

## Industrial relations and social dialogue Latvia: Working life in the COVID-19 pandemic 2020

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## Introduction

The entire year 2020 can be divided in three characteristic periods. The first period embraces the first wave of the COVID-19 pandemic. The second period ("life as usual") is summer 2020, when all epidemiological restrictions were abolished. The third period embraces second wave of the COVID-19 pandemic.

The economic effect of the first wave of the COVID-19 pandemic was less dramatic than expected. GDP declined by -1% in Q1 2020 (compared to Q1 2019), and -8.6% in Q2 2020 (compared to Q2 2019). In summer, GDP recovered with an increase of 7.1% in Q3 2020 compared to Q2 2020 (-2.6% compared to Q3 2019). The second wave of the pandemic started in September and is still at a critical level since November 2021. By flash estimate the GDP has decreased by -1.4% in Q4 2020 (compared to Q4 in 2019), but still increased by 1.1% compared to Q3 2020 (Official statistics portal, 2021a).

The wage level increased over the year while the number of people employed declined from 906,700 in December 2019 to 893,100 in December 2020. The registered unemployment rate has increased from 6.4% in January 2020 to 7.7% in December 2020, with the highest rate of 8.6% registered in June 2020 (Official statistics portal, 2021b). Average monthly gross earnings have increased by 5.9% in Q3 2020 compared to Q3 2019.

The first epidemiological restrictions were introduced in March 2020. On 14 March 2020 the government declared the state of emergency, and, with several extensions it lasted until 10 June 2020. On 9 November 2020 the government declared a second state of emergency which is still in place.

The second wave hit the country much harder than the first one. The political situation worsened amid less unity among the coalition parties. The epidemiological restrictions increased, as well as scepticism regarding the gravity of the crisis. The impact of fake news in the media increased, and this contributed to maintain scepticism among the population despite the clear evidence of the consequences of the crisis. Working life changed fundamentally.

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## Impacts of the pandemic on working life

In 2020 the government initiated the state financed research program "Mitigating the effects of a COVID-19 pandemic". Its preliminary results appeared in January 2021 and were discussed in government and in the Latvian parliaments (*Saeima*) commissions, but these are neither final and official results, and not yet published. The main findings are not yet available.

Ten projects have been implemented in the program in three thematic areas: public health, engineering solutions and economic and social welfare. In the last area two projects are approved:

- "Economic, political and legal framework for preserving the potential of the Latvian economy and promoting the growth of competitiveness after the crisis caused by the pandemic (reCOVery-LV)" will be implemented by the University of Latvia in cooperation with the Latvia University of Agriculture, Riga Technical University, Riga Stradins University and the Latvian Academy of Sciences. The total project funding is €495,000.
- "Life with COVID-19: Assessment of overcoming the corona virus crisis in Latvia and proposals for future societal sustainability" will be implemented by Riga Stradins University in cooperation with the University of Latvia, Vidzeme University College, Institute of Electronics and Computer Science and Rezekne Academy of Technology. The total project funding is €497,580.

The results of the both above mentioned projects shall be published by 31 March 2021.

#### Distribution of household responsibilities

Among other, one group of researchers in the "Life with COVID-19: Assessment of overcoming the corona virus crisis in Latvia and proposals for future societal sustainability" program analyses changes in the labour market and employment structures, and a new logic of providing social services. One of the reports already published is "Report on the reconciliation of work and private life for different socio-demographic groups during the period of the restrictions introduced to reduce the spread of COVID-19" (Vanadziņš et al, 2020). The goal of this project was to analyse the distribution of household responsibilities and caring responsibilities between adult family members and children during the emergency, how the distribution of household responsibilities changed before the first emergency and during the emergency, and how these responsibilities are planned to be distributed among household members in the future; what was the workload of the household during the emergency, what changes were made to the household's daily routine to balance work and private life; how the division of household responsibilities affected the quality of employment and vice versa, how workload affected private life. The role of employers in promoting work-life balance for employees, including those working remotely, was analyzed, given that during the COVID-19 emergency, most employees needed to perform both work and family responsibilities at the same time. Also the possibilities of employees to freely plan and change their working hours and adjust their work schedule according to their personal and family needs were considered. The psycho-emotional situation and feelings of employees working remotely were studied, especially in relation to the ability of employees to combine work and family life. The benefits and losses of employees working remotely were considered, including the possibility for employees to disconnect from digital devices outside working hours was studied. During the research, focus group discussions of employers, labour protection specialists and a survey of employees were organized.

