

# Latvia: Working too Hard?

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## Abstract

This paper provides an assessment of employment and working conditions in Latvia before and immediately after the EU accession. The issues addressed include self-employment, multiple jobs, fixed-term contracts, unreported wages, overtime, unsocial working hours, health and safety at work, social dialogue. The study combines different methods: statistical and econometric analysis of recent Labour Force Surveys and enterprise surveys (Earning Structure Survey and Survey of Occupations); firm level case studies; interviews with experts. Findings indicate that despite recent improvements in legal and institutional environment, as well as some progress in working conditions, significant proportions of workers are exposed to serious risks; health and safety conditions are slow to improve (several bottlenecks are identified). 15 percent of employees in 2003 were usually working 50 or more hours per week, and often this overtime was involuntary and/or unpaid. The analysis suggest that, other things equal, unpaid overtime is more likely to be found in small firms, for temporary workers, for workers with short tenure. Presence of a trade union improves workers' prospect to be paid for eventual overtime work.

**Key words:** employment contract, working conditions, overtime, transition.

**JEL:** J22, J23, J28, J5, P23.

## INTRODUCTION

Transition from a planned to a free market economy has radically changed employment and working conditions in Central and Eastern Europe. How close were these conditions to that in the "old" Europe before and immediately after the EU accession? What are the main trends, challenges and obstacles to further progress? How do different aspects of working life, such as employment contracts, unreported wages, working time, health and safety at work, reconciliation of work and family life, social dialogue, interact at the enterprise level?

A number of comparative studies (e. g. European Foundation 2003, Antila and Ylostalo 2003) have addressed some of these questions. However, for each particular country these studies are based on a sample much smaller than that used in Labour Force Surveys (LFS) and therefore insufficient for many purposes. Enterprise level information available from these studies is also very limited. This paper combines statistical and econometric analysis of recent Labour Force Surveys and enterprise surveys (Earning Structure Survey and Survey of Occupations), firm level case studies, and interviews with experts, - to provide an assessment of employment and working conditions in Latvia from late 1990s until 2004.

Part I is an overview of the situation at the national level and includes six sections devoted to: (i) self-employment and multiple jobs; (ii) employment contracts; (iii) atypical work; (iv) overtime; (v) collective agreements; (vi) working conditions. Part II includes an overview of case studies followed by a detailed description case by case. The final section summarises main findings.

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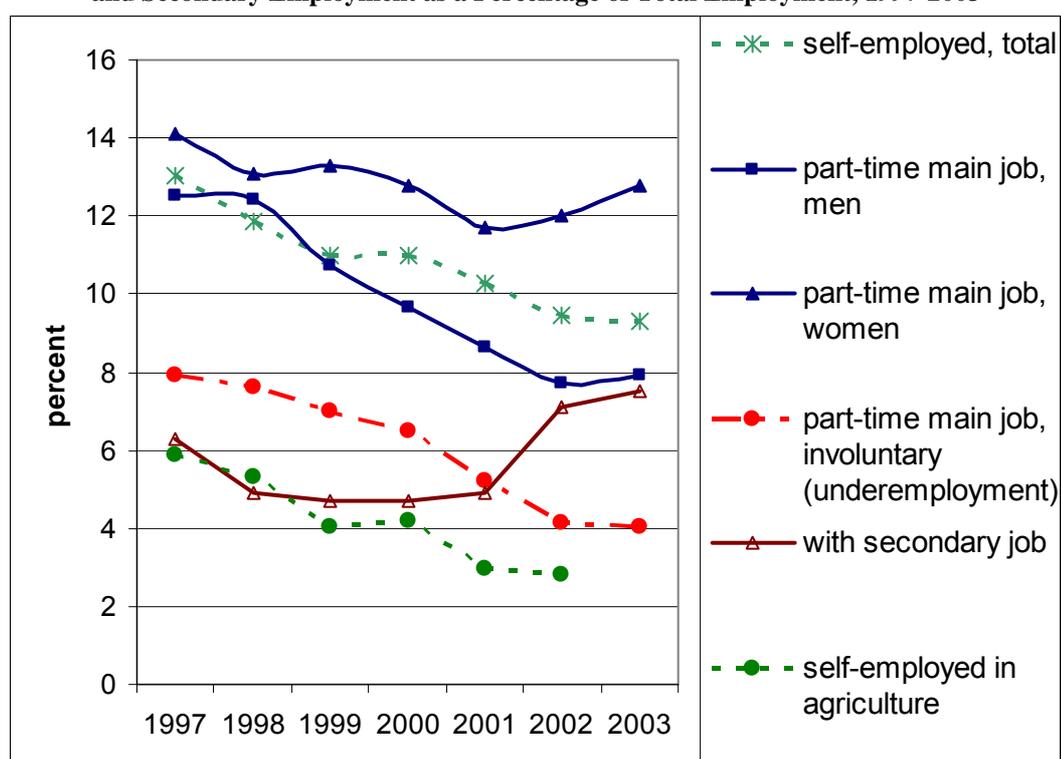
## PART I NATIONAL ASSESSMENT

### 1. WHAT USE OF SELF-EMPLOYMENT, PART-TIME AND SECONDARY JOBS?

#### Self-employment: the only Baltic country in which it is declining

Figure 1 summarises recent trends in self-employment, part-time employment and multiple jobs. Since 1997 share of *self-employed* (employers and own account workers) in Latvia has dropped from 13 to less than 10 percent, which is below the level found in most new member states, except Estonia and Slovak Republic. The decline was driven by reduction in agricultural self-employment (in 2002 only 30 percent of self-employed worked in agriculture, compared with 45 percent in 1997). Figure 2 compares incidence of self-employment and its trends in the three Baltic countries. It appears that Latvia is the only one where self-employment declines. Self-employment is much more common in rural areas, where it is dominated by own-account workers, while in cities most of the self-employed are employers (Figure 3). However, share of *professionals among self-employed* increased from 2.2 percent in 1997 to 5.1 percent in 2002.

**Figure 1. Self-Employment, Part-Time Employment, Underemployment, and Secondary Employment as a Percentage of Total Employment, 1997-2003**



Source: calculation based on LFS

Figure 2. Self-employment in the Baltic countries, 2000-2003

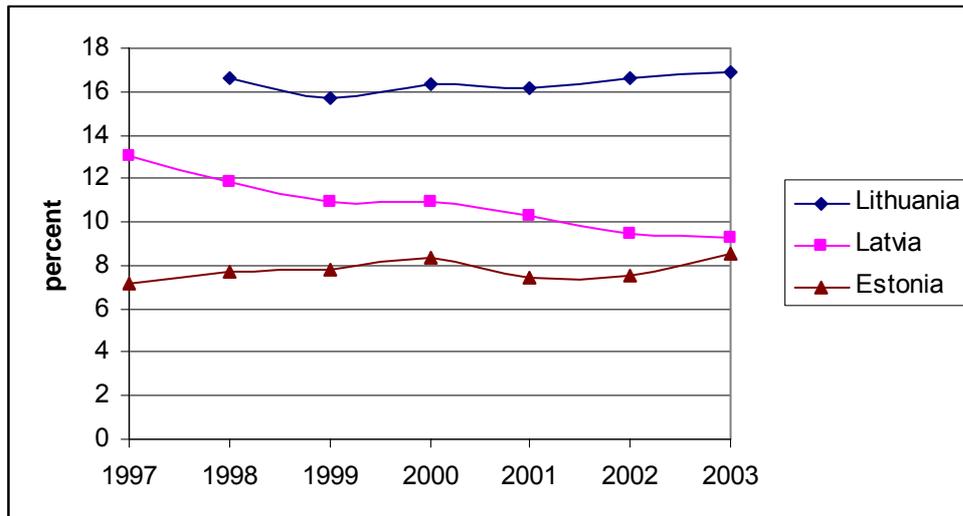
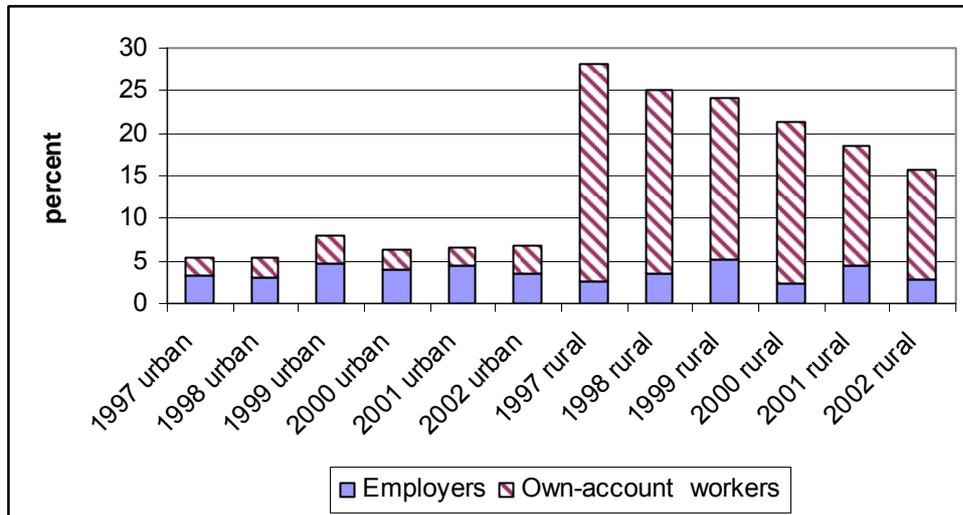


Figure 3. Self-employment in urban and rural areas, 1997-2002



**Part-time work: underemployment or a voluntary choice?**

The proportion of *part-time workers* has declined from 13 percent in 1997 to less than 10 percent of all workers employed in 2002, but increased somewhat since then (10.3 percent in 2003 and 10.4 percent in 2004). While the decline of part-time employment was particularly strong for men (see Figure 1), the contrast between Latvia EU-15 is especially sharp for women. Only 13 percent of women workers are part-timers in Latvia, while in EU-15 this proportion is 30 percent. However, in other CEE countries, except Romania and Poland, the proportion of part-time workers is even lower than in Latvia, in some cases substantially.

Part-time employment is an important way of enhancing labor market flexibility, so the relatively low share of part-time workers, together with low youth activity rates might suggest that there are too few part-time jobs on offer for young people. Part-time work, however, does not only indicate labor market flexibility. Although *proportion of part-time workers who would have preferred to work full time in their main job has declined substantially since 1999*, it is still about 40%. Such acceptance of less-than-desired hours of work is one of the most common definitions of under-employment. In all age groups, only a minority of jobseekers report preferences for part-time jobs (Table 1). The probability of having a part-time job as the primary job is decreasing in education. Thus it appears that *part-time main job employment in Latvia is largely a result of a shortage of full-time jobs*. In 2003, only 9 percent of part-time working men and 25 percent of their female counterparts have indicated family and personal reasons for not working full-time (preliminary figures for 2004 are even lower).

**Table 1 Jobseekers looking for a job as employees  
by age and preferred type of job (fulltime or part-time) in 2002.**

Age	15-19	20-24	25-54	55-59	60-64	65+	Total
Preferred job	Per cent of all jobseekers						
Fulltime	43	54	63	57	29	31	59
Part-time	28	15	4	6	15	20	7
Not specified	30	31	33	37	57	49	34
Number obs.	134	270	1430	121	43	22	2020
	Per cent of unemployed jobseekers						
Fulltime	40	51	60	52	23	33	55
Part-time	26	18	4	3	14	21	8
Not specified	34	31	37	45	62	45	37
Number obs.	99	182	930	88	36	20	1355

Source: Calculation based on LFS 2002

### Multiple jobs on the rise after adoption of a new Labour Law

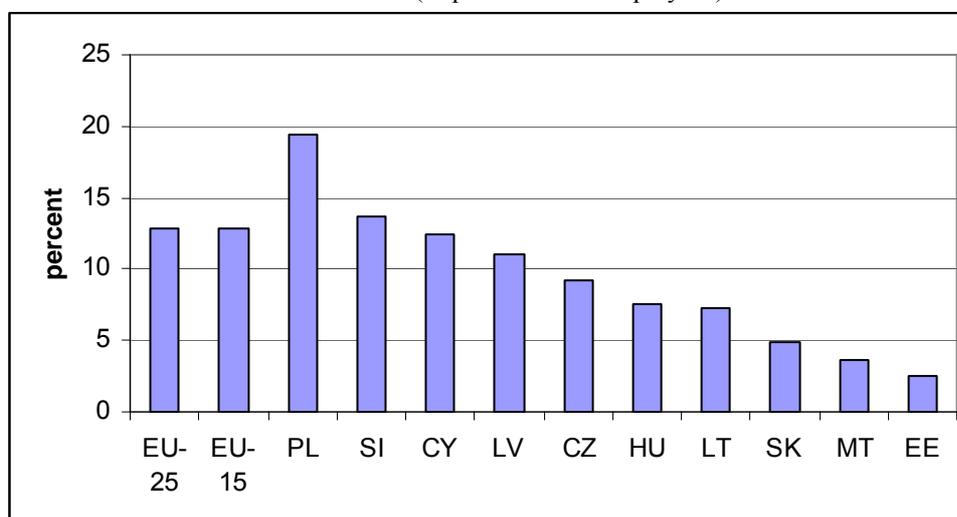
*Multiple jobs* play an important role. The number of part-time jobs in the economy greatly exceeds that of part-time workers. Apart from those whose main job is a part-time one, more than 7 percent of those employed in 2002-2003 have at least one (typically more than one) secondary job (LFS data). This is a substantial increase compared to 1998-2001 (see Figure 1). This increase is likely to be associated with introduction (June 2002) of the new Labour Law which excludes possibility to have e.g. an additional half-time contract with the same employer (this frequently meant just working more hours in the same job without being paid for overtime), as well as activation of the State Labour Inspectorate. However, in 2004 incidence of secondary job declined to 6.4 percent of all employed. The prevalence of second jobs is most likely underestimated in the LFS, because respondents whose information was given by another household member report a second job 1.5 times less frequently than those interviewed directly. Second jobs are typically part-time.

## 2. FIXED-TERM CONTRACTS AND VERBAL AGREEMENTS WIDESPREAD

### Among the highest shares of temporary contracts

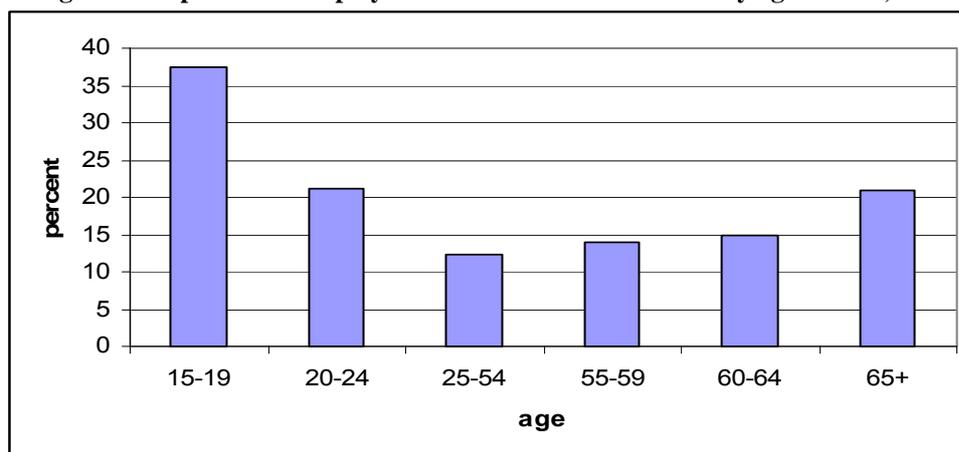
Latvian Labour Law (since July 2002) makes it illegal to keep an employee on temporary contract more than two years. Moreover, the law restricts temporary and seasonal employment to specific work areas approved (the list is approved by the government but undergoes modifications from time to time). Despite this Latvia has one of the highest shares of *temporary and seasonal* employees among the new member states (Figure 4). In 2002 this share has reached 14 percent, according to LFS; in 2003 it fell to 11 percent, but among new member states this proportion was higher only in Poland, Slovenia, and Cyprus.

