

Collective agreement: industry wide terms of business (2/45/20)

Collective agreements are a rare occurrence in Latvia, yet they can lay down employment terms such as minimum pay, extra pay and social guarantees applicable to a company in a given industry. These conditions can be enforced whether or not the employer belongs to the main group of employers, so each industry needs to monitor how the social dialogue between employers and workers is progressing. This article explores the significance of collective agreements and their key terms.

Collective agreements

An employer or a group of employers enters into a collective agreement with workers in a given industry or area to agree on the terms of employment. As a result of entering into a collective agreement and providing better employment terms, employers can see their workers motivated and satisfied, as well as preventing potential conflicts and strengthening their image as socially responsible employers.

The procedure for entering into a collective agreement is laid down by [section 18 of the Labour Act](#). A collective agreement is concluded between the employer or group of employers and trade unions representing the largest number of workers in Latvia.

A collective agreement binds only employers that are part of the group, yet [section 18\(3\) of the Labour Act](#) makes an exception to this rule. If the employer or group of employers employs more than 50% of workers in the industry or if their turnover is more than 50% of the industry's turnover according to the Central Statistical Office, then the terms of the collective agreement are binding on all the employers in the industry.

The Latvian private sector has three collective agreements in force: one in the [construction industry](#), one in the [railway industry](#), and one in the [fibreglass industry](#). Changes are also expected in the [hospitality and food service industry](#) after it signed a collective agreement that has yet to take effect.

The table below shows key aspects of each collective agreement in force:

Industry	Parties	Period	Scope
1) Construction	Employers with their turnover making up 50% of the industry's turnover and the Latvian Builders Trade Union plus the Latvian Free Trade Unions Association	3 November 2019 – 31 December 2025	Binding on every employer operating in the construction industry in Latvia whether or not he has registered the type of operation.

Key terms in the construction industry: EUR 780 minimum monthly pay; EUR 4.67 minimum hourly rate; 5% extra pay if the worker has acquired an education suitable for his occupation; 50% extra pay for overtime; students on a work placement must be paid 70% of the minimum pay under the collective agreement.

2) Railway	the Latvian Railway Employers Organisation and the Latvian Railwaymen Trade Union	9 March 2011 – 9 April 2024 (renewed on 9 April 2019)	Binding on every company associated with railway or with the functioning of railway transport
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Key terms in the railway industry: The collective agreement prescribes the minimum scope of the parties' liabilities and guarantees, which can be detailed in separate collective agreements, including the annual pay review requirement. Collective agreements must prescribe cases where extra days off are awarded, as well as conditions for health, pension, accidents at work and life insurance.

3) Fibreglass	Valmieras stikla šķiedra AS and the Latvian Manufacturing Industries Trade Union	16 June 2020 – 16 June 2023	Binding on every employer operating in the fibreglass industry
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Key terms in the fibreglass industry. The minimum pay is set according to the worker's level of qualification: 2.5 times the national minimum wage for the highest level of qualification; 2 times for the medium level of qualification; and 20% for the lowest level of qualification.

Employers should be aware that workers' representatives and the employer can initiate negotiations about entering into a collective agreement, and the employer cannot refuse to negotiate it. For refusal the employer can suffer an administrative penalty of EUR 350–700.