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Evaluating the results of the study, it can be concluded that the COVID-19 emergency situation in Latvia did not promote the work-life balance of employees, especially those working remotely, especially in cases where households have children under 18 years of age. Current trends suggest that the at-risk group of workers most adversely affected by the COVID-19 emergency are young (up to 34 years) or middle-aged (35-44 years) women within a household with children under 18. In general, the employed part of society is more aware of the benefits of working remotely. However, two thirds of teleworkers consider it important to be able to disconnect from digital devices outside working hours. Analyzing the role of companies in promoting work-life balance for employees, it should be noted that the stability of the balance during the COVID-19 emergency was most pointed out by the small company employees.

#### Teleworking

Accordingly results of the Labour Force Survey carried out by the Central Statistical Bureau (Central Statistical Bureau, 2020) and published in August 2020, in June 2020, 15.5% (117,100) of employees aged 15–74 years worked remotely, which is 2.7 percentage points (18,800) less than in May. 70% of women and 30% of men were working remotely.

31.2% of employees working remotely were in age group 15–34 years, 27.0 % – in age group 45-54 years. In the age group 45-54 was the largest share (18.3%) of employees working remotely in the respective age group. The results also revealed shares of employees working remotely by sector and by profession.

#### Mental health and well-being

On 1 June 2020, the Latvian Television published survey results it has been ordered from the research centre SKDS (Public broadcasting of Latvia, 2020j). Sociologists studied how working conditions had changed during the first emergency situation declared in Latvia. For the first five weeks of the crisis, more than 1,000 respondents provided their answers online. 24% of respondents said that the amount of work during the crisis has decreased, 25% said that it has stayed the same. 22% of respondents have fully or partially switched to working remotely.

On 7 October 2020, Laura Valaine, Resident Physician of the Department of Psychosomatic Medicine and Psychotherapy of the Riga Stradins University (RSU) informed about the results of her research in an online discussion (Apollo.lv, 2020). A study on the mental health of medical staff during the COVID-19 crisis was carried out at the onset of the emergency, to determine depression, anxiety symptoms and self-esteem indicators, as well as other factors that could potentially be related to mental health. The first round of the study involved 844 physicians, of whom 350 were physicians and 385 were nurses and physician assistants. The results of the first round of the study showed that depressive symptoms were found in 25% of cases and anxiety symptoms in 17%.

Research company Kantar from 11 August 2020 to 14 August 2020 made a survey of 810 employees to find out how well employees in Latvia feel emotionally. 41% of respondents admitted that the restrictions and circumstances of the Covid-19 pandemic have affected their emotional well-being, with an absolute majority or 81% having a negative impact. In general, women, senior professionals, service and trade workers, those who work less than 40 hours a week and who are dissatisfied with their current job are relatively more likely to have any effect on their emotional well-being. The researchers also tried to find out how successfully those working in Latvia adapted to the new working conditions. The results of the study show that it was relatively most difficult for workers to reconcile work and private life, as well as taking care of their families. 47% of respondents agreed that it was

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not hard to reconcile work and private life and 33% agreed that it was not hard to reconcile work with taking care of their families (Kantar, 2020).

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## Political context

The government in power was established on 23 January 2019, after long negotiations and four months after the Saeima elections that were held in October 2019. In 2020 no elections were held. The government in power is formed by the coalition that includes five political parties: theNew Conservative Party, the Development/For!, the National Alliance, the For a Humane Latvia, and the Unity. In 2020 three ministers of the incumbent government resigned. In March the Minister of Economics stepped down from his position after his security clearance to access state secrets had been revoked (Public Broadcasting of Latvia, 2020a). In November the Minister of Environment protection and regional development resigned because of parking space scandal (Public Broadcasting of Latvia, 2020b). In January 2021 the Prime Minister demanded resignation of the Minister of Health care on grounds of insufficient management of the COVID-19 crisis and preparation to the vaccination process (Public Broadcasting of Latvia, 2021), and the Minister of Health care resigned shortly after.