**Figure 4. Temporary Employment in the new EU member states, 2003  
(as percent of all employees)**



Source: Eurostat

**Figure 5 Proportion of employees with fixed-term contracts by age. Latvia, 2002**



Source: calculation based on LFS data

Other sources quote figures which deviate from this level substantially. This is the case, in particular for European Foundation's survey of working conditions in 2001, based on a sample of just 770 employees, which puts this proportion at 23 percent, plus additional 7 percent on temporary agency contracts. Both numbers, especially the second one, are implausibly high. The first temporary agency firm in Latvia was founded in 2002, and it even now it employs, on average, a full-time equivalent of less than 20 workers. Other two or three agencies are even smaller. An investigation of Foundation's primary data confirms that something went wrong with this question. Details are available on request.

Incidence of fixed-term contacts is highest for teenagers, followed by young and older workers (Figure 5). However, more than three quarters of temporary workers belong to the prime age group. Just 21 percent of temporary employees in 2002 were non-manual workers, while for permanent employees this proportion was 44 percent.

Estimated earnings equation suggests that employees on fixed-term contract in Latvia receive net wage by 12 percent lower than otherwise similar permanent workers (Hazans, 2005, Appendix Tables 24-25).

#### **Oral agreements a Latvian practice**

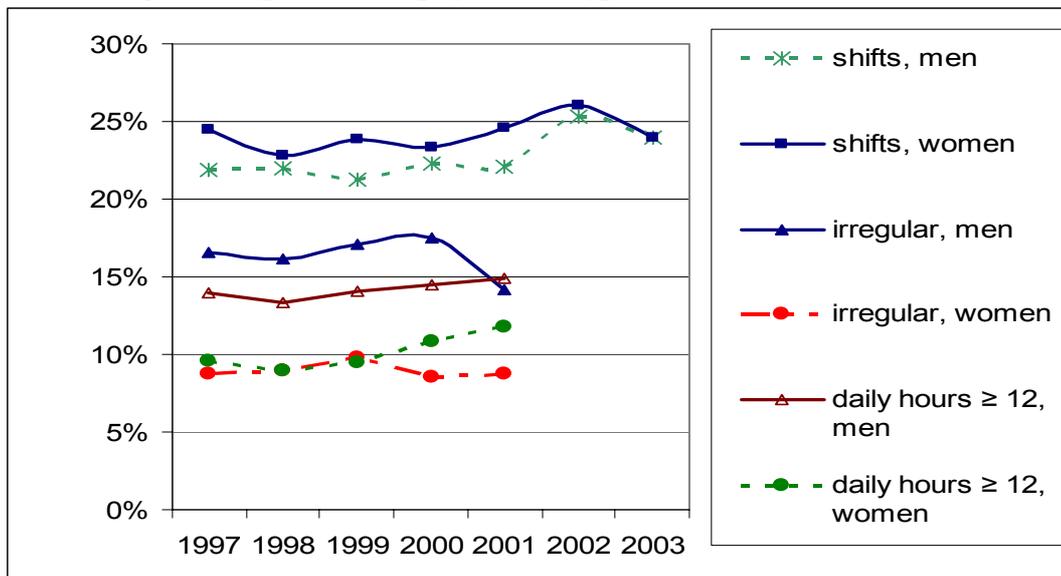
While it is well known that perceived job security for temporary workers is substantially lower than for permanent ones (see e.g. OECD 2004, Chart 2.8), workers with verbal agreements or with no contracts at all are of course the least protected. Latvian LFS does not provide information on work without written contracts, but according to Living Conditions Survey *NORBALT II* (1999), more than 9 percent of employees did not have a formal contract: 4 percent worked with a verbal agreement, while 5.1 percent did not have any contract (according to the same survey, incidence of work without written contract in Estonia and Lithuania was below 7 percent). Workers without contracts were found in all age groups and many sectors (agriculture, manufacturing, construction, trade, transport, business activities, and other services); 40 percent of these workers were women. *NORBALT* data are consistent with the *Working Life Barometer*, according to which incidence of work without written contract was 8 percent in 1998 and 10 percent in 2002 (Antila and Ylostalo (2003, p. 144). Since then, situation has perhaps improved, but the issue of illegal employment remains actual. In 2003, State Labour Inspectorate (SLI) has found 477 employees without work contracts (a pill in the ocean if one believes that the real incidence is about 10 percent), including 92 just in just one enterprise and 22 in another (SLI Latvia Annual Report, 2003). In 2004 no-contract employment was announced top priority of the SLI, but number of discovered cases was not very big (367 in the first 6 months), not least because detecting is extremely difficult. Inspectors refer to construction (including of course renovation) and retail trade as the sectors with relatively high share of illegal employment.

### 3. ATYPICAL WORK: SIGNIFICANT COVERAGE

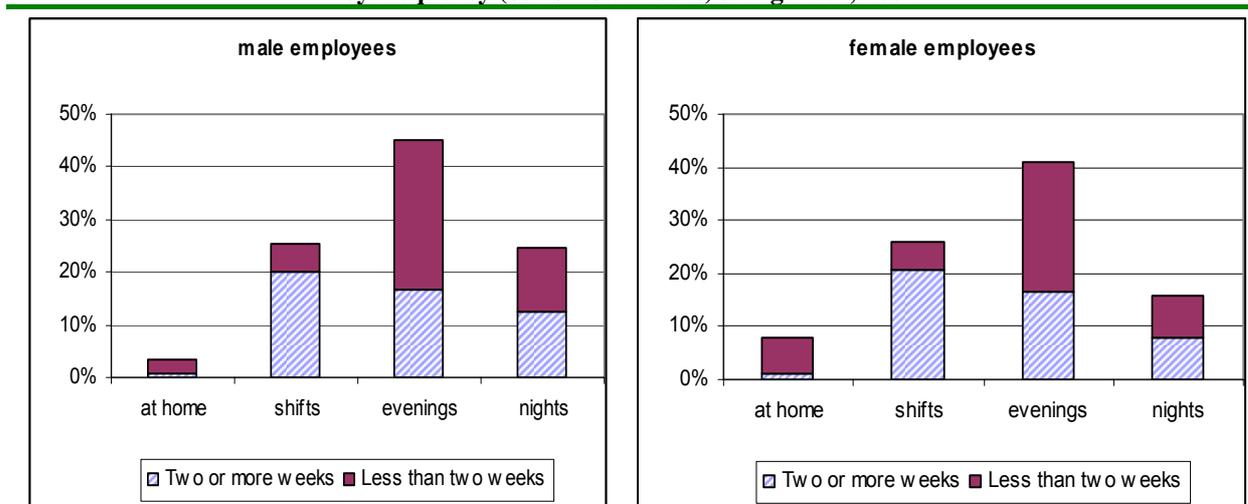
From 20 to 25 percent of employees of both genders in Latvia are engaged in shift work. This proportion stayed more or less stable since 1997. On top of this, about 15 percent of male employees and about 9 percent of their female counterparts work irregular hours (the latest data available refer to 2001). About 15 percent of men and more than 10 percent of female employees worked on average 12 hours or more per day during the survey week (only days actually worked counted; some members of this group work either not every week or less than 5 days a week). Figure 6 illustrates.

Figures 7 and 8, using LFS 2002 data, document a very substantial incidence of night and evening work, as well as weekend work. These two types of schedule frequently overlap: 44 percent of those working some nights used to work at least 4 out of 8 weekend days.

**Figure 6 Proportion of employees with atypical work schedule. Latvia, 1997-2003**

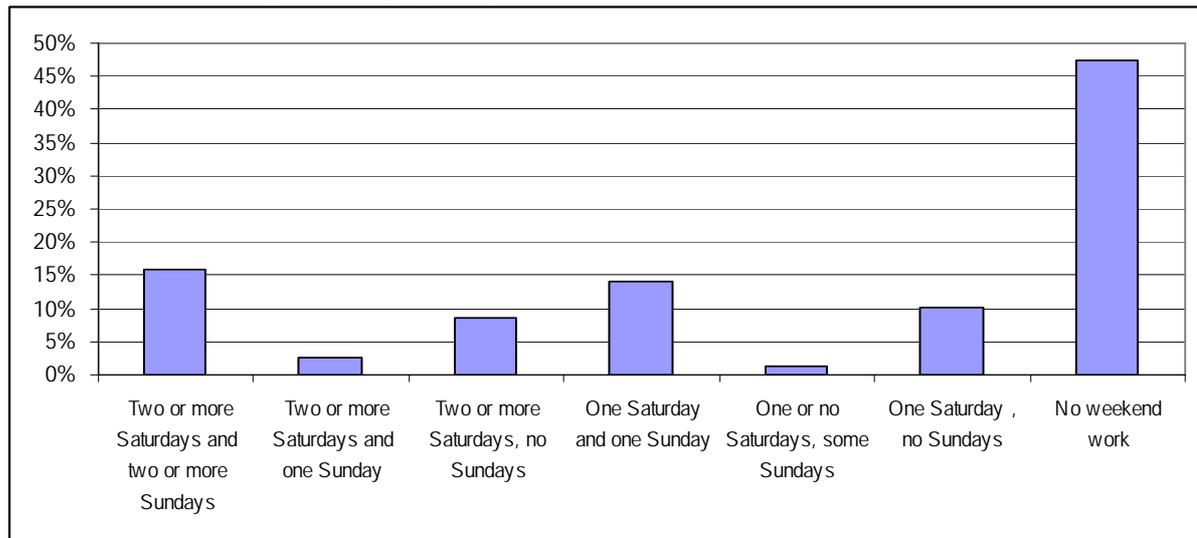


**Figure 7 Incidence of working at home, shifts, evening and night work by frequency (out of four weeks) and gender, 2002**



Source of Figures 6-7: calculation based on LFS data.

**Figure 8 Employees by weekend work (out of four weeks), 2002.**



Source: calculation based on LFS data.

#### 4. LONG WORKING HOURS AND OVERTIME

##### Working longer than in other EU countries

Both LFS data and Working Conditions Survey data indicate that employees in Latvia work on average longer than in other EU countries. This is true for full-time employees (43.3 hours per week in 2003, second only to Iceland), as well as for part-timers (25 hours per week). Moreover, for employees aged 15-64 average usual weekly hours display increasing trend since 2001 (Table 2).

**Table 2. Average usual weekly hours worked (employees aged 15-64)**

	1999	2000	2001	2002	2003
Total	40.3	40.1	41.1	41.9	42.0
Men	40.7	40.1	41.2	42.5	43.0
Women	39.9	40.2	41.0	41.3	41.0

Source: Calculation based on LFS data (quoted from Latvian National Employment Plan 2004, p. 69).

In 2003, 15 percent of employees usually worked 50 or more hours per week in the main job; more than a quarter worked at least 45 hours. Substantial proportion of this overtime is involuntary: Almost 40 percent of those usually working at least 50 hours per week would prefer not to have overtime at all. Table 3 shows that *heavy overtime is quite common* for both male and female workers *in trade and hospitality industry*, as well as *for men working in construction, transport, forestry, and some branches of manufacturing*. On the other hand, in 2003 about 40 percent of the employees working at least 50 hours per week were concentrated in trade and construction, and another 35 percent in seven other sectors (see Table 4).

**Table 3. Share of employees usually working 50 or more hours per week in the main job, by sector and gender. 2003**

Sector	Percent		
	Men	Women	Total
Construction	30	10	27
Hotels & restaurants; Trade	27-28	22-23	24
Land transport and pipelines; Water transport	26	4	21
Forestry	20	0	18
Manufacturing of furniture	19	5	16
Manufacturing of food products	14	14	14
Manufacturing of wood products	17	2	14
<b>All sectors (average)</b>	<b>19.5</b>	<b>10.5</b>	<b>15.0</b>

Source: calculation based on LFS data

**Table 4. Distribution of workers with long usual working hours by sectors. 2003**

	Sector's share (%) among all employees usually working $\geq 50$ hours per week		
	Men	Women	Total
Trade	16.0	42.0	25.1
Construction	20.9	2.1	14.3
Land transport and pipelines; Water transport	12.1	1.2	8.3
Agriculture	5.9	4.1	5.2
Public administration	5.6	2.5	4.5
Manufacturing of wood products	5.7	0.4	4.2
Health and social work	1.2	9.6	4.2
Hotels & restaurants	1.4	9.3	4.2
Education	2.4	7.2	4.1
Other sectors	31.2	28.8	30.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: calculation based on LFS data

According to LFS, proportion of employees, who worked more than usual hours during the survey week due to paid or unpaid overtime, decreased from 3.5 percent in 2002 to 2.6 percent in 2003; males and temporary workers were on average more likely to be found in this situation (Table 5). This measure refers to what can be called *occasional overtime*; it clearly underestimates true incidence of overtime work because it does not capture cases when employee regularly works, say, 9 hours a day instead of 8. Indeed, as was shown in Table 3, 15 percent of all employees usually work at the main job at least 50 hours a week; they are obviously working overtime, and 97.4 percent of this group did not fall into occasional overtime category in 2003. Table 5 also reports that *in most cases* (more than 70 percent) *occasional overtime work is involuntary*.

**Table 5. Incidence of unusually long weekly hours due to overtime (percent of all employees)**

	2002		2003	
	Total	Involuntary	Total	Involuntary
All workers	3.6	2.5	2.6	2.0
Men	4.4	2.9	3.3	2.5
Women	2.8	2.1	2.0	1.4
Part-time workers <sup>a</sup>	2.9	1.9	2.9	2.2
Temporary workers	6.4	4.6	3.5	2.4

Notes: <sup>a</sup> Those who declared themselves as such *and* usually work less than 35 hours a week.

Source: Calculation based on LFS data

Another source of information on overtime is the earnings structure survey of enterprises carried out in October 2002 (see Central Statistical Bureau of Latvia, 2004). The problem with this source is that only actually paid overtime hours are included. Even so, incidence of reported overtime work in representative sample (almost 10 thousand) of manufacturing workers available for analysis was 12.5 percent. Antila and Ylostalo (2003, p. 137) report that in their Working Life Barometer survey 39 percent of wage earners usually work overtime (about 11 hours per week on average, 12 for men and 10 for women), and half of them are not compensated for it.

Table 6 compares determinants of: (1) Systematic overtime (usual weekly hours  $\geq 50$ ; LFS) in all sectors; (2) Systematic overtime in manufacturing (LFS); (3) Paid systematic overtime in manufacturing (paid overtime  $\geq 20$  hours per month; Earnings Survey); (4) Paid overtime in manufacturing (at least one hour of paid overtime in October; Earnings Survey); (5)-(6) Occasional overtime in manufacturing and in all sectors (LFS).

There is no significant difference between genders in terms of occasional overtime, as well as in terms of being paid for some or even for large number of overtime hours; however, females are less likely to work regularly more than 50 hours a week than otherwise similar men.

### Temporary workers doing more unpaid overtime

Other things equal, temporary workers are much more likely to be engaged in occasional or regular overtime work, as well as to be paid for large numbers of overtime hours. On the other hand, they are less likely to be paid for overtime in general. This suggests that *temporary workers, other things equal, are to a larger extent subject to unpaid occasional overtime work*. To some extent this applies also to *part-time workers in manufacturing*: they do not differ from full-time workers in propensity to work overtime occasionally, but are significantly less likely to have paid overtime.

### Social dialogue making overtime being paid

After controlling for other factors, manufacturing workers are significantly more likely to receive overtime pay when the firm is covered by *collective agreement*. It is plausible to assume that overtime work as such is more wide-spread in the uncovered sector, so it seems that presence of a trade union improves workers' prospect to be paid for eventual overtime work.

