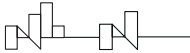




Enhancing local and regional tripartite social dialogue **in Latvia**

Iceland  
Liechtenstein  
Norway grants



Norway  
grants



Innovation  
Norway

RIGA BUSINESS ASSOCIATION

# Enhancing local and regional tripartite social dialogue in Latvia

by looking at its development  
and practice in Norway

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# 1. Introduction:

## Social dialogue, legislative basis and development at national level

### Introduction and background

This report is a description of the conditions and examples that promote social dialogue and tripartite cooperation in Norway. The content of the report is taken from knowledge environments, the trade union movement, government regulations and employers' organizations, supervisors, and project examples, and is put together as a knowledge base for this project. The report reflects on and refers to developments in Norway and work that has been done that is relevant in the development of tripartite cooperation and social dialogue.

Norway's struggle to become a free nation after being under the control of Denmark, in union with Sweden, and under the occupation of Germany, created a culture of building strong communities that worked together for freedom. The nation's liberation struggle had an impact on other liberation struggles in society, such as the struggle for women and, not least, the struggle for a fully justifiable working life. Section 110 of the Norwegian Constitution states the importance of co-determination in the workplace.

Section 4-1 of the Working Environment Act § 4-1. General requirements for the working environment are stated in the first paragraph:

«The working environment in the company must be fully justifiable based on an individual and overall assessment of factors in the working environment that can affect the employees' physical and mental health and welfare. The standard for safety, health and the working environment shall be developed and improved in accordance with societal developments at all times».

This section is a strong guide to what requirements are placed on our work environment and how we must work to develop our businesses as fully sound workplaces. There is no single answer to this requirement that the state, the municipality, the industry, or the employee has the immediate answer to. If a fully justifiable working life is to be achieved, a continuous dialogue must exist between the parties in working life regarding what that entails.

## 100 years of social dialogue and tripartite cooperation

In honor of the ILO's 100th anniversary<sup>1</sup> Gjennomfrte FAFO<sup>2</sup> performed a study on social dialogue and tripartite cooperation in Norway . The report «Getting and Staying Together: 100 years and social dialogue and tripartism in Norway» (2019, K.Alsos, K.Nergaad and SCTygstad) was launched at the ILO's anniversary conference in the spring of 2019. The study describes how Norway has used social dialogue and tripartite cooperation as a means to achieve better social and economic results for the benefit of society. The study aimed to evaluate the development of social dialogue and tripartite cooperation in Norway and how this has contributed to inclusive development, with particular focus on important features and drivers for successful social dialogue. The study itself is a good example of tripartite collaboration, as the government, LO and NHO stood together on the initiative for the study. The report is available in English and offers a thorough insight, professional understanding and good analysis in:

- Norwegian party co-operation in working life and its main features
- the development and results of social dialogue and tripartite cooperation
- social dialogue in the future and in connection with an ever-changing working life

## A brief history

Since the early 1900s, Norway has played a key role in the development of the ILO. During the interwar period, an interaction developed between the main organizations, the Norwegian Confederation of Trade Unions (LO)<sup>3</sup> and the Norwegian Employers' Association (N.A.F.)<sup>4</sup> in order to establish firmer rules of the game in working life. During the post-war period, cooperation became increasingly close. The co-operation with the party organizations became, among other things, the most important platform for the authorities' revenue policy.

After the Second World War, there was political agreement to develop Norway as a welfare state. The welfare state guarantees the members of society help if they suffer health problems, social hardship or loss of income, for example, in the event of unemployment or old age, and it guarantees the individual the right to education. The Norwegian welfare state is very comprehensive and is characterized by universal welfare rights, which means that everyone has an equal right to welfare benefits. It must be emphasized that this universality primarily applies to welfare

1 The International Labor Organization (ILO) works to ensure the rights of workers worldwide. <https://www.ilo.org/global/lang--en/index.htm>

2 Fafo is an independent social science research foundation that develops knowledge about the conditions for participation in working life, organizational life, society and politics, about the connections between politics and living conditions, and about democracy, development and value creation.

3 Norway's largest employee organization with over 970,000 members. <https://www.lo.no/hvem-vi-er/>

4 The first large employers' association in Norway was the Norwegian Employers' Association (N.A.F.)

services: Norwegians with high and low incomes have the same access to public health services and education.

The development of working life, the struggle for liberation and equality, and the building up of the welfare state have led to a number of reforms that have required the parties in working life to sit down and work out important reforms. Examples of this include the right to parental leave for both parents and the daycare reform in 2005. This ensures the opportunity for participation in working life for both sexes.