During the first period of the pandemic, a successful crisis management was achieved to a great extent because of extremely fast and harmonised governments' action. Decisions were taken "over night" and implemented precisely. In cases when decisions appeared questionable, identified bottlenecks were quickly addressed. There were a lot of amendments in the package of legislation adopted to fight the pandemic, but despite these changes, the legislation had been adopted and fulfilled its purpose. In addition, the society was afraid of the unprecedented situation, the levels of misinformation about COVID-19 was still low, and the required discipline was more or less observed. It is worth mentioning, that the daily numbers of COVID-19 cases did not exceed 50 in the first period.

In summer, the government did not put the necessary efforts to prepare for the second wave of the pandemic.

In November, when COVID-19 figures rapidly increased, while anti-crisis policies were not in place, the Prime Minister and President of the state publicly criticised indecision and division in the government, as well as the appearing practice, that ministers publicly criticise each other. They said that the government's decisions are contradicting and poorly motivated, not understandable and acceptable for the society, not always accurately formulated and adopted, often changed and therefore the society does not observe the adopted normative regulation and protection measures, and the COVID-19 situation does not improve.

On 5 November 2020, the Prime Minister emphasized in an interview that he was deeply dissatisfied with the pace of health minister regarding COVID-19 issues. The Ministry of Health was not able to prepare an action plan on how to deal with the critical situation in health care where the government announced the emergency situation, as well as how to organise vaccination so that the process can start immediately when vaccines are received.

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## Governments and social partners response to cushion the effects

All measures aimed at cushioning and mitigating the effects of the crisis were introduced by the government. Social partners participated in the design of these measures, in as far as possible.

The two main measures to help businesses to retain employment and to help employees and selfemployed financially during the first wave of the pandemic were the so called 'Idle time allowances to employees'<sup>i</sup> and the 'Idle time allowances for self-employed'<sup>ii</sup>. In November, with the state of emergency declared again, those measures were reintroduced with slightly changed conditions<sup>iiiiv</sup>. In November the government introduced a measure to cover costs of retaining employees who work for a lower number of hours - wage subsidy for short-time employees<sup>v</sup>. Some additional measures were introduced to support the loss of income, such as an additional child-bonus for employees<sup>vi</sup>, a special unemployment benefit for recent graduates<sup>vii</sup>, and the creative workers' employment program<sup>viii</sup>.

Several measures were introduced to improve the access to finance for companies, including, a working capital loan<sup>ix</sup>, loan holiday guaranties<sup>x</sup> and direct measures to assist the tourism sector<sup>xi</sup> and exporting companies<sup>xii</sup>. In the beginning of 2021, a non-refundable grant for working capital was introduced<sup>xiii</sup>.

Social partners at the peak and sectoral level were critical regarding some decisions of the government but were not heard. For instance, the Latvian Employers' confederation criticized the government's decision on the criteria for receiving a working capital subsidy, but the criteria stayed unchanged (Public Broadcasting of Latvia, 2020d). The Education and Science Workers Trade Union questioned the government proposals regarding school education, for example prolonged holidays in lower classes, distance learning for older classes, masks for teachers and especially for children, distance requirements in schools and the organisation of teaching procedures under these requirements, the lack of study materials and worsening working conditions of teachers (Public Broadcasting of Latvia, 2020c).

Employers' organisations cooperated mainly with the Ministry of Economics. They demanded that the state should compensate income lost in organisations whose activity is restricted due to the government's decisions.