### Some categories more exposed to overtime

Other things equal, middle-aged workers in all sectors have the highest propensity to work overtime occasionally or systematically (predicted probability in columns (1), (2), (5), and (6) of Table 6 peaks between 38 and 44 years of age). In manufacturing, *short tenures* are associated with higher propensity to work 50+ hours per week, but with lower propensity to be paid for overtime.

As long as occupations are concerned, managers, service and sales workers, and semi-skilled manuals are most likely to bear heavy regular overtime load when all sectors are considered, but it is not the case in manufacturing (here semi-skilled manuals even have lower propensity to work long hours). With respect to occasional overtime differences between occupations are smaller; unskilled manuals and service workers are less exposed, while semiskilled manuals – more exposed than others.

Results in columns (2)-(5) also suggest that professionals, associated professionals, and unskilled manual workers in manufacturing are subject to unpaid occasional overtime.

**Table 6. Determinants of long hours and overtime pay, 2002.**

	(1) <sup>a</sup>	(2) <sup>a</sup>	(3) <sup>a</sup>	(4)	(5)	(6)
Dependent variable Y=1 if	usual weekly hours ≥ 50	usual weekly hours ≥ 50	paid overtime ≥ 20 hours per month	some overtime paid	occasional overtime worked	
Sectors covered	All	Manufacturing	Manufacturing	Manufacturing	All	All
Observed mean Y	0.166	0.151	0.050	0.125	0.043	0.035
<b>Variables</b>	<b>Marginal effects<sup>c</sup> dP/dx</b>					
Age	0.012***	0.009*	0.000	-0.001**	0.007**	0.003***
Age squared/100 <sup>b</sup>	-0.016***	-0.011*			-0.009**	-0.003**
Female	-0.081***	-0.052***	-0.003	-0.013	0.002	-0.004
Temporary worker	0.020*	-0.019	0.017**	-0.032**	0.062***	0.030***
Part-time worker	NA	NA	NA	-0.023**	0.018	-0.006
Tenure <sup>b</sup>		-0.004***	0.001***	0.001**		
Collective agreement	NA	NA	0.012***	0.036***	NA	
Public ownership	-0.061***	-0.027	NA	NA	-0.019	-0.011*
<b>Occupation (vs. skilled manual workers)</b>						
Managers	0.048**	0.010	-0.033***	-0.073***	0.001	0.003
Professionals	-0.018	-0.079**	-0.032***	-0.078***	-0.004	0.010
Associated professionals	0.010	-0.012	-0.021***	-0.050***	0.008	-0.005
Clerks	-0.037	-0.019	-0.012	-0.013	-0.017	-0.007
Service, shop and sales workers	0.068***	-0.011	0.021	0.003	-0.017	-0.021***
Plant and machine operators	0.033**	-0.045**	-0.005	-0.003	0.016	0.013*
Elementary occupations	0.000	-0.036	-0.009	-0.040***	-0.009	-0.013**
<b>Other controls</b>	Sector of economic activity, worker's education					
Data source	LFS <sup>d</sup>	LFS <sup>d</sup>	ES <sup>e</sup>	ES <sup>e</sup>	LFS <sup>d</sup>	LFS <sup>d</sup>
Number of observations	8049	1579	8352	9549	1632	8555

Notes: <sup>a</sup> Part-time workers excluded from the sample. <sup>b</sup> Age-squared and tenure included only when significant. <sup>c</sup> Marginal effect of a dummy variable is change in predicted probability, P, when the variable changes its value from 0 to 1. For a continuous variable, e. g. x = age, marginal effect is dP/dx. Effects are calculated at mean values of independent variables. <sup>d</sup> Labour Force Survey. <sup>e</sup> Enterprise Earnings Structure Survey. \*\*\*, \*\*, \* indicate that underlying coefficients are significantly different from zero at 0.01, 0.05, 0.10 level respectively.

Plant size does not have any impact on employees' propensity to work overtime, be it occasionally or regularly. Models in Table 6 do not control for size, but when such control is included in models (3), (4), it appears that workers in large firms are significantly more likely to receive overtime pay (other effects do not change qualitatively). This suggests *high incidence of unpaid overtime in small firms*.

#### **No enforcement of legislation on overtime and night work**

The Latvian Labour Law stipulates overtime premium of at least 100% and premium for night work at least 50%. Table 7, when compared for information presented above (Figure 7 and Table 3) on the incidence of long hours and night work suggests that this was rather far from being enforced in October 2002.

While the above results refer to 2002, experts interviewed in beginning of 2005 (trade union leaders, representatives of Ministry of Welfare and State Labour Inspectorate) admit that unpaid overtime is still not unusual, especially in small enterprises and uncovered sector, although its incidence has somewhat declined.

According to the experts, compensation for night work typically is being paid, although violations also happen.

**Table 7. Share of overtime pay and compensation for shift work in total earnings by occupation. October 2002**

Occupations	Earnings related to overtime, % of total	Special payments for shift work, % of total
<b>All</b>	<b>0.5</b>	<b>0.5</b>
Legislators, senior officials and managers	0.1	0.1
Professionals	0.2	0.1
Technicians and associate professionals	0.3	0.3
Clerks	0.4	0.6
Service workers and shop and market sales workers	0.5	0.7
Skilled agricultural and fishery workers	0.0	0.0
Craft and related trades workers	0.8	0.6
Plant and machine operators and assemblers	1.1	1.5
Elementary occupations	0.8	0.8

*Notes:* Sectors covered: Mining and quarrying; Manufacturing; Electricity, gas and water supply; Construction; Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods; Hotels and restaurants; Transport, storage and communication; Financial intermediation; Real estate, renting and business activities. Budgetary institutions excluded.

*Source:* Earnings Structure Survey 2002.

#### **Occupational differences in working hours and wages**

Further analysis by occupation relies on the annual October Survey on Occupations carried out by the Central Statistical Bureau of Latvia. The following types of enterprises were covered fully:

- central and local government enterprises;
- budgetary institutions;
- enterprises with central or local government capital participation 50% and over;
- enterprises of any form of ownership with 50 or more persons employed or the net turnover of which is above 460 thousand euro a year.

Business companies with less than 50 persons employed or with the net turnover below 460 thousand euro were surveyed using simple random sampling.

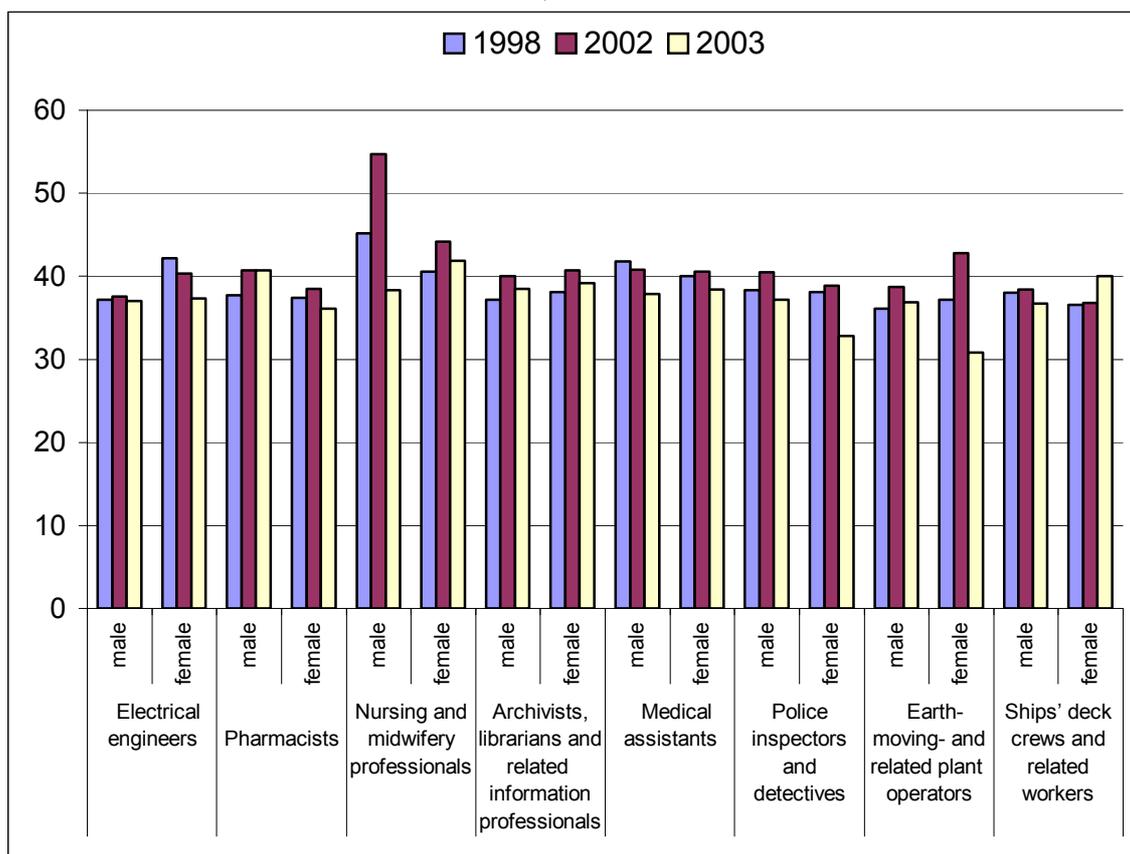
Average actual number of the worked hours per week for the largest share of the occupations is significantly lower than 40 because both full-time and part-time workers on their main job were

included. Figures 9 - 12 summarize the data on average hours actually worked and real hourly wages for selected occupations with long average hours<sup>1</sup> in 1998, 2002 and 2003.

**A reverse trend due to reinforced legislation and labour inspection?**

In many cases increasing trend in hours was reversed in 2003, likely because of the new Labor Law, enforced in the middle of 2002. The new law has limited normal working time at a given employer to 40 hours a week, and overtime (which implies double pay) with 144 hours during a 4 months period. More importantly, with respect to both working time and overtime pay the new legislation was accompanied with a more strict enforcement than before through activation of the State Labour Inspectorate. Overall, 48 percent of employees in 2003 were employed in occupations where average working hours reported by the enterprises displayed the inverse U-shaped time profile: increased between 1998 and 2002 but declined in 2003. Reductions by more than two hours per week in 2003 are found e. g. for architects, nursing professionals, medical assistants, economists, university teachers, electronics and telecommunications technicians, controllers, operators, cleaners etc. It remains unclear to what extent these data reflect real changes rather than changes in reporting. All interviewed representatives of the Statistical Bureau, Ministry of Welfare, and Trade Unions admitted that it is not unusual for the enterprises to under-report working hours in order to keep the numbers in compliance with the law. This leads (envelope wages aside) to over-stating the hourly wage, because total officially paid amounts are reported correctly.

**Figure 9. Reported average hours actually worked per week by selected occupations and sex, 1998, 2002 and 2003**



Source: Occupation survey data 1998, 2002, 2003

**Gender differences in workload and pay**

In terms of the workload clear disparities between males and females exist among some of the observed occupations. It is also true that disparities in a workload vary from the period to period. Relatively high gender disparities are observed among electrical engineers, pharmacists, police inspectors and detectives, as well as earthmoving- and related plant operators.

<sup>1</sup> Criteria for the selection: hours actually worked per week reported as more than 39 at least in one of the observed periods.

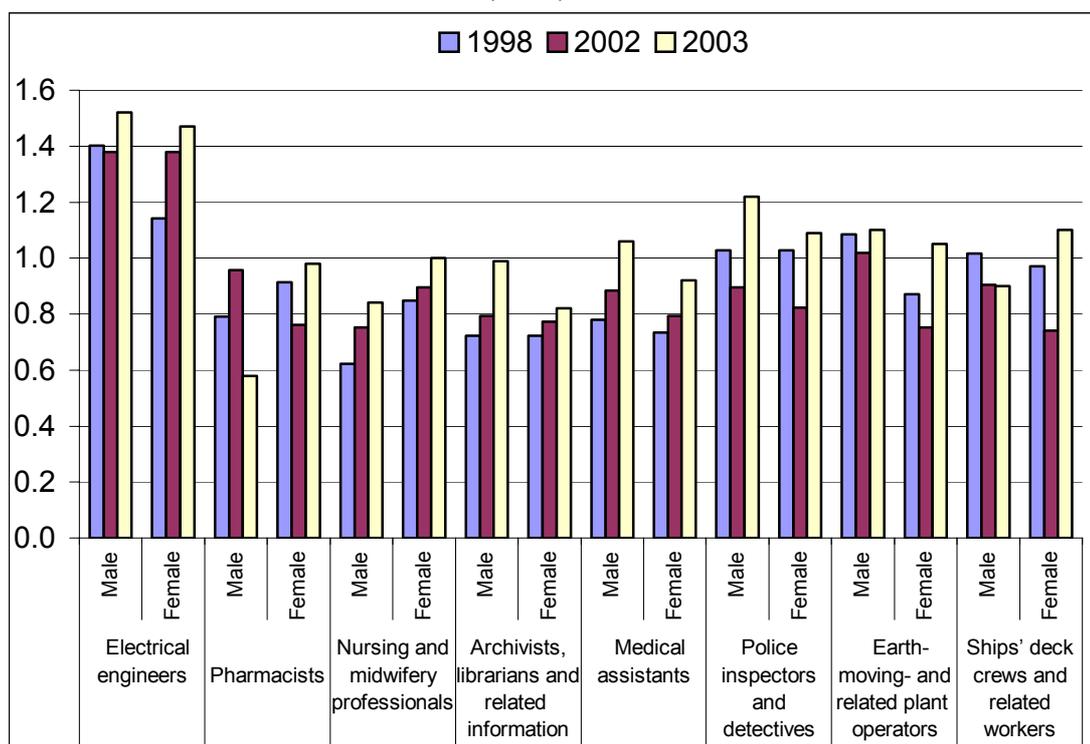
Females - police inspectors and detectives not only are working fewer hours a week but also getting lower hourly pay.

Long hours can be associated both with low and high hourly pay; nursing and midwifery professionals provide example of the former, but electrical engineers – of the latter (see Figure 10).

**Working time decrease along wage increase – real or statistical phenomenon?**

A significant increase in reported hourly wages since 1998 is found for males employed as nursing and midwifery professionals – 35% (for females the change is only 18%), males employed as archivists and librarians – 37% (females – 13%), male medical assistants – 36% (against 25% for females) and female electrical engineers – 29% (compared to 8.5% for males). Remarkably, all these examples refer to decreasing working hours.

**Figure 10. Reported average real gross wages<sup>2</sup> per hour by selected occupations and sex, 1998, 2002, and 2003**



Source: Calculations based on Occupation survey data 1998, 2002, 2003.