The number of employees in Norway has doubled since 1930. The proportion of employees in the primary industries has decreased from 41 to 3 per cent during the period, while employment in the service industries has more than quadrupled. However, working hours have been sharply reduced. The decrease in average working hours is due to both comprehensive working time reforms and an increase in the use of part-time work. Normal working hours per week have decreased from 48 to 37.5 hours at the same time as the number of vacation days has increased significantly.

### The Nordic model

The Nordic working model is characterized by social dialogue and tripartite cooperation. Tripartite collaboration occurs across political boundaries and is now regarded as critical for the national economy.. The collaboration is seen as a competitive advantage, because it entails a common will to drive societal development forward. The principles that underlie social dialogue are equality, community, common interests and solution-orientation.

In Norway, an interaction has developed over time between the main organizations, LO and the Norwegian Employers' Association. In the interwar period, the state already tried to establish firmer rules in working life. In the post-war period, cooperation became increasingly close. Cooperation with the party organizations became, among other things, the most important platform for the authorities' revenue policy.

The result of the Norwegian working life model is high occupational participation, good welfare schemes, and well-developed tripartite cooperation. While tripartite cooperation has long been used synonymously with cooperation between the state and the main organizations, LO and N.A.F./NHO, other main organizations have emerged since the 1970s. These have gradually been drawn more closely into

the collaboration, among others via Kontaktutvalget<sup>5</sup> (The Contact Committee) and Det tekniske beregningsutvalget<sup>6</sup> (The Technical Calculation Committee).

Important historical events have been the driving force for this development in Norway.

- Norway was one of the founders of the International Labor Organization (ILO) in 1919, and has since been an active participant.
- Norway had the first female delegate at the ILO conference, Betzy Kjelsberg<sup>7</sup>.
- Norway is one of 187 member countries of the ILO and is among the countries that have ratified the most ILO conventions.
- The basis of the ILO's work was the understanding that lasting peace can only be ensured through social justice.
- In 1969, on its 50th anniversary, the ILO was awarded the Nobel Peace Prize (awarded in Norway).
- The ILO is the only UN organization that is a tripartite organization and is controlled by both the authorities, employers and employees.

### Labor movement and the welfare state

During the reconstruction after World War II, liberation, the spirit of hard work, and community were driving forces in the development of society. Norway established the welfare state, sparking a never-ending discussion about how to improve people's lives and ensure our society's long-term viability.

The importance of tripartite cooperation reached a peak with the overall income settlements in the 1970s, when adjustments to social security benefits and tax policy became part of the negotiations between the state and the labor organizations. In comparison to the previous time, the authorities began to place less emphasis on tripartite cooperation in the 1980s. However, the state and the organizations have maintained close contact.

The parties in working life in the Nordic countries have both legitimacy and extensive responsibility for the development of working life due to a high degree of organization and collective agreement coverage. At the same time, the

5 Kontaktutvalget (The Contact Committee) is a Norwegian committee that was established in 1962 by the then Prime Minister Einar Gerhardsen to coordinate wage settlements in all sectors, both state, municipal and private.

6 Det tekniske beregningsutvalget (The Technical Calculation Committee for Income Settlements (TBU)) facilitates that the parties in working life and the authorities have the best possible common understanding of the situation in the Norwegian economy.

7 Betzy Aleksandra Kjelsberg (born 1866, died 1950) was a Norwegian politician (Avholdspartiet, Venstre) and women's rights activist.

organizations have had sufficient size and a tradition to emphasize holistic societal considerations, like avoiding high unemployment.

The following are some crucial milestones in the development of tripartite collaboration and social discourse:

- In the 1960s, coordination of collective bargaining in the private and public sectors began
- In the 1970s, the adjustment of social security benefits, tax policy became part of the negotiations between the state and the labor organizations.
- In the 1980s, several mergers were carried out between the employers' associations and business organizations.
- In 1989, the leading employers' association, the Norwegian Employers' Association (N.A.F.) was merged with, among others, the Norwegian Confederation of Industry and the Norwegian Craftsmen's Association to form the Confederation of Norwegian Enterprise (NHO).
- From the 1990s until today, projects, trials, and programs have been carried out to develop tripartite cooperation, such as the Quality Municipality program, the Model Municipality trial, Together for a Better Municipality, etc.

In recent years, however, the degree of unionization among employees has fallen. In particular, the changes in the business structure seem to have been an important reason for this. The industries with the least amount of unionization are the ones that are growing the fastest.