<sup>&</sup>lt;sup>i</sup>Eurofound (2020), <u>Idle-time allowance for employees</u>, case LV-2020-11/301 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

<sup>&</sup>lt;sup>ii</sup>Eurofound (2020), <u>Allowances for idle time for self-employed</u>, case LV-2020-11/413 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

<sup>&</sup>lt;sup>iii</sup>Eurofound (2021), <u>Idle-time allowance for employees (re-introduced)</u>, case LV-2020-45/1708 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

<sup>&</sup>lt;sup>iv</sup>Eurofound (2021), <u>Idle-time allowance for self-employed (re-introduced)</u>, case LV-2020-48/1712 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

<sup>&</sup>lt;sup>v</sup>Eurofound (2021), <u>Wage subsidy for short time employees</u>, case LV-2020-46/1715 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

<sup>&</sup>lt;sup>vi</sup>Eurofound (2020), <u>Additional child-bonus for employees entitled to the allowance for idle time</u>, case LV-2020-11/595 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

<sup>&</sup>lt;sup>vii</sup>Eurofound (2021), <u>Unemployment benefit for recent graduates</u>, case LV-2020-27/1723 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

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<sup>viii</sup>Eurofound (2020), <u>Creative workers employment program</u>, case LV-2020-27/1334 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

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<sup>x</sup>Eurofound (2020), <u>ALTUM Loan Holidays Guarantee</u>, case LV-2020-13/686 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

<sup>xi</sup>Eurofound (2020), <u>Support for tourism sector companies affected by COVID-19</u>, case LV-2020-29/1325 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

<sup>xii</sup>Eurofound (2020), <u>Support for exporters affected by COVID-19 crisis</u>, case LV-2020-29/1330 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

<sup>xiii</sup>Eurofound (2021), <u>Grant for working capital flow</u>, case LV-2020-45/1716 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

# How COVID-19 accelerated and disrupted working life policies and impacted social dialogue

#### Accelerated developments

The impact of COVID-19 on the working life policies was evident at the sector level rather than working life policy areas.

First and foremost, the COVID-19 pandemic revealed serious problems in the health care sector. This concerned such working life aspects as low pay, shortage of workers in health care institutions, as well as mental and physical burn-out (Public Broadcasting of Latvia, 2020e, 2020f).

The government took several decisions for increasing the pay of those working in the health care sector and for those who are working directly with COVID-19 patients (for instance in emergency services). In March the government granted €8 million to additional pay for frontline medical workers. Their pay was increased up to 50% of the monthly wage in March and 20% from April to May (Public Broadcasting of Latvia, 2020g). The Latvian Television analytical broadcast De Facto on 22 November reported that this pay can vary from hundreds to just a few euros (Public Broadcasting of Latvia, 2020h). In December the government ruled that the additional pay should be raised up to 100% of the monthly wage (Ministry of Health care, 2020).

Of the comprehensive work life policies only new policies were tackled, mainly in connection with the development of the EU level policies. Digitalisation was accelerated in meaning that the government has prepared the digitalisation plan Digital Transformation Guidelines for 2021-2027, and that digitalisation was one of directions in the national plan for the Recovery and Resilience Facility. In this plan working life issues are not tackled.

The Green economy was also tackled within the national plan for the Recovery and Resilience Facility, but there also the impact on the working life issues was not addressed.

Attention to the working life issues revealed by the flexible working practice was initiated by the Latvian Trade Union of Education and Science Employees<sup>xiv</sup>. Distance learning, as well as distance work in many institutions revealed many problems, such as, for instance, who provides for computer equipment, an who pays for using of the internet resources explored for teaching and learning, or virtual working meetings attended from home, and what modus for reimbursement could be found. The increasing flexible working practice encouraged to think about completely new aspects of working life regulation, such as the right to switch off, greater awareness of the issues on safety at work, working time and working place concepts and others, but further steps did not follow.

Some problems, such as the extension of social protection to self-employed<sup>xv</sup> were practically solved by temporary changes in legislation.

The application of idle time benefit revealed that persons who have not paid social contribution or have paid little contribution are practically unprotected in the emergency situation. The government introduced a norm that that the allowance should be at least  $\in$ 500 to provide at least minimal protection of these persons.

The implementation of carers' leave was not even discussed; however, the problem appeared in connection with closed schools for younger children.