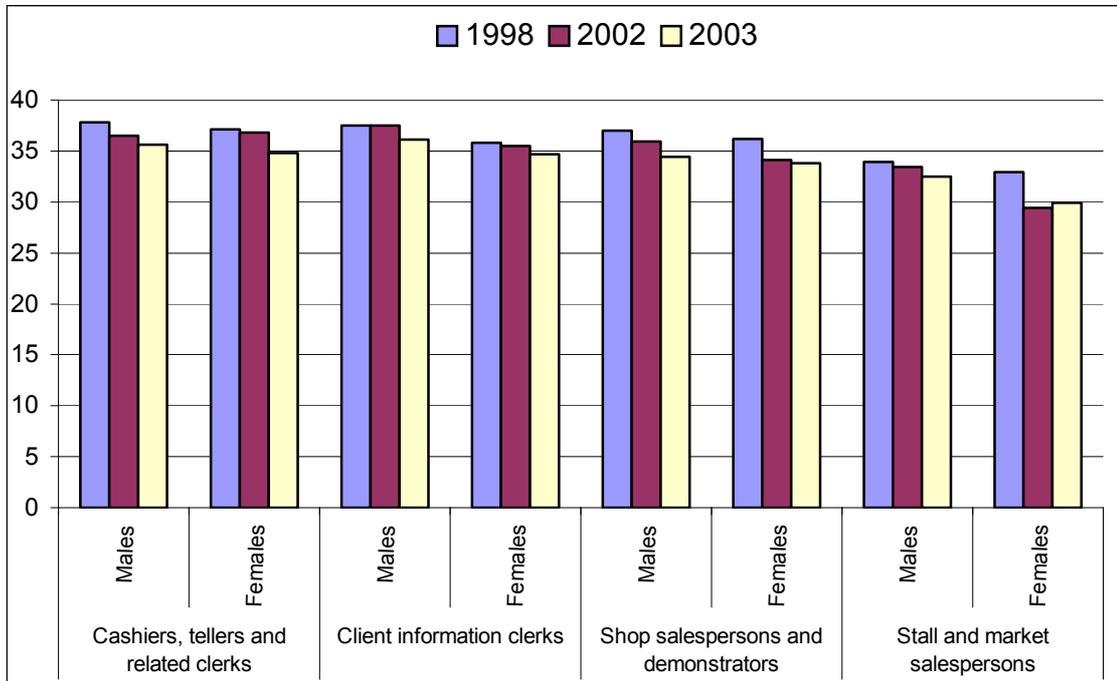
Significant decrease is experienced by the male representatives of the medical assistants, personal and protective workers, protective service workers, nursing associate professionals and nursing and midwifery associate professionals (average decrease – 3.5 to 4 hours per week, or 9 to 10 percent), as well as for females working as electrical engineers – 4.1 hours per week from 1998 to 2003, or 11.6%.

Decrease in the number of hours worked per week was frequently accompanied by the increase in the pay per hour, although in general larger reductions in hours do not correspond to the higher increases pay. For instance, hourly pay of personal and protective workers per hour increased since 1998 only by 11%, while the highest hourly pay increase was experienced by nursing associate professionals and associate professionals – 42% comparing to the 1998, medical assistants – 36% and medical doctors – 33%.

<sup>2</sup> Here and further average gross wages per hour are given in lats, in 2003 prices; 1 Lat=1.54 EUR.

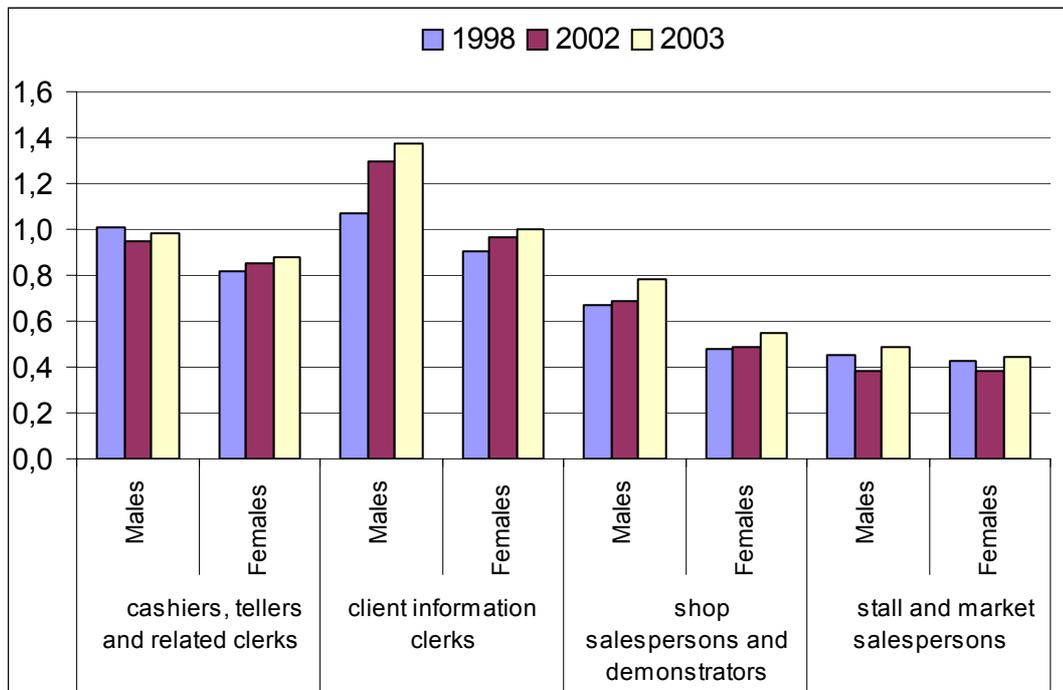
Figures 11 and 12 document decreasing trends in *reported* weekly hours (and in most cases increase in *reported* real hourly wage) observed for *service and sales workers*. Given that according to LFS these are occupations with high concentration of 50+ weekly hours, reliability of these official data is questionable.

**Figure 11. Reported hours worked per week by selected occupations and sex, 1998, 2002 and 2003**



Source: Occupation survey data 1998, 2002, 2003

**Figure 12. Reported average real gross wages per hour to the employees by the selected occupation and sex, 1998, 2002 and 2003**

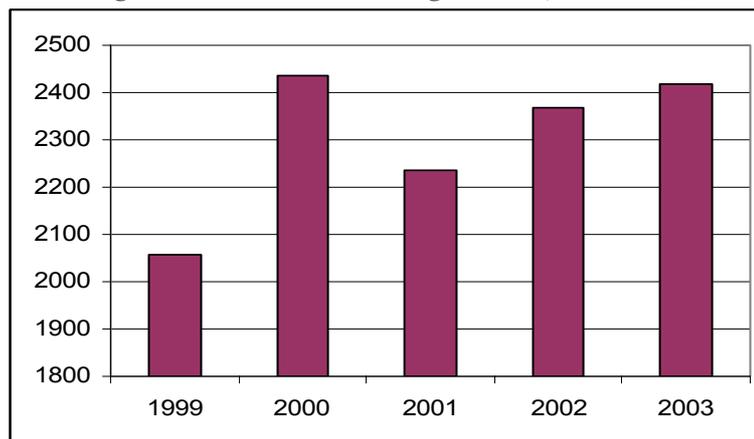


Source: Calculations based on Occupation survey data 1998, 2002, 2003.

## 5. COLLECTIVE AGREEMENTS: COVERING ONE QUARTER OF THE LABOUR FORCE

Less than a quarter of workers covered by the Earnings Structure Survey 2002 (Budgetary institutions were excluded) have their wages regulated by collective agreement. Agreements are in most cases (87.5 percent) firm level ones. Figure 13 displays evolution of the number of collective agreements. Collective agreements are almost exclusively found in unionized firms or sectors, and union coverage shows no signs of increase. One important exception is expected to happen this year if the parliament will lift the ban on trade unions in the police forces: according to the leader of the initiative group, about 80 percent of policemen have signed the petition, motivated by unpaid overtime, lack of compensation for night work, and sometimes adverse working conditions.

**Figure 13. Change in number of collective agreements, 1999-2003 (end of period)**



Source: Latvian Employers' Confederation (<http://www.lddk.lv/index.php?pid=1213>)

## 6. WORKING CONDITIONS: A SEGMENTED LABOUR MARKET

The evidence on developments in working conditions is mixed. Table 8 compares incidence of some risk factors, health and satisfaction outcomes according to *NORBALT II* (1999) Living Conditions Survey, and Dublin Foundation Survey on Working Conditions (2001), as well as Working Life Barometer 1998 and 2002.

Perhaps the most striking finding from the *NORBALT* survey is that 28 percent of respondents told that their working conditions in 1999 were worse than 5 years ago (not necessarily at the same job), while another 28 percent told they were better. This suggests a segmented labour market. Indeed, Figure 14 confirms that changes in working conditions have been predominantly favourable for management, neutral for other white collar workers, and unfavourable for blue collars. Likewise, Figure 15 shows that employees aged 25-34 have seen, on balance, a significant improvement of working conditions (which can be associated with “new” enterprises which employ predominantly this age group), while for other age groups the change has been close to neutral. Finally, temporary workers have been exposed to adverse changes in working conditions to a much larger extent than others.

### **No major improvement in working conditions between 1999 and 2001**

1999 and 2001 surveys are reasonably comparable, and it seems that on balance no major improvement in exposure to physical risks have occurred in two years; in some respects (fumes, vibration, painful positions, repetitious movements, stress) the changes, if any, seem to be unfavourable. Working Life Barometer (WLB) finds in 2002 a higher incidence of dissatisfaction with working conditions compared to 1998, as well as increase in stress at work, both physical and mental, during the last 12 months reported by about 40 percent of employees. On the positive side, WLB reports an increase in perceived safety at work.

Experts have also noticed that foreign investors, especially from Scandinavian countries, tend to introduce substantial improvements in the facilities for workers within the enterprise.

**Table 8. Exposure to risks and stress, and satisfaction with working conditions, 1998-2002**

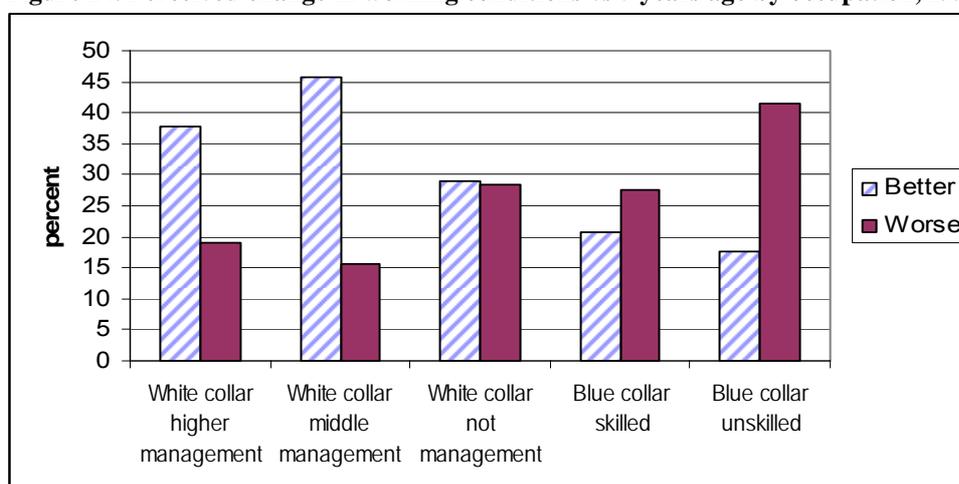
	<i>Percent</i>			
	1998 <sup>a</sup>	1999 <sup>b</sup>	2001 <sup>c</sup>	2002 <sup>a</sup>
High temperatures		22.8 <sup>d</sup>	17.8 <sup>e</sup>	
Low temperatures		28.1 <sup>d</sup>	24.2 <sup>e</sup>	
Noise		30.8 <sup>d</sup>	31.7 <sup>e</sup>	
Vibration		13.5 <sup>d</sup>	30.0 <sup>e</sup>	
Dust, fumes etc.		20.6 <sup>d</sup>	34.5 <sup>e</sup>	
Contacting dangerous substances		14.5 <sup>d</sup>	13.6 <sup>e</sup>	
Moving heavy loads		23.3 <sup>f</sup> to 48.4 <sup>g</sup>	39.8 <sup>e</sup>	
Bad positions		20.6 <sup>f</sup> to 41.9 <sup>g</sup>	41.6 <sup>e</sup>	
Repetitious and monotonous operations		23.5 <sup>f</sup> to 41.1 <sup>g</sup>	42.0 <sup>e</sup>	
Overall fatigue		29.3 <sup>f</sup> to 64.9 <sup>g</sup>	39.2	
Stress too high		24.7	31.0	
Not satisfied with working conditions	16.0		28.8	22.0
Safety at work during the last 12 months: increased (+)/decreased (-)				18.4(+)/3.5(-)
Mental stress at work during the last 12 months: increased (+)/decreased (-)	47(+)/4(-)			40(+)/3(-)
Physical stress at work during the last 12 months: increased (+)/decreased (-)	42(+)/6(-)			37(+)/4(-)
Work conditions worse than 5 years ago		27.7		
Work conditions better than 5 years ago		28.2		

Notes: <sup>a</sup> Working Life Barometer in the Baltic Countries (see Antila and Ylostalo 2003).

<sup>b</sup> NORBALT II (1999) Living Conditions Survey (see Aasland and Tyldum, 2000). <sup>c</sup> Dublin Foundation Survey on Working Conditions in Candidate Countries (see European Foundation for the Improvement of Living and Working Conditions 2003; <http://www.eurofound.ie/working/surveys/index.htm>).

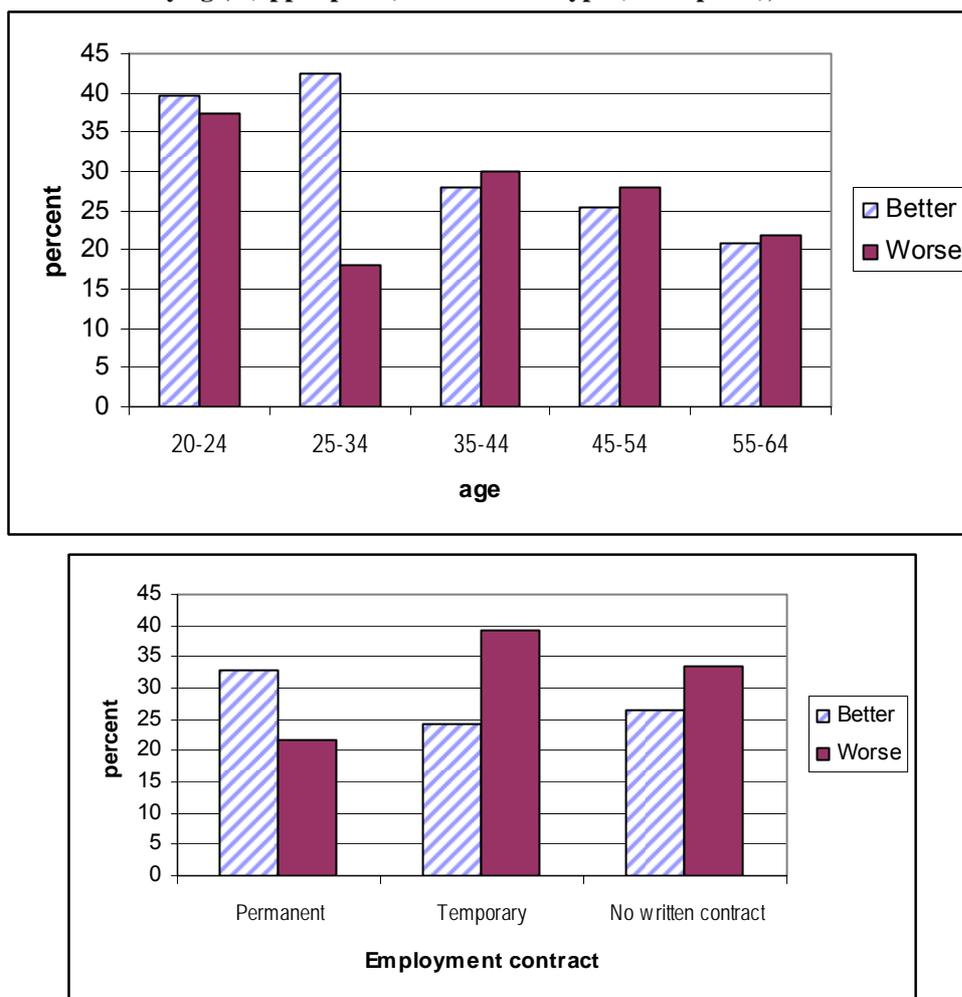
<sup>d</sup> Regularly. <sup>e</sup> At least 25% of the time. <sup>f</sup> Often <sup>g</sup> Sometimes.

