining power has been systemically limited in Latvia since independence. The impact of EU membership and involvement at the EU level have had no direct impact on collective bargaining. Furthermore, Latvia adhered to ILO regulations before becoming an EU member state. Joining the EU and deeper collaboration with trade unions in the European Economic Area have had an indirect positive impact in the form of access to funds and the knowledge of European and Nordic partners (EEA Grants, 2016a, 2016b: 74). Awareness raising among and educating trade union leaders in Latvia is one of the challenges that can be addressed through this deeper collaboration and access to funds (Liekna 2011). Some trade unions have tried to solve this problem by preparing manuals for leaders of trade unions in individual enterprises on basic steps of collective agreement procedure (LBAS 2013). Despite this generally bleak picture, the impact of international collaboration has been helpful for Latvia's trade unions, most recently in the form of LBAS involvement in projects supported by the European Social Fund to establish industry agreements in five priority industries. Such projects, in combination with better educated and internationally connected staff at LBAS, can be a push factor for higher recognition and bargaining power in Latvia.

### **Acknowledgements**

We would like to thank LBAS experts Linda Romele and Mārtiņš Svirskis for their advice when working on this chapter.

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All links were checked on 25 October 2018.

## Abbreviations

|                  |  |
|------------------|--|
| <b>CSP</b>       | Latvijas Centrālā statistikas pārvalde (Central Statistical Bureau of Latvia)  |
| <b>EFT/IFNDA</b> | Eesti Finantssektori Töötajate Liit/Igaunijas finanšu nozares darbinieku asociācija (Association of Estonian Financial Sector Employees) |
| <b>FNA</b>       | Finanšu nozares arodbiedrība (Financial Sector Trade Union of Latvia)  |
| <b>HEI</b>       | Augstākās izglītības iestādes (Higher Education Institutions)  |
| <b>LBAS</b>      | Latvijas Brīvo arodbiedrību savienība (Free Trade Union Confederation of Latvia)   |
| <b>LDDK</b>      | Latvijas Darba devēju konfederācija (Employers' Confederation of Latvia)   |
| <b>LIDA</b>      | Latvijas Iekšlietu darbinieku arodbiedrība (Union of Latvian Interior Employees)   |
| <b>LIZDA</b>     | Latvijas Izglītības un Zinātnes Darbinieku Arodbiedrība (Latvian Trade Union of Education and Science Employees)                         |
| <b>LALRG</b>     | Latvijas Pašvaldību savienība (Latvian Association of Local and Regional Governments)  |
| <b>LSAB</b>      | Latvijas Sakaru darbinieku arodbiedrība (Post and Telecommunications Workers' Trade Union)   |
| <b>LTRK</b>      | Latvijas Tirdzniecības un rūpniecības kamera (Latvia's Chamber of Commerce and Industry)   |
| <b>LVSADA</b>    | Latvijas Veselības un sociālās aprūpes darbinieku arodbiedrību (Trade Union of Health and Social Care Employees of Latvia)               |
| <b>NTSP</b>      | Nacionālā Trīspusējās sadarbības padome (National Tripartite Cooperation Council)  |
| <b>VDI</b>       | Valsts darba inspekcija (State Labour Inspectorate)  |