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#### **Disrupted developments**

It is true that the COPVID-19 increased the workload in state institutions, nevertheless their daily functions were not reduced or abolished, and work had to be done. The representative of the Ministry of Welfare could not recall any field where daily activities were not performed. Moreover, COVID-19 pandemic added new problems to think about, some of them even more urgent than the planned work in improving of working conditions. The general opinion is that working life issues cannot be solved immediately. The changing work organisation (distance work; short time work; platform work; virtual work in fields where it has never been, such as virtual arts performances and other) are identified and problems are revealed by practice. It is important that there is an understanding that existing rules are in many cases obsolete and are not applicable anymore (for instance, how to apply detailed normative regulation regarding safety at work for distance workers, how and if new forms of employment, such as platform work, should be regulated).

#### Impacts on the social dialogue and collective bargaining

The social dialogue system (actors, institutions, processes) did not change. Efforts continued to conclude general agreement in the hospitality sector. General agreement was renewed in the social care sector. General agreement in the construction sector showed first (positive) results.

Social partners admit that discipline of social dialogue was not properly observed on the government's side. The first National Tripartite cooperation council (NTSP) meeting was organised only in August (should be organised each two months). Important issues were not discussed in NTSP.

Distance work changed practice of social dialogue. Social partners said that it was difficult to communicate and discuss proposals. As a different practice the distance meetings were organised in large groups, where social partners were "ones of". Special meetings with the social partners were rare held.

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<sup>&</sup>lt;sup>xiv</sup>Eurofound (2020), <u>Education workers trade union issues recommendations on organisation of education</u> process, case LV-2020-47/1477 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

<sup>&</sup>lt;sup>xv</sup> Eurofound (2020), <u>Extension of unemployment benefits to self-employed</u>, case LV-2020-16/1337 (measures in Latvia), COVID-19 EU PolicyWatch, Dublin.

## Other important policy developments

No other important policy developments were identified.

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## Labour disputes in the context of the pandemic

We did not find data about cases of labour disputes in the context of COVID-19 pandemic. Data about labour disputes are in general scarce. Labour disputes are poorly reflected in media.

However, some protests and complains appeared at the sector level. Towards the end of the first period of the pandemic, the Latvian Trade Union of Education and Science Employees addressed the government with the requirement to solve problems in the education sector, among others, such as distance learning, the increasing workload of teachers, the shortage of study materials and the lack of methodological guidelines, the shortage of personal computer equipment for children and teachers, the uneven conditions for obtaining education depending on place of residence and material state of a family.

In summer the discussion on these issues continued in line with fears about the possible second wave of pandemic and how to prepare to it. However, raised problems were not solved. The situation was a little calmed down by increasing pay for teachers (in line with pre-agreed timetable by  $\notin$ 40) and granting additional payments health workers. In result, the second wave reached Latvia unprepared. Uncertainty was high in the education sector, plans and conditions about learning in school or remotely changed often, study materials were not prepared, and trade unions continued claiming more timely and motivated decisions.

Sharp prohibition of beauty services caused protests from the sector. On 23 November 2020 the beauty sector workers went for protest action near the Saeima building, requiring allowing them to work. Activists from the culture sectors also held a meeting protesting against restrictions on gathering. On 6 November 2020a few dozen persons protested against the planned introduction of the state of the emergency on 9 November 2020. However, all these were small sporadic demonstrations.

Data on working days lost due to mentioned actions is not available. However, these actions were held by workers whose work the government had prohibited. The wider public also was more sceptic about the envisaged measures.

If compared with the first period, the intensity of the protests increased. Protests were organised by the activists from sectors where the impact of the government's restrictions were significant. Trade unions did not organise protests. Regardless their views, unions showed solidarity with the government.

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## Major developments in working time regulation as a result of the pandemic

#### Legislation on working time

General legislation on working time set by the Labour law did not change specifically as a result of the pandemic. As described above, the pandemic issues were solved by special regulation.

Regulations over the part time, overtime, rest periods or breaks, leave and other working time regulations were not changed. Also, the regulations regarding work organisation, such as night work, shift work, weekend work, measurement of working time and others were not changed.

Official regulation on flexible arrangements also were not changed; however unofficial agreements on distance work were applied. The government publicly and repeatedly invited to stay and to work from home wherever possible. Work at home became a widespread mode of working just on the basis of mutual agreement with the employer. It is likely that in the third period work at home is even more widespread.