**Figure 14. Perceived change in working conditions vs 5 years ago by occupation, 1999**



Source: calculation based on NORBALT II survey data.

**Figure 15. Perceived change in working conditions vs 5 years ago by age, (upper panel) and contract type (lower panel), 1999**



Source: calculation based on NORBALT II survey data.

### Recent institutional improvements

Since 2002, Latvian labour market has seen significant legal and institutional changes aimed at improvement of the job safety. About 70 percent of all enterprises now have one or more trained labour protection specialists (only in small enterprises this function is performed by the employer). Study programs for preparation of specialists in this field, initially just 40 hours, have been increased to 160 hours for basic level training, but since 2003 there are also 1 or 2 year studies for labour protection specialists with higher education. Evaluation and management of work related risks is supposed to become a routine procedure, and employers have to arrange regular health examinations for exposed workers.

In recent years a number of informative campaigns and materials have been elaborated in order to inform employers, employees and society in general regarding health and safety at work. State Labour Inspectorate, Latvian Focal point of the European Agency for Safety and Health at Work, and Ministry of Welfare are actively campaigning trying to raise awareness of workers and employers. There has been also a change in the attitude on the part of some employers (predominantly, the big ones) who now take a more forward-looking view on health of their employees.

### The gap between legislation and implementation

However, full enforcement of the recent legislation and substantial improvement of the quality of risk management still are major challenges. In the first half of 2004 State Labour Inspectorate has carried out inspections in 1890 enterprises, of which one third did not have a labour protection specialist,

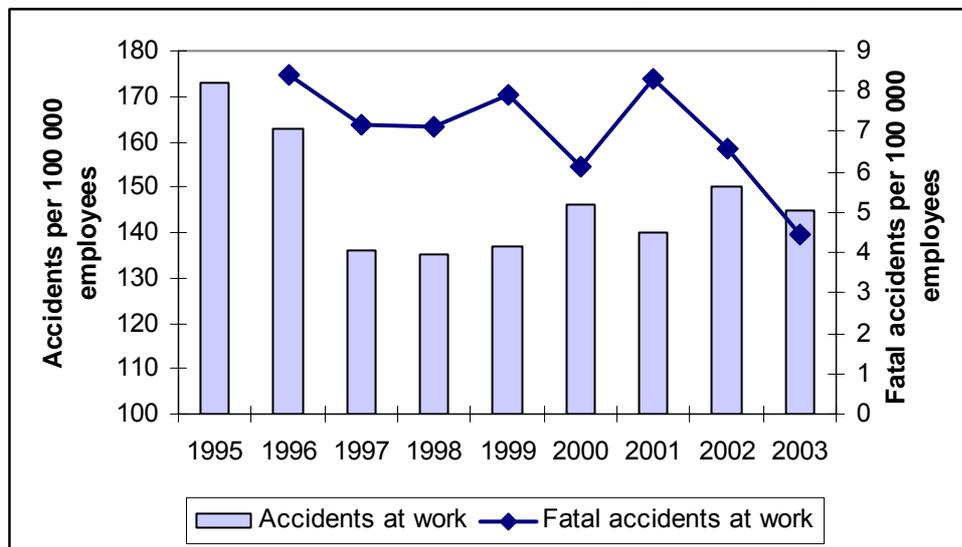
about 60 percent have not made risk evaluation, and almost three quarters did not have a list of occupations exposed to risks. An important issue is that the labour protection specialists are exposed to employer's pressure not to include all existing risks in the list. Experts' estimates of prevalence of this phenomenon range from *not very often* to *often*; some representatives of trade unions claim that in most cases labour protection specialists follow employers' orders. Requirement for regular health examinations is in many cases violated (e. g. in 2004 this was found in 70 percent of the patients with discovered occupational diseases). Many employers (in small enterprises) do not know that expenses for health examinations and accident prevention can be excluded from profit. On the other hand, the quality and even scope of the mandatory health examinations depends on the provider, sometimes with a quite substantial variation. Finally, relatively high unemployment makes employees reluctant to press on the safety issues against the will of employer. Yet another factor which weakens worker's position in this (and many other) respects is that many workers, especially in small firms, receive a substantial part of their pay unofficially (so called 'envelope wages'), which makes them a lot stronger dependent on employer's attitude.

**Accidents at work: no progress and under-reporting**

While rate of accidents at work has been reduced in late 1990s compared to the previous years, there has been no progress since (Figure 16). The largest number of accidents is in the following industries: Manufacturing of timber and wood products; Construction; Production of food and beverages; Land and pipeline transport; Health and social care; Forestry.

Reported accident rate (Figure 16) is about 20 times lower than in EU-15, implying that most of the accidents are not reported. In order to improve the situation and employers attitude towards health and safety issues in 2004 the sanctions for violation of health and safety legislation were raised 4 times, and now maximum fine is 1400 euros. Previously in many cases employers allowed themselves to violate the requirements of the legislation because of very low penalties. Another reason for the huge difference in the accident rates is perhaps that workers in Latvia, especially the older ones, are used not to report minor accidents; they just keep working. On the other hand, rate of *fatal accidents* is much higher than in EU-15 (where it is below 3 per 100 000 employees), suggesting that there are serious problems to solve in the years to come.

**Figure 16. Number of accidents and fatal accidents at work per 100 000 employees (1995-2003)**



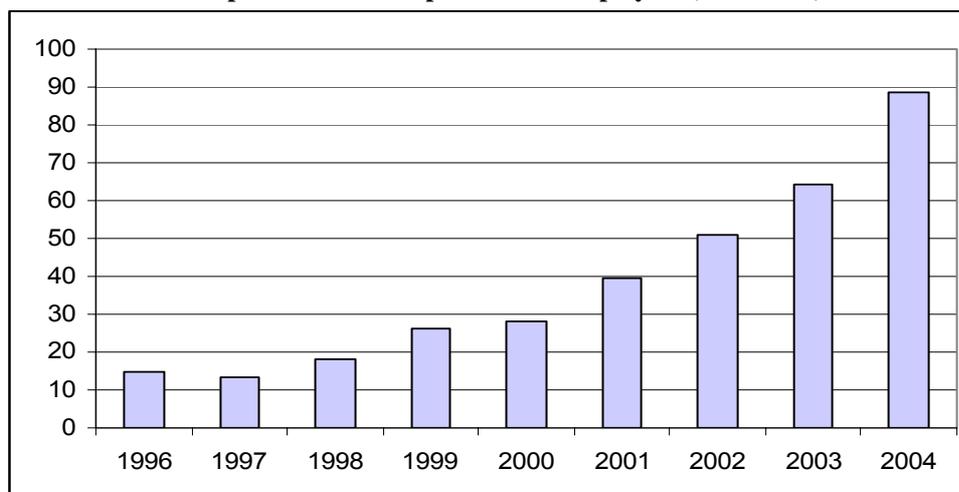
Source: State Labour Inspectorate and own calculation.

**Increase in occupational diseases: better reporting or adverse developments?**

The increasing trend in the rate of occupational diseases (Figure 17) is the result of interactions of several factors. First, adverse working conditions in Soviet times and in the early 1990s. Second, workers are becoming better informed about possibilities and increasingly concerned with their health, while doctor's approach to admitting occupational origin of diseases becomes more objective. But current problems in the workplace (lack of risk management, lack of regular health examinations, poor work organization, long working hours and fatigue) contribute as well. Nevertheless *overall trend in*

the situation with occupational health and safety, according to Latvian experts in this field, is positive.

**Figure 17. Discovered occupational diseases per 100 000 employees (1995-2004)**



Source: State Labour Inspectorate and own calculation.

This, however, have not been the case in the *health sector*, where situation is particularly troubleshooting. According to University of Latvia Institute of the Philosophy and Sociology (2002, p. 11), 43 percent of workers report overall fatigue, 59 percent are exposed to risk of contacting substances containing dangerous bacteria or viruses, 51 percent report emotional or psychological risk factors, 43 percent are exposed to chemical risks, 24 percent to violence, and 13 percent to other risks. Latvian health and social care workers trade union (2003, p. 82), based on a representative survey, claims that working conditions are deteriorating. In this sector, in contrast with most others, first time diagnosed occupational diseases are most frequent among relatively young employees. Vocational allergic reactions, lung tuberculosis, spine spondilosis, and C hepatitis are the most common diagnoses. According to the same report, medical and social care workers are not well informed about the working environment risk factors, their potential effect on health, and preventative measures. Adequate individual means of protection are not available in sufficient amounts or are not used due to limited information. High incidence of occupational diseases also has to do with low pay level in this sector: in 2002, about 40 percent of employees had 1.5 or more workloads (University of Latvia Institute of the Philosophy and Sociology (2002, p. 13). Overload leads to fatigue, and fatigue causes mistakes and inadequate precaution.

Combined with low pay, poor working conditions trigger emigration of medical and social care workers to the old EU member states (shortage of nurses and doctors is already a problem in Latvia) and industrial actions (like anaesthetists' strike in November 2004, when all surgeries except the emergency ones were postponed). As the result of the strike an action plan on wage increase for health and social care workers starting in July 2005 has been prepared by the government, which has allocated to the health care budget additional 31 million LVL (one third of what is necessary, according to the trade unions).

## PART II REALITY AT ENTERPRISE LEVEL: CASE STUDIES

### Overview.

This section summarises (see Tables 9-11) direct evidence from enterprises (or in some cases sectors) obtained between November 2004 and February 2005 from questionnaires filled by trade union leaders, representatives of administration (including labour protection specialists), and employees. In some cases this was followed up by in-depth telephone interviews with trade union leaders and managers. The diversity of cases in terms of size, sector, type of ownership, and location of the firms suggests that the emerging picture is not too biased.

Most of the case studies confirm the *decreasing trend in the incidence of fixed-term contracts* since introduction of the new legislation in 2002. However, the sector of manufacturing of metal product and equipment (cases E and F) is an exception: here demand fluctuations force the employers to use this type of contracts regularly and, as long as the sector as the whole is concerned, increasingly. On the other hand, relatively high incidence of fixed-term contracts in Latvia is also confirmed: in one of the firms (case C) 15% of all employees have temporary contracts; in another (case H) every year about 100 employees have fixed-term contracts. In the same two cases managers complained that the restrictions on using temporary workers are in odds with efficient business strategy.

Significant incidence of *long working days* is found in three out of nine cases (A, B, G); in two other cases (E and H) this phenomenon also exists, although is not so wide-spread. In most cases *overtime* was found to be a seldom or very seldom event. This may have to do with the fact that our cases, with three exceptions, refer to unionized firms. In two out of three cases without a trade union we found incidence of overtime seems to be substantial.

Consistently with the general pattern presented in Section 3, we have found that *shift work and weekend work is quite common* (respectively, 6 and 4 cases out of 10 with relatively high incidence).

Our findings regarding working conditions also confirm the description of the situation given in Section 8: on one hand, *some improvements in conditions* are reported in almost all cases, but on the other, *stress* is reported in all cases, *fatigue* in most cases, and *serious risks for significant proportion of workers* are found in eight out of ten cases (including the health sector, where we refer to University of Latvia Institute of the Philosophy and Sociology, 2002). Some cases confirm that *apart from stress and fatigue, reconciliation of work and family life is hampered by overtime, night, and evening work*. Access to a short unpaid leave for family reasons varies from easy to almost impossible.

*Social dialogue* is absent in two cases without trade unions, but exists in some form in a large bank.

**Table 9. Summary of the case studies A, B, C (February 2005)**

Features	Firm A	Firm B	Firm C: SIA “Arbo”
Sector	Retail trade (food supplements)	Transport and storage	Construction
Number of employees	10 – 19	500-999, ↓↓	50 – 99, ↑
Ownership	Private (domestic)	Private (majority domestic)	Private (domestic)
Location	Capital city	Big city	Big city
Turnover	Stable	↓↓	↑↑
Profit	Stable	↓	↑
Employment contracts ↑	+Unlimited duration	+↑Unlimited duration - ↓ Fixed-term - - ↓For specific task -Trainees	+↑Unlimited duration; ↓ Fixed-term (15%) ↓For specific task (5%)
Working time	+ Overtime + Long working days +Weekend work	+ Overtime (paid) + Long working days + Shift work	Almost exclusively standard (no overtime, no evening or night work).
Health and safety and other conditions	Workers complain about <i>stress and fatigue</i> .	?↑ Somewhat better than 1 and 5 years ago, but for manual workers worse than 15 years ago. <i>Most workers are exposed to physical and/or chemical risks about 50% of the time</i> . All interviewed persons are exposed to multiple risks (no special compensation); all are well informed; some report serious work-related health problems; but all say they are in general satisfied!	-↑Risks typical for construction workers: <i>vibration, noise, dust, fumes, low temperatures</i> , etc. Despite this, no health problems were reported except for <i>stress</i> (perhaps because manual workers are predominantly young, 23 to 40 years of age). Working conditions for manual workers described as “normal”, with slight improvement vs. 5 years ago. All interviewed persons were satisfied with conditions and well informed.
Work and Family	No complaints about adverse effect on family life despite long working days (young employees). However, no more than one week of vacation a piece is allowed.	? <i>Stress and fatigue</i> , as well as evening work and work on holidays have adverse effect, according to administration and trade union; none is mentioned in the interviews though. Difficult to get unpaid leave if needed, even for a few days.	Easy to get unpaid leave up to several weeks if needed.
Wages	Level similar to other firms in the sector. About 60% of the pay is received unofficially (“envelope wages”). Fixed monthly pay is assumed but sometimes it is reduced by 15%-20% by the manager.	+↓ Higher than average in the city for given occupation, according to administration; workers think there is no difference. Compensation includes fixed monthly pay and profit-based annual premiums. Workers recently were forced to agree to wage cuts.	Fixed hourly wage (construction workers); Fixed monthly wage (office workers and engineers). Level comparable to city average in general and to country average in construction.
Social dialogue and workers’ participation	-Workers have no say at all.	+ (?) Trade union exists but has a limited role (pocket trade union?). Workers’ participation very small. Collective agreement exists.	- No trade union, no workers’ participation.

Notes: + relatively high incidence or relatively well developed; ++ very high incidence or very well developed; ↑ improving or increasing; - relatively low incidence or poorly developed; - - very seldom or extremely undeveloped; ↓ declining or worsening.

**Table 10. Summary of the case studies D, E, F (February 2005)**

Features	Firm D	Firm E	Sector F
Sector	Manufacturing of metals	Manufacturing of metal products	Manufacturing of metal products and equipment.
Number of employees	more than 1000, ↑ slightly	more than 500, ↑	↓ slightly
Ownership	Private (domestic)	Private (domestic)	Mostly private (domestic)
Location	Big city	Big city	Dispersed
Turnover	↑	↑	↑
Profit	↑	Stable	Fluctuates
Employment contracts	+↑Unlimited duration; - Fixed-term -- ↓For specific task	+Unlimited duration; + Fixed-term -- For specific task + ↑Trainee --Self-employed	+Unlimited duration; - ↑(!) Fixed-term - ↓ For specific task + ↑Trainee --↓Self-employed
Working time	++Shift work ++Weekend/holiday work --Overtime	+ Shift work, evening work +Night work --Weekend/Holiday work -Long working days	+↑ Shift work -↑Weekend work (compensated) ++ Overtime (paid)
Health and safety and other conditions	--Many workers are exposed to <i>multiple risks</i> (to some of them all or almost all the time). Compensations are paid. 2 out of 5 interviewed workers not satisfied with working conditions, 4 report <i>stress</i> , some report health problems. Improvements in the working conditions are very slow.	+ (?) , ↑ Working conditions are described as good (trade union) or normal (administration), somewhat better than 1 or 5 years ago, much better than 15 years ago. However, 25 to 50 percent of the workers are exposed to low temperatures in autumn-winter period; 10 to 25 percent of the workers are exposed to <i>multiple physical risks</i> , notably noise.	↑ Working conditions range from acceptable to normal, somewhat better than 1 or 5 years ago. 10 to 25 percent of the workers are exposed to vibration; many other physical risk factors affect up to 10 percent of all workers each, in some cases ½ of all time or even almost all time (wearing individual protection, monotonous movements). Overall, <i>10 to 15 percent are exposed to serious risks</i> , partly because firms use outdated equipment and/or technologies.
Work and Family	<i>Shift and weekend work</i> have adverse effect on family life.	<i>Fatigue</i> has adverse effect on family life. Easy to get unpaid leave up to several days if needed, for some occupations even switch to part-time.	<i>Stress, fatigue, and overtime</i> have adverse effect on family life. Unpaid leave up to several days – depending on occupation; longer or switching to part-time – difficult.
Wages	Significantly higher than average in the country. Compensation includes fixed monthly pay, risk and productivity premiums, and employee benefits.	Similar to average in the city but lower than private sector average in the city or country industry average. Fixed-term workers are not discriminated.	Similar to average
Social dialogue and workers' participation	++Active trade union (collective agreement), significant workers' participation	++Active trade union, collective agreement, significant workers' participation	+35% of employees are union members. Collective agreements exist in all industry's firms, but sometimes not fully enforced. Trade union influence in decision making is significant but ↓.