#### Collective bargaining on working time

Collective bargaining on working time has never been active. However, as a result of a tripartite negotiation process, changes in the application of the Labour Law have been introduced. In the special law On the Suppression of Consequences of the Spread of COVID-19 Infection the norm has been included stipulating that a collective agreement concluded with a trade union, upon mutual agreement and without any reduction in the overall level of protection of employees, may provide for part-time work to be imposed on employees in the event of a temporary fall in production. In that case the amount of remuneration to be maintained is not less than the minimum monthly salary and the minimum amount of the maintenance specified by the State for each dependent child has to be maintained. Changes to a collective agreement cannot be in force longer than by 30 June 2021. Peak and sector level trade unions and employers' organisations supported those changes.

#### Ongoing debates on working time

Working time is not debated.

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### Impacts of the crisis on wages and wage setting

In compliance with the Central Statistical bureau data, compared to the Q3 of 2019, in the Q3 2020 the average gross wages and salaries for full-time work increased by 5.9%. Compared to the Q2 2020, in the Q3 2020 gross wages and salaries increased by 2.7%.

In the Q3 2020, the average gross wages and salaries in private sector increased by 7.1% during the year, while in the public sector, average gross monthly wages and salaries were higher than in the private sector, but the annual growth rate was slower (3.3%).

Average wages and salaries are declining in the transportation and storage, accommodation and food service sectors. In Q3 2020 compared to Q3 2019, the average gross monthly wages and salaries decreased in the transportation and storage sector (-1.6%) and in the accommodation and food service activities (-0.3%).

Wage setting is fully employers' competence except for the following:

- 1. The statutory minimum wage is set by the government and relates to all employers and employees;
- 2. The collectively agreed minimum wage in the construction sector is set by a general agreement;
- 3. Minimum wages in some sectors and professions are set by the government according to wage schemes (teachers, health care workers, employees in state and local government institutions, professionals in law enforcement institutions and army).

The wage setting legislation was not changed.

The amount of the statutory minimum wage was increased in 2021 from €480 to €500. The discussion was opened on whether it is time to increase wages of the state civil servants. It was decided that their wages will be increased in 2021.

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## What is new in working life in the country?

The whole situation in 2020 is new and everything that is new concerns also working life. Emergency situation, as well as existential threat due to possibility to catch COVID-19 virus in every single day and place has never been seen in Latvia. Each decision, even it does not fall into traditional working life issues directly or indirectly concerns working life.

The new situation is cautiously integrated into the general legislation because it is temporal. Necessary adaptations are made by special COVID-19 normative regulation that often changes.

The pandemic has revealed some fundamental changes:

- 1. the work and the organisation of work has changed, distance work and other new forms of employment became more important;
- 2. existing labour regulation does not correspond to the changing working models;
- the methods of the control over the results of work change (employers introduce new methods how to monitor distance workers, and formulation of results also matters), bordering with the violation of privacy;
- 4. capacity of health care has become a vital issue, even more important than economic development,
- 5. in the health care, the lack of human capital is very important: it is easy to buy equipment but not so easy, sometimes impossible to get staff for use of this equipment;
- 6. the other important issue is how to provide basic education remotely; qualification of teachers and availability of IT equipment as well as communication networks is important in this regard;
- 7. the cost of the neglecting of social needs is high for the whole society (large number of deaths, poor education, admitted diseases);
- 8. traditional working life issues, especially safety at work are less important in the state of emergency;
- 9. the economic structure and employment structure may change it has to be seen if for a short time, or longer time;
- 10. the population age structure also changes, as many old people die; the share of old age groups will decrease;
- 11. inequality increases;
- 12. psychological consequences of distancing and isolation, especially among children and young people;
- 13. overall quality of life decline;
- 14. the role of the state increases;
- 15. financial institutions are also important players.

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All cases related to Eurofound's COVID-19 EU PolicyWatch database can be found at <u>https://www.eurofound.europa.eu/data/covid-19-eu-policywatch</u>

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