*Notes:* + relatively high incidence or relatively well developed; ++ very high incidence or very well developed; ↑ improving or increasing; - relatively low incidence or poorly developed; -- very seldom or extremely undeveloped; ↓ declining or worsening.

**Table 11. Summary of the case studies G, H, I (February 2005)**

<b>Features</b>	<b>Firm G</b>	<b>Firm H</b>	<b>Firm I</b>
Sector	Railway	Banking	Manufacturing of textile
Number of employees	more than 500, ↑	more than 1000, ↑	50-99 (stable)
Ownership	State	Majority foreign	Foreign
Location	Dispersed	Dispersed	Small city
Turnover	↑	↑	↑
Profit	Fluctuates	↑	↑
Employment contracts	+↑Unlimited duration; - Fixed-term - For specific task --Self-employed	+↑Unlimited duration + Fixed-term (about 6%, to replace women on child-birth leave) --Self-employed	+↑Unlimited duration; - ↓ Fixed-term
Working time	+Long (12 hours) working days, but with 3-4 hours break. ++Shift work, weekend and holiday work (compensated) -Overtime (frequent but in relatively few hours; compensated) +Night work	- Shifts, work in evenings, weekends, holidays (about 10% of employees) -Overtime; --Night work, long days. Administration: overtime, holiday and night work are compensated properly, and shift workers get +10%. Some respondents report unpaid overtime.	++Shift work, late evening work (compensated with pay increase by 25 to 40 percent). -Night and weekend work -Overtime
Health and safety and other conditions	↑ Working conditions are described as normal, somewhat better than 1, 5, or 15 years ago. However, 25 to 50 percent of the workers are exposed to <i>painful or uncomfortable positions and stress</i> almost all the time, and high temperatures about half of the time; eight other types of risk affect smaller but not negligible groups of workers.	+↑. Better than in many other banks. Almost all employees <i>work with computers all the time</i> with implied risks. Some respondents report noise and high temperatures; all report <i>work-related health problems</i> . Annual health checks and workplace evaluations take place. 4 out of 6 respondents were in general satisfied with working conditions.	↑Working conditions are described as normal, somewhat better than 5 years ago and much better than 15 years ago. About <i>10% of workers are exposed to serious (but not multiple) risks from ¾ to almost all the time</i> : noise for some, uncomfortable positions, or wearing individual protection, or moving heavy loads, or stress for others.
Work and Family	<i>Stress, fatigue, long working days, night, evening and holiday work</i> adversely affect family life. Possibility to get unpaid leave depends on occupation.	<i>Stress and fatigue</i> adversely affect family life. The firm pays wedding and child birth benefits. 2-3 free days are provided in case of wedding. Extra vacation: 3 days if tenure 4 to 6 years; 5 days if tenure > 6 years.	<i>Stress, fatigue, and evening work</i> adversely affect family life. Easy to get unpaid leave up to several days if needed, for some occupations even switch to part-time. Several week long unpaid leave only in exclusive cases.
Wages	Fixed salaries, compensations for risks, night and shift work, monthly and annual bonuses. Workers consider themselves underpaid compared to private sector workers with similar skills.	Well above economy average and even sector average (if all bonuses included). Fixed salary plus profit sharing plan. Health insurance (also for fixed-term workers). Contributions to private pension fund.	Higher than private sector average in the city; similar to overall average in the city but lower than national average for this industry.
Social dialogue and workers' participation	+90% of employees are union members. Collective agreement exists. Some workers doubt that trade union plays significant role.	No trade union, no collective agreement, but many of the usual elements of collective agreements are part of the firm's policy.	+56% of employees are union members. Collective agreement exists. Both administration and trade union tell that trade union's role in the firm is significant.

## **Case A: Envelope wages: not so good for the workers as they first thought**

Firm A is a small retail company with domestic capital, selling food supplements<sup>3</sup>. Number of employees (between 10 and 20) and company's turnover are stable. Most employees are very young (20 to 22 years of age) women working as salespersons in a number of shops located in different shopping centers in the capital city.

### **Long working days**

Each month these women work 15 or 16 days, 12 hours a day. No complaints about adverse effect on family life were made by interviewed workers, but everybody mentioned stress and fatigue which result from the long working days, as well as noise. All employees have permanent legal contracts but these contracts are written for a minimum wage. In reality about 60 percent of net wages are paid unofficially ("envelope wages"). Total amount paid is similar to average in this occupation.

### **No compensation for overtime**

Given that normal duration of the working week in Latvia is 40 hours, the working time schedule described above implies 2 to 3 hours of overtime per week, on average. All four respondents employed as salespersons indicated that they work 42 or 43 hours per week. There is no special compensation for this (but it is difficult to classify as unpaid overtime either, given the unofficial payments). Two other respondents, an accountant, 36, and a secretary, 25, work 40 hours a week without overtime. Interestingly, the manager claimed that every body works just 40 hours a week.

### **Undeclared wages: at employers' discretion**

Envelope wages make the workers fully dependent from the manager. Although verbal agreement is for a fixed monthly wage, from time to time the manager reduces it for up to 20 percent if she thinks somebody has underperformed; no discussion is allowed. When one of the girls had a conflict with the manager, she received just the official part of the salary.

### **Under threat if holidays taken**

Workers cannot take the whole annual vacation which is guaranteed by the law in one go: no more than one week is allowed. One of the respondents did not know about this rule; she has worked a full year without a vacation hoping to take a free month in March to work on her BA thesis. She was rejected a paid vacation at all; the manager was arguing that because of her long absence the firm will need a replacement, which means extra costs.

Needless to say, there is no trade union and no social dialogue in this firm.

### **Limited dissatisfaction**

The young lady, whose vacation has been stolen, appeared, surprisingly, to be the only respondent not satisfied with the working conditions in general. Two others were "rather satisfied" and three "very satisfied", which tells a lot about their perception of the quality of available jobs in general.

### **Overall evaluation: a discretionary policy**

Enterprise A typically reports the problems identified in small private firms in part I. The absence of trade unions - and thus also of a collective agreement - confers on the employer excessive power to impose working and employment conditions. The discretionary payment of wages –in the form of envelope pay – is illustrative of this process, as is unpaid overtime and employees' difficulties going on holiday. Not surprisingly, workers reported stress and fatigue, while working rhythms and conditions may have other detrimental effects.

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<sup>3</sup> Interviews with the manager and 6 employees have been carried out to collect information for this case.

## Case B: Sick from Work But Happy with the Conditions?

Firm *B* is a big private enterprise in the transport and storage sector (we cannot be more specific for confidentiality reasons<sup>4</sup>). The ownership is mixed but domestic investors hold the control package. The firm is located in a big city and has between 500 and 1000 employees.

### Limited use of temporary contracts: mainly for women

A vast and increasing majority of the employees have contracts of unlimited duration; workers of this category are predominantly 35 to 45 years old and are highly skilled; about 45% are women. Fixed-term contracts are seldom, and contracts for specific task very seldom. Incidence of both above mentioned types of temporary work is decreasing. Temporary workers usually are 40 to 45 years old with average skills level. They are not discriminated in terms of monthly pay. Those on fixed-term contracts are predominantly women (70%), while those hired for a specific task are mostly men (90%). On top of this, a small but stable fraction of workers (aged 19 to 23) are trainees.

### Trade unions: a decreasing influence

*Two thirds of the workers are trade union members.* The collective agreement includes the following provisions:

- protection of the older workers from firing;
- workers' transportation to and from the job on the firm's bus;
- winter and summer special clothes with the firm's logo, tailored to the needs of different groups of workers, as well as all necessary individual protection equipment;
- compensation of up to 50 percent of the costs of hospital treatment once a year;
- annual health examinations paid by the firm;
- special payments in the case of child birth, as well as in the case of death of a relative of first degree or employee's or former employee's death;
- Christmas gifts for children up to 12 years of age and to pensioners;
- facilities for workers (showers, rest rooms, equipped kitchens and eating rooms etc.);
- some categories of workers exposed to chemical risks receive free dairy products;
- a canteen open only for employees;
- additional paid vacation days (depending on tenure);
- the firm finances participation of representatives of the trade union in the conferences (up to 5 days a year) and offers a job to the trade union leader in case he/she is not reelected.

Apart for negotiating the collective agreement, the *role of trade union is small and decreasing*. There are even some signs that this is an example of so called "pocket trade union".

### Workers threatened by employment and wage cuts

The firm is experiencing difficulties: number of employees, turnover, and profit feature negative trend over last 5 years. For example, in 2003 number of employees has decreased by more than 25%. Recently workers were forced to agree to wage cuts. In contrast with most other cases our primary contact with firm *B* was administration rather than trade union leader who was reluctant to fill the questionnaire until he was invited by the head of personnel department. The latter flatly ordered the trade union leader to fill the questionnaire, and the order was followed immediately. Most of the interviewed workers first told they can discuss working conditions with administration, but not all mentioned trade union.

Even after recent cuts, *wages are higher than average in the city for given occupation*, according to administration; interviewed workers, however, think there is no difference. In any case, *wages here are quite high by national standards*. Compensation includes fixed monthly pay and profit-based annual premiums.

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<sup>4</sup> Sources of information for this case study are detailed identical questionnaires filled by administration and trade union leader, the collective agreement, and (standardized) interviews with 5 workers. Interviewed employees work for this firm from 4 to 22 years.

### **Working conditions worse than 15 years ago, despite recent improvements**

However, *long working days, overtime, and shift work* are quite common in this firm and show no tendency to decrease. Number of overtime hours per worker, however, is rather small, and workers receive double pay for these hours, as required by legislation.

Both administration and trade union admit that *working conditions* of manual workers are worse than 15 years ago (i. e. at the end of Soviet era), although they have improved slightly compared with 5 years ago (according to the trade union, also compared to one year ago, while administration does not claim an improvement in the short run).

### **Multiple health risks for most workers**

*Most workers are exposed to multiple physical and/or chemical risks about 50% of the time:*

- Low temperatures (50% of all workers)
- Noise (10% of all workers)
- Vibration, when using instruments (10% of all workers)
- Breathing in vapours, fumes, dust, or dangerous chemical substances (at least 50% of workers)
- Handling or touching dangerous products or substances (25% to 50% of workers)
- Painful or tiring positions (10% to 25% of workers)
- Monotonous hand or arm movements (10% to 25% of workers)
- Wearing personal protective equipment (at least 50% of workers)
- Carrying or moving heavy loads (10% to 25% of workers)
- Work with computers (25% to 50% of the workers).

### **Serious health problems reported**

All interviewed persons are exposed to multiple risks and do not receive any special compensation. All are well informed about the potential effect of these risks on health; some report serious work-related health problems. Here are some examples.

Andris, 43, is a *fitter of electric equipment* who works for this firm for 22 years. He is exposed to vibration from instruments; noise; low temperatures; breathing in vapours, fumes, dust, and dangerous chemical substances; handling or touching dangerous products or substances; painful or tiring positions; wearing personal protective equipment; carrying or moving heavy loads; stress. Each of these factors affects him less than  $\frac{1}{4}$  of all time, but on the whole he is under risk at least  $\frac{1}{2}$  of the time. Nevertheless, Andris does not report any health problems. Neither does he report overtime. Andris is very satisfied with the working conditions and does not see any work-related personal problems.

Gatis, 46, is a *mechanic*. His tenure is for 8 years. Almost all the time he is exposed to breathing in vapours, fumes, dust, and dangerous chemical substances, as well as to stress. On top of this, he wears individual protection and is exposed to noise (less than  $\frac{1}{4}$  of the time). Gatis reports work-related problems with eyes, skin, and sleeping, as well as stress. He is rather satisfied with working conditions and thinks they are better than 5 years ago. Work goes very well together with his personal life.

Sergejs, 45, is a *machinery fitter*. Sergejs works for the firm for 11 years. Almost all the time he breathes in fumes, dust, and dangerous chemical substances; about  $\frac{3}{4}$  of the time handles or touches dangerous products and moves heavy loads; about  $\frac{1}{2}$  of the time he is exposed to painful or uncomfortable positions, monotonous hand movements, wearing personal protective equipment, and stress; he also faces high and low temperatures and noise (less than  $\frac{1}{4}$  of the time each). Sergejs reports allergy, pain in neck and shoulders, and breathing problems. Nevertheless, Sergejs tells he is rather satisfied with the working conditions, which have improved compared to 5 years ago. He does not report any overtime and does not claim any serious work-related problems in family or personal life.

Working conditions for non-manual workers have improved substantially compared with 15 or 5 years ago, according to administration; trade union leader disagrees. Two examples illustrate

Vladimirs, 57, is an engineer dealing with electric equipment. He works for the firm for 4 years. Vladimirs is exposed to stress about  $\frac{1}{2}$  of the time. Although it is very seldom, he occasionally works in the evening and night time, as well as on weekends and holidays. This is compensated with free time. When asked about work-related health problems, Vladimirs reports stress and fatigue. But he,

too, is very satisfied with the working conditions (he does not think they have changed since last years or since he started to work here) and does not see big problems in personal life stemming from his job.

Aina, 43, is an accountant. Her tenure is 5 years. She works with computer all the time. About  $\frac{3}{4}$  of the time this implies monotonous hand movements. About  $\frac{1}{2}$  of the time she is exposed to stress,  $\frac{1}{4}$  of the time to breathing in dust and uncomfortable positions. She reports problems with eyes and back pain. Aina occasionally works at least two hours in the evening (number of such cases tends to increase), and sometimes her working days exceed 10 hours. No compensation is reported, but her normal salary is quite high. Weekend work is very seldom. Aina is very satisfied with the conditions and thinks they have improved since 5 years ago. No serious job-related personal problems have been reported.

In contrast with the interviewed workers, both administration and the trade union leader claim that *stress and fatigue*, as well as evening work and work on holidays have adverse effect on workers' family life. On top of this, unlike many other firms, here it is difficult to get unpaid leave if needed for family reasons, even for a few days.

#### **Overall evaluation: conditions at work after restructuring**

Enterprise B is illustrative of employees' priorities in a period of restructuring: after a significant reduction - of 25 per cent - of the labour force the remaining employees can only be satisfied with their job and are ready to accept almost any working conditions imposed by the employer: wage cuts, long working days, overtime and shift work, with in addition serious exposure to multiple health and safety risks. Significantly, difficulties in having a normal family life are not reported by employees, although it was recognised as a serious problem by both management and trade union. Typically, insecurity has broken any possible balance between flexibility and security, even in the long run since weak trade unions and employee unwillingness to complain will not be able to prevent management from unilaterally determining the production process.

### **Case C (Enterprise ARBO): Temporary Workers Vital in the Construction Sector**

#### **Construction booming**

"Arbo" is a construction firm located in a port city of Ventspils. It has about one hundred employees, aged mostly from 23 to 40. Firm's turnover is growing; profit is slowly increasing as well. This is not surprising given that construction is one of the booming industries in Latvia: real growth in this sector was 14 percent in 2003 and 13 percent in 2004. Number of employees went up from 81 to 95 between October 2002 and October 2004. Recently the firm has received financing from European Structural Fund.

#### **Huge reliance on temporary contracts**

One interesting feature of this case is a relatively big proportion of temporary workers: 15 percent of employees have fixed-term contracts, and another 5 percent are hired for specific tasks. The owner indicates, however, that these proportions are falling since the introduction of the new Labour law in 2002. Good workers are being offered permanent contracts. On the other hand, the owner sees the restrictions on use of temporary workers as a serious obstacle in his business. He says: "In construction you depend heavily on the luck in tenders, so it is very difficult to forecast amount of labour you need."

#### **No pay discrimination against temporary workers**

Manual workers are paid hourly wage. Total compensation they receive is similar to city average, as well as to national average in construction. Temporary workers are not discriminated (this is not a typical situation).

#### **Limited use of overtime but shift work planned**

In contrast with many construction enterprises, "Arbo", according to the owner, does not use overtime work; this was also confirmed by respondents.

Shift, evening, night, and weekend work is not in use currently, but shift work will be introduced on one object in the near future. All workers receive a 20 days of paid vacation; on top of this they can

easily get unpaid leave up to several weeks if needed, so no adverse effects on family life are observed as long as working time is concerned.

### **Full exposure to risks**

Another common problem in construction is high incidence of accidents at work. While “Arbo” has been lucky so far in this regard, the *risk factors* are at work. At least 50 percent of the workers are exposed to vibration about  $\frac{1}{4}$  of the time. 25 to 50 percent are exposed to low temperatures during the winter season. Noise and breathing in vapours, fumes, and dust affect 10 to 25 percent of the workers (less than  $\frac{1}{4}$  of the time). Finally such factors as handling or touching dangerous products or substances, welding light, uncomfortable positions, repetitive hand or arm movements, wearing personal protection equipment, and work with computers affect up to 10 percent of workers each. The risks are overlapping, which is, according to State Labour Inspectorate, one of the frequent accident reasons. Two of our respondents can serve as examples.

A joiner wears the individual protection 90 percent of the time. He is exposed to breathing fumes and/or dust  $\frac{3}{4}$  of the time, to noise and uncomfortable positions  $\frac{1}{2}$  of the time, and to vibration  $\frac{1}{4}$  of the time. He also has to move heavy loads from time to time. He did not report any health problems, however. Another respondent, a construction worker, is exposed to five different risks (about  $\frac{1}{4}$  of the time each) but reported only stress. A project manager and an accountant both reported stress; the accountant also mentioned problems with her eyes and sleeping. All respondents told that they are informed about risks and satisfied with the conditions, although they did not report any progress. In case of the manual workers one reason might be that they are young and healthy. Another likely reason is that outside options (other construction firms) might be worse. An indirect confirmation of the fact that “Arbo” offers relatively good conditions is that in October 2002 24 out of 77 employees (managers excluded) had spent from 5 to 10 years with the firm, and another 18 workers had tenures 3 to 4 years.

### **Overall evaluation: traditional major risks in construction**

„Arbo” provides a good example of the constraints faced in the construction sector: Difficult-to-predict activities have led the management to rely in great part on temporary work, a phenomenon that may act as a substitute for long working hours, overtime and weekend work, which remained limited in the company. Expanding demand and economic growth in construction enterprises, however, has not yet led to a parallel improvement in working conditions which remain dominated by multiple health and safety risks and stress at work, something that the absence of trade unions and workers' participation does not help to change. It is time for the construction sector and enterprises - with the government also pushing hard in that direction - to invest part of this economic expansion not only in increased activities and employment but also in the improvement of conditions at work.

## **Case D: Shift Work, Outdated Equipment and Multiple Risks: Working Conditions Still to Improve**

### **A large private company oriented towards exports<sup>5</sup>**

Firm *D* is controlled by domestic private capital. It is engaged in manufacturing of metals and metal products and works mostly for foreign markets. Company is located in a big city and employs more than 1000 workers, about 30% of them women.

### **Intense working rhythms**

Most workers are engaged in shift work and use to work also during the weekends and holidays. Although overtime is fairly rare all these are signs of a rather intense working process at enterprise *D*.

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<sup>5</sup> Sources of information for this case study are:

- a detailed questionnaires filled by trade union leader;
- publicly available information;
- standardized interviews with 5 workers.

### **But long-term employment relationship**

A large and increasing number of workers have contracts of unlimited duration. This long-term tenure was confirmed by the interviewed employees who had worked for the firm between 11 and 38 years. Fixed-term contracts are also rare, as are contracts for specific tasks, whose incidence has been progressively decreasing.

### **Compensating with higher wages**

The rather intense working process also seems to be compensated by relatively good wages, the average gross wage in this firm being almost double the national average. In addition to the basic wage, employees also enjoy compensation for overtime, certain precise tasks and dangerous working conditions, as well as from other bonuses.

### **Active social dialogue**

*Trade union* membership in enterprise D, at 70 per cent of the labour force, is largely above the national average. Moreover, a *collective agreement* regulates wages, compensation for dangerous working conditions, additional paid vacation days and other employee benefits.

### **Outdated equipment and protection**

Significant part of the *equipment used in production is outdated*, and this restricts possibilities to improve working conditions and reduce risks; all steps in this direction which could be taken without changing the equipment have been already made, but *working conditions are improving very slowly*.

Many workers are exposed to *multiple risks* (to some of them all or almost all the time):

- Breathing in vapours, fumes, dust, or dangerous chemical substances all the time (25% to 50% of workers)
- Wearing personal protective equipment all the time (at least 50% of workers)
- High temperatures about  $\frac{3}{4}$  of the time (up to 10% of all workers)
- Carrying or moving heavy loads about  $\frac{3}{4}$  of the time (up to 10% of all workers)
- Noise about  $\frac{1}{2}$  of the time (up to 10% of all workers)
- Vibration, when using instruments about  $\frac{1}{4}$  of the time (up to 10% of all workers)
- Handling or touching dangerous products or substances less than  $\frac{1}{4}$  of the time (up to 10% of all workers)
- Welding light less than  $\frac{1}{4}$  of the time (up to 10% of all workers)
- Work with computers less than  $\frac{1}{4}$  of the time (up to 10% of all workers).

### **Serious health and safety risks reported**

Moreover, overall proportion of workers exposed to *serious* risks, according to the trade union, is about 15%, which is significant. This seems to be an underestimate. Let us look at some examples.

Aleksejs, 45, has higher education but works as *unskilled manual* for 11 years. His wage is not too high. He is exposed to vibration from instruments; noise; high temperatures; breathing in vapours, fumes, and dust; welding light; wearing personal protective equipment; carrying or moving heavy loads; stress (less than  $\frac{1}{4}$  of the time for each of the factors). Nonetheless, Aleksejs does not report any health problems or conflicts with family life, is rather satisfied with the conditions and finds them somewhat better than one or five years ago.

Janis, 55, is *electrical mechanic*. He, too, has a higher education and works at this firm for 32 years. He is exposed to breathing in vapours, fumes, and dust about  $\frac{3}{4}$  of the time; noise and vibration about  $\frac{1}{4}$  of the time; high temperatures and uncomfortable positions less than  $\frac{1}{4}$  of the time. Janis reports stress and problems with eyes related to his job. He is rather satisfied with the conditions and finds them somewhat better than one or five years ago, and much better than 15 years ago. No overtime, no serious problems in family life stemming from the job.

Juris, 55, is an *assembler*. He works here for 38 years. Janis is exposed to stress almost all the time. He reports anxiety and sleeping problems. His working conditions have not changed during the last 15 years, but he is rather satisfied. Like Janis, he does not report overtime of family problems.

Andrejs, 38, is a *crane operator*. His tenure is 18 years. Almost all the time he is exposed to breathing in vapours, fumes, and dust; high temperatures; and repetitious arm movements. About half of the time he experiences stress and uncomfortable positions,  $\frac{1}{4}$  of the time wears protection, and less than  $\frac{1}{4}$  of the time is exposed to noise and vibration. He reports stress, overall fatigue, back pain, vision, hearing, and sleeping problems. Andrejs thinks he is not very well informed about impact of

his job on health. He is *rather dissatisfied with the working conditions*. This is the only respondent out of five who finds that conditions have deteriorated compared to Soviet times, *but* like most other interviewed workers he *agrees that there is some improvement compared to 5 years ago*. Andrejs reports working 46 hours a week, including Sundays and holidays (for a double pay). Work does not go well together with his family life.

Ivars, 56, is an *electrical engineer*. He works at this enterprise for 35 years. About  $\frac{3}{4}$  of the time Ivars breathes in vapours, fumes, and dust;  $\frac{1}{4}$  of the time he is exposed to noise and vibration. Less than  $\frac{1}{4}$  of the time he faces high temperature and uncomfortable positions. Ivars reports stress and overall fatigue. Occasionally (not often) he works overtime. Like Andrejs, he is *rather unsatisfied with the working conditions, although admits some progress in the short, medium, and long term*.

#### **Overall evaluation: too many health and safety risks**

In terms of working conditions enterprise D is mainly characterised by multiple risks to which employees seem to be permanently exposed, with clearly adverse effects on their health. These risks are multiplied by a production process based on shift work and weekend work. Nevertheless, the relatively longterm nature of the work contracts and (high) wages compared to the national average have so far limited workers' dissatisfaction. It is important to note, however, that the relatively good trade union presence (70 per cent membership) and the signing of a collective agreement do not seem to have been enough to radically change conditions at work. It may be a long time before there are significant improvements.

### **Case E: Conflicting Reports from Management and Trade Union**

#### **A large unionised manufacturing company<sup>6</sup>**

Firm E is located in a big city, centre of a district with very high unemployment. The firm manufactures metal products. Number of employees exceeds 1000 and is increasing, in line with sales. Typical workers' age is 45 to 54; roughly half of employees are females. The firm has stable profit. *Trade union* is quite active, strong and genuinely independent from the management and plays a stable and significant role in the firm. The *collective agreement* guarantees, among other things, financial help in case of a child birth and when child enters the school, as well as in case of significant health care expenditures and other critical situations; financial support for college education of employees and their children.

#### **Combining permanent and fixed-term contracts**

While most workers have permanent contracts, *fixed-term workers* are used regularly in significant and not decreasing numbers, according to the trade union leader (administration: fixed-term contracts are seldom). The same is true for trainees. Contracts for specific task and contracts with self-employed persons are seldom.

#### **Wages below sectoral average**

*Wages* are similar to average in the city but lower than private sector average in the city or country industry average. Fixed-term workers are not discriminated. Self-employed receive higher than average compensation.

#### **Long working hours not always compensated**

According to trade union, shifts (implying evening and night work) are common, while administration's response was "regularly but in rather small amounts." Night hours are compensated according to legislation (+50%). Night work outside shifts is seldom. Work on weekends or during holidays is seldom (administration: very seldom). Long working days and shift-work were reported by the employees to lead to fatigue with adverse effects on family life, something that the management

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<sup>6</sup>Sources of information for this case study are:

- detailed identical questionnaires filled by administration and trade union leader
- standardized interviews with 4 workers.

tried to compensate through easy access to unpaid leave or a shift to part-time work. This last option, however, is little used by employees who cited raising their living standards among their priorities.

#### General improvements except on health and safety

Nevertheless working conditions are described as good (trade union) or normal (administration), somewhat better than 1 or 5 years ago, much better than 15 years ago. However, 25 to 50 percent of the workers are exposed to low temperatures in autumn-winter period; 10 to 25 percent of the workers are exposed to *multiple physical risks*, notably noise. Here again different information is provided by administration and by the trade union, as displayed in Table 12. In most cases administration strongly underestimates risks.

**Table 12 Risk factors in firm E from management and trade union perspective**

Factors	Management		Trade union	
	Workers exposed, %	Exposition time, proportion of all working time	Workers exposed, %	Exposition time, proportion of all working time
Low temperatures	<10	< 1/4	25-50	3/4 during spring and autumn
High temperatures	<10	< 1/4	10	1/2
Noise	10-25	1/2	10-25	1/2
Vibration, when using instruments	<10	1/4	10-25	1/4
Handling or touching dangerous products or substances	0		<10	< 1/4
Welding light	0		<10	< 1/4
Painful or tiring positions	<10	< 1/4	10-25	1/2
Monotonous hand or arm movements	10-25	1/4	10-25	1/2
Wearing personal protective equipment	>50	all the time	10	1/2
Carrying or moving heavy loads	0		10	< 1/4
Stress	10-25	1/2	10	< 1/4
Work with computers	<10	1/2	10	1/2

*Fatigue* and long working days have adverse effect on workers' family life. On the other hand, it is easy to get unpaid leave up to several days if needed, for some occupations even switch to part-time. At the trade union's suggestion, during the winter months the working day will start later to accommodate workers' family needs.

#### Overall evaluation: social dialogue impact

It is difficult to identify exactly the trends in working conditions in enterprise E because of conflicting reporting between the trade union and the management. Of course, this is already a precious indication of the conflictual nature of working conditions. This seems to be the case with regard to shift-work and long working hours which are not always compensated, but especially about multiple health and safety risks, with adverse effects on family life. Active trade unions and the presence of a collective agreement, however, seem to have contributed to progressively improve conditions at work, as well as wages, over the years, despite the fact that the presence of a large company - with more than 1000 employees - with rapid growth and expanding employment in an area dominated by unemployment can only reduce social dialogue and unbalance negotiating power in favour of a management that seeks increased flexibility for competitive reasons.

## **Case F: Fixed-term contracts on the rise, unlike most other sectors**

Manufacturing of metal products and equipment<sup>7</sup> is located in many enterprises, small and big, mostly belonging to domestic private capital. During the last 5 years number of employees has slightly decreased despite increasing sales. Specific for this sector (like for construction) are demand fluctuations within a year, which implies importance of temporary workers.

35% of employees are union members. Collective agreements exist in all industry's firms, but sometimes are not fully enforced. Trade union influence in decision making is significant but in general decreasing.

While most workers have permanent contracts, proportion of employees with fixed-term contracts is increasing, as well as proportion of trainees. At the same time, contracts for specific task and contracts with self-employed persons are seldom and incidence of such contracts is declining. Shift work and overtime are quite common, while weekend work is not very common. Incidence of shift work and weekend work is increasing. Weekend work and overtime are typically compensated as required by the law.

### **Health and safety conditions need to be improved**

Working conditions range from acceptable to normal, somewhat better than 1 or 5 years ago. However, 10 to 25 percent of the workers are exposed to vibration; many other physical risk factors affect up to 10 percent of all workers each, in some cases ½ of all time or even almost all time (wearing individual protection, monotonous movements). Overall, *10 to 15 percent are exposed to serious risks*, partly because firms use outdated equipment and/or technologies. This situation is similar to the one described in cases D and E.

*Stress, fatigue*, and overtime have adverse effect on workers' family life. Possibility to receive an unpaid leave up to several days for family reasons usually depends on occupation. A longer leave or switching to part-time is much more problematic. Trade unions try to include provisions for reconciliation of work and family life into collective agreements.

Workers' participation is observed almost exclusively when the collective agreements are discussed.

## **Case G: Lack of Transparency despite the Trade Union**

### **Under criticism from public opinion**

State enterprise "Passenger train"<sup>8</sup> employs more than 1000 workers. This case is interesting for several reasons. First, a tragic accident with one of the trains in the beginning of 2005 (the reasons of which yet to be discovered) raised brought working conditions at this enterprise, especially those of locomotive brigades, into focus of the public attention. Second, this enterprise illustrates high incidence of atypical working time in Latvia. Finally, the case shows that even in a public enterprise with a strong trade union, remuneration and benefit system might be not fully transparent.

### **Wide union coverage**

Most of the workers in "Passenger train" have permanent contracts. Fixed-term contracts and contracts for specific task are seldom. Number of employees displays increasing trend, in line with firm's turnover. More than 90 percent of employees are union members.

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<sup>7</sup> The sources of information for this case are interviews with head and deputy head of the sector's trade union (Latvian Trade Union of Metal Workers).

<sup>8</sup> The sources for this case are interviews with the leader Latvian trade union of the railway workers and the person responsible for labour protection in this union, as well as recent research report (Kamite, 2003) and some publications in the media.

**Long working hours**

Most employees are working in *shifts, including frequent evening, night, weekend, and holiday work*. Overtime is also common and frequent, although number of overtime hours is not big. Night work, holiday work, and overtime are compensated according to the legislation (double pay for overtime and holiday work, 50% bonus for night work). Working days of locomotive brigades are long because they depend on the train schedule. However, at least 3 hours of rest between the tours within a shift and at least 12 hours break between the shifts are required. Rest rooms with facilities are provided by the enterprise, although their quality should be improved.

**Bonuses calculated discretionally**

The system of remuneration at the enterprise includes various bonuses related to peculiarities in the working schedule, as well as monthly and annual bonuses related to enterprise performance. The respondents, however, have complained about *lack of transparency* in several dimensions of the remuneration and benefit system, including the rules of calculation of monthly bonuses (48 percent of respondents), allocation of additional paid vacation days, and sometimes very different hourly rates for the same work depending on worker's category. As long as monthly bonuses are concerned, however, trade union leader claims that the rules (which have been negotiated with the trade union and published in its newspaper) are clear enough. The respondents were also not well informed about compensation in cases when work is performed while instructing a trainee (all respondents denied any compensation for this, although it is included in the industry level general agreement). All bonuses included, pay exceeds the average level in the public sector, but workers consider themselves underpaid compared to private sector workers with similar skills.

**Conditions at work: evaluated differently by the workers and the unions**

Working conditions are described by the trade union as normal, somewhat better than 1, 5, or 15 years ago. However, 25 to 50 percent of the workers are exposed to *painful or uncomfortable positions and stress* almost all the time, and *high temperatures* (in the summer period) about half of the time; eight other types of risk (including vibration, noise, and breathing in vapours, fumes, and dust) affect smaller but not negligible groups of workers.

**The collective agreement not implemented**

Members of locomotive brigades claimed that they do not receive any compensation for difficult or dangerous working conditions (Karnite 2003). Such compensations are envisaged in the general agreement but corresponding list of occupations have not been prepared by the enterprise. The trade union leader in a recent interview admitted that a implementation of the general agreement at the enterprise level occurs with some lag.

The workers' lives are therefore characterised by high stress and fatigue, long working days, night work, evening and holiday work that adversely affect family life. In order to compensate for such adverse conditions the enterprise distributes a certain number of bonuses or facilities. For example, women with children (as well as single fathers) receive additional paid vacation.

**Overall evaluation: more action needed to reduce risks at work**

The story of enterprise F shows that the presence of the trade union and even of a collective agreement may not be sufficient to radically improve conditions at work: workers' daily environment continues to be characterised by long, unsocial hours which lead to stress and fatigue that may turn out to be fatal for some professions, such as employees in the locomotive brigades. In contrast to the workers, the trade union evaluated the working conditions as 'good enough', while also legitimising the discretionary distribution of bonuses. The delayed implementation of the collective agreement has also prevented workers from being compensated for dangerous working conditions, a situation that definitely needs to be improved by more transparency within the company from both the management and the trade union.

## **Case H: Can a Forward-Looking Employer Substitute for a Trade Union?**

### **No trade unions nor collective agreements**

Firm *H* is a growing foreign owned bank<sup>9</sup>. It has more than 1000 employees throughout the country. Like in other commercial banks, there is no trade union and no collective agreement. However, the human resource management policy applied by the firm seems to be forward looking. It includes efficiency wages, as well as many common elements of collective agreements, and is aimed at attracting really good workers on a long-term basis.

### **Fixed-term contracts as a complement**

Although the strategy of the bank is to count on a stable labour force, they also rely on a regular basis on fixed-term employees. Nevertheless, the approach of the bank to fixed-term contracts here is somewhat different from the norm.

Bank employees are quite young, on average about 30. There are slightly more women than men. Given the total number of workers, it appears that about 100 female employees are on child care leave at any given day. Fixed-term contracts are used to replace them, but both workers hired and the managers are looking forward to converting these contracts into permanent ones. In most cases this becomes possible due to firm's expansion. Nevertheless, incidence of fixed-term contracts is decreasing because of the legal restrictions. The head of HRM thinks that these restrictions on fixed-term contracts prevent the firm from being as efficient as it would like to. Contracts with self-employed (for instance, marketing professionals) are very seldom.

### **Pay to performance for long-term motivation**

Wages are very well above economy average and even sector average (if all bonuses included). Compensation includes fixed salary, profit sharing plan, and contributions to private pension fund. Health insurance is provided to all workers, including the fixed-term ones.

Concerning work and family reconciliation, the firm pays generous benefits in case of wedding, child birth, and death of a close relative. Two to three free days are provided in case of wedding. Workers with tenure four to six years receive three additional days of paid vacation, while those working for the firm more than six years receive five days.

### **But two surprises at work: health risks and unpaid overtime**

Let us now turn to working conditions. The risks here are of course very different from that in manufacturing. Most people work with computer all the time, so heavy load on eyes, uncomfortable positions, and monotonous hand movements are permanent risk factors. Those working with clients are also exposed to noise, and in some cases high temperatures. But stress (the dark side of efficiency) seems to be the single most devastating factor. Table 13 presents the most interesting parts of the interviews. All respondents are between 22 and 28 years of age and have higher education. For confidentiality reasons, we do not disclose their occupations of the first five respondents; all of them have permanent contracts and perform some analytical work.

Two findings emerge from the table. The first one is the striking (given respondents' age) row on work related health problems. Situation does not look good despite the considerable attention which is devoted by the bank to work safety. The firm has hired a work safety specialist earlier than it was required by the law. Short breaks every hour are recommended to the employees, but enforcement is weak. Note that two out of four respondents did not even mention monotonous hand movements. On the positive side, every year all employees who work with computers are subject to health examination and workplace evaluation. Employees can also express their concerns about working conditions in the annual survey. During the last survey lighting problems and air flow problems which affected more than 50 employees were discovered and fixed. The firm has recently bought ergonomic chairs for a large group of workers. Respondents admit possibility to discuss problems with the management.

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<sup>9</sup> Sources of this case are interviews with the labour protection specialist and head of the personnel department, as well as questionnaires filled by 6 employees.

Second finding is related to working time. Four out of six respondents (B, D, E, and F) have systematic overtime (although two of them do not classify it as such), and only one receives compensation. This is despite administration's claim that overtime is seldom and compensated with a double pay. The issue here is the one of efficiency wage. Workers are not told to stay longer, but they have to deliver reports on time. On the other hand, high wages might implicitly assume that extra effort is exerted when needed. However, two of the respondents who work overtime, are not satisfied.

**Table 13. Risk factors, health problems, working time, and satisfaction of bank employees aged 22-28.**

Employees:	A	B	C	D	E	F
Job type			Analytical			Client operator
Exposure to stress, proportion of all time	1/2	< 1/4	1/4	< 1/4	1/2	1/4
Other risk factors reported			a, b	a, b, c	a, b, e	a, b, c, d, e
Overtime, proportion of all days	seldom	1/2			1/2, ↑	seldom
Long days (10 hours)			very seldom	< 1/2		seldom
Usual weekly hours	40	48	40	50	n.a.	45
Compensation for overtime	no	no	no	no	yes	no
Work related health problems	vision, back pain, stress	overall fatigue	pain in the neck & shoulders; stress	back pain, overall fatigue	vision; pain in the neck, shoulders and back; headache	vision; pain in the neck, shoulders and back; overall fatigue; stress
Satisfaction with working conditions	Yes, very	Rather Not	Yes	Yes	Yes	Rather Not
Work and family go together (1 - very well;... 5- very poor)	2	4	2	2	3	2

<sup>a</sup> Monotonous hand movements. <sup>b</sup> Uncomfortable positions. <sup>c</sup> Noise. <sup>d</sup> Carrying heavy loads. <sup>e</sup> High temperatures.

About 10 percent of the bank's employees work in shifts (including evenings, weekends, and holidays). They receive a 10 percent pay increase for shift work. Shifts are shorter than 8 hours. Holidays, according to the legislation, are compensated with a double pay. Night work is very seldom (IT specialists in emergency situations). Network administrators have night shifts, but unlike some other banks these shifts are no longer than 8 hours.

#### **Overall evaluation: HR limits on protecting interests at work**

Enterprise G shows that there are also important attempts to develop a Human Resources policy in some Latvian enterprises - here in a large bank - which may somehow compensate or act as a substitute for the absence of trade unions and collective agreements. The enterprise in particular promotes a long-term payment system relating part of wages to performance, complemented by various bonuses and benefits, thus leading employees to work hard to reach targets with a good overall wage - or at least above average - at the end of the month. Nevertheless, this policy also has a price to be paid by employees who continue to accumulate shifts and long hours which are not always properly remunerated in the end, with obvious implications for their health. In the end, however, workers turn out to be satisfied, mainly by the longterm relationship and efficiency wages, and less concerned by working conditions, especially the health and safety risks which emerged from our case studies as one of the most constant features of Latvian enterprises, whatever their activity and whether there is a trade union or not.

## Case I: Foreign firm compensates atypical working time

Firm *I*, located in a small city, is engaged in manufacturing of textile<sup>10</sup>. It is controlled by foreign capital. Number of employees (between 50 and 100) is stable, while sales and profits steadily (although not strongly) increase. More than a half of workers are union members. Both administration and trade union tell that trade union's role in the firm is significant.

Vast and increasing majority of workers have permanent contracts. Their age ranges from 25 to 60; approximately one half are females. Fixed-term contracts are becoming more and more seldom. Contracts for specific task and trainees' contracts are used occasionally.

Most employees work in shifts: from 6:00 to 14:20 and from 14:20 to 22:40. This rather uncomfortable schedule is compensated with wage increase by 25% to 40%, as well as extra days of paid vacation. Overtime is seldom, while night and weekend work is very seldom.

Working conditions are described as normal, somewhat better than five years ago and much better than fifteen years ago. About *10% of workers are exposed to serious (but not multiple) risks from ¾ to almost all the time*: noise for some, uncomfortable positions, or wearing individual protection, or moving heavy loads, or stress for others.

*Stress, fatigue, and evening work* adversely affect workers' family life. On the positive side, it is easy to get unpaid leave up to several days if needed, for some occupations even switch to part-time. Several weeks long unpaid leave is only available in exclusive cases.

Wages are higher than private sector average in the city, similar to overall average in the city but lower than national average for this industry (likely due to location in a small city).

### Conclusions

The evidence on developments of employment and working conditions in Latvia is in many respects controversial. LFS data, experts, and most case studies indicate that proportion of employees with *temporary contracts* tends to decrease since new Labour Law was enforced in 2002. On the other hand, this proportion is still one of the highest among the new member states, and at least in one sector (manufacturing of metal products and equipment) it seems to increase. Managers and entrepreneurs in other sectors have expressed some dissatisfaction with legal restrictions on fixed-term contracts, too. Development of temporary employment agencies is hindered by the fact that they cannot compete with no-contract employment and contracts for minimum wage amended with unofficial payments. Work without written contract is so wide-spread that fighting it was the top priority of the Labour Inspectorate in 2004.

*Overtime* is another hot and controversial issue. The new legislation more than doubled the annual limit on overtime hours but (together with improved enforcement) made it more difficult to hide overtime legally. Employers compliant with the law seem to react by reducing occasional overtime. Incidence of permanent heavy overtime (50 or more weekly hours at the main job) in 2003 was 15 percent; trade and construction accounted for about 40 percent of all occurrences of this phenomenon. Compared to a year ago it has increased in some sectors (e. g. construction) and decreased in others (notably, business activities and manufacturing of food and), while on average there was no significant change. If all this heavy overtime (let alone those working 41 to 49 hours a week or occasional overtime) would receive double pay, as the law requires, overtime pay would constitute more than 4 percent of total earnings of all employees. In fact this proportion was just 0.5 percent in 2002. It appears that permanent overtime was mostly unpaid, at least officially. Both experts and case studies confirm that in 2005 unpaid overtime is also not unusual, although less wide-spread. Two polar groups are at high risk: (i) workers who are paid relatively high wages which implicitly assume delivery of required output on time, whatever it takes; (ii) workers who do not have a good outside option (e.g. in

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<sup>10</sup> The case is based on identical questionnaires completed by administration and the trade union leader.

high unemployment regions or with insufficient skills). Representatives of the first group are often even satisfied with situation. Our analysis suggest that other things equal, unpaid overtime is more likely to be found in small firms, for temporary workers, for workers with short tenure. Presence of a trade union improves workers' prospect to be paid for eventual overtime work.

Both national statistics and case studies confirm relatively high incidence of *long working days, shift, night, and weekend work* in Latvia. *Stress and fatigue* are almost universal findings in our case studies, irrespective of age, job type, and economic sector; this is consistent with Antila and Ylostalo (2003) findings that physical and mental stress on the job is increasing for about 40 percent of workers in Latvia, while only 3 to 4 percent report decreasing stress.

*Some improvements in working conditions* are reported in almost all cases, but there is also evidence that some groups of workers (white collars, young, with permanent contracts) are more likely to benefit from these improvements than the others. *Serious risks for significant proportion of workers* are found in eight out of ten cases. Frequently, risks are caused by *outdated equipment*, while relatively affordable means of improving job safety are almost exhausted. But in other cases (notably, office workers) a more proactive and creative approach by labour protection specialists and further efforts to improve workers' awareness and change their attitude are needed.

Health and safety are also related to unofficial wage payments: workers who receive significant part of their pay "in envelopes" are very unlikely to argue with the employer about working conditions. But this is also to some extent true for employees who are officially paid high "efficiency wages."

As recently as in March 2005 Employers' Confederation has come up with a suggestion to further increase legally allowed number of overtime hours, to cut overtime premium from 100 to 50 percent for overtime in excess of a certain limit, and to cut compensation for night work from 50 to 25 percent. The employers argued that this would boost investment in development. While this initiative has been withdrawn after strong objections from the trade unions, it can potentially surface again in future, so it makes sense to discuss it. Reduction of the compensation will hit workers in the unionised sector, especially where these types of work are common (e. g. railway and manufacturing of metal products). If in some cases it may indeed open opportunities to substantially improve working conditions, this has to be built in the deal. It remains unclear whether in other sectors employers who currently avoid paying overtime compensation will start to pay it. On the other hand, some employers who currently do not extensively use overtime might want to expand production using the existing employees if the overtime premium is reduced, and LFS data indicate that there is a significant room for it on voluntary basis. The evidence above suggests that in any case the approach to this problem has to be sector specific (and maybe even experience-rated). This problem has also to be seen from the health and safety perspective. Night work is usually unavoidable, and its adverse effect on health is well known. Given currently low wage levels, reduction of night work compensation does not seem justified. As long as overtime is predominantly not paid, it is involuntary, so reduction of the compensation is not likely to reduce the incidence of overtime.

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