The latest figures from Norway:

- 50 per cent of Norwegian employees were unionized (2019/2020)
- 24 per cent of employees were members of a LO union (2019/2020)
- 80 per cent of public sector employees were unionized (2017)
- 38 per cent of employees in the private sector were unionized (2017)
- The degree of unionization is lowest in accommodation and catering and sales and operation of real estate (18 per cent), highest in public administration and defense (83 per cent)
- Approximately 69 per cent of employees in the labor market were covered by a collective agreement (2017). This is distributed between 100 per cent in the public sector and 52 per cent in the private sector.

*Source: Fafo researcher Kristine Nergaard: Degrees of organization, collective agreement coverage and labor disputes 2018/2019.*



## The Norwegian model in practice

A new report from FAFO in 2021 shows that conditions for democracy in Norwegian workplaces are stable. Safety representatives and working environment committees, trade unions and shop stewards, board representation and rights to insight and participation are among the employees' co-determination vis-à-vis the employer. Regardless of industry, a corporate democracy is a necessary and an expectation. Although there are variations in compliance with the rules and quality of working life in the tripartite cooperation, there is a general attitude that growth and development take place in the synergy between the industry, the authorities and the labor force. In this dialogue, there are numerous examples of a culture of competence sharing, competence development, and creativity being formed. SINTEF's<sup>8</sup> studies in the private sector show that expanded collaboration between employees, shop stewards and managers gives positive results in the form of increased productivity, adaptability and a better working environment. Among other things, SINTEF has conducted research together with managers, shop stewards and safety representatives in kindergartens and nursing homes to test how party collaboration and employee-driven innovation can contribute to better service delivery and a good working environment.

Norway has high employment in an international context, both public and private, and both the private and public sectors are willing to adopt new models and methods to ensure restructuring and innovation power. The companies cultivate a culture of learning. Norway therefore scores highly on indicators that measure competence and opportunities to take education, courses or training, which is partly due to the fact that some educations, training and courses are available free of charge, mainly owing to the structure of the Norwegian labor market.

Norway has its own prerequisites, strengths and weaknesses in the work of maintaining a tradition of social dialogue. In a working life where the demands for development are great and the degree of organization decreases, we need to keep a continuous focus and work systematically to further develop the way we work together. As working life is constantly changing, the knowledge base and working methods must be developed. To succeed in business, the parties in working life must have an ongoing dialogue about responsibility, development, and opportunities. Businesses that manage this are sought-after jobs. Legislation, guidance from the authorities, interest groups, and available information through official digital platforms are important factors in further developing the culture, systems and rights that have developed over 100 years.

8 SINTEF is one of Europe's largest independent research institutes in applied research, technology and innovation

Other processes in Norwegian society are characterized by the same ideas that govern social dialogue. In Fagfornyelsen (UDIR 2020)<sup>9</sup> it is stated:

*«Democracy and citizenship as an interdisciplinary theme in the school shall provide students with knowledge of the preconditions, values and rules of democracy, and enable them to participate in democratic processes. The training shall provide students with an understanding of the connection between democracy and key human rights such as freedom of expression, the right to vote and freedom of association.»*

All age groups are engaged in participation, consultative procedures, idea development, innovation, and entrepreneurship. It is also worth emphasizing that working-class parties play a significant role in the preparation and implementation of numerous reforms, particularly in the areas of knowledge sharing and competence development. In the preparation of the various education programs in the Trade Renewal, the Trade Union has actively participated in collaboration with the educational authorities.

### Prerequisites for success

After some 10 years of technological innovation and globalization, we have expected the world to be constantly changing. The need for change in the workplace, the green shift, globalization, and technological advancement all drive us to rethink our priorities. The choices we make today have consequences for the future. Therefore, we must invest our time, money, and natural resources in ways that secure economic growth now and in the future.

In Norway, we have seen over time that an organized working life and a high degree of unionization are success criteria for achieving tripartite cooperation. The social partners do not necessarily agree on all measures, but they recognize the importance of cooperation. The companies in the NHO (Working Life Barometer 2017) point out that the collaboration leads to the companies' handling conflicts in a good way, that they become more profitable and that the companies better create and preserve jobs.

A report on management (Agenda2018<sup>10</sup>) shows that trust, short distances, and participation have ensured high productivity and adaptability. The Norwegian leader is a product of Norwegian culture, but also of institutions, agreements and legislation in the Norwegian model.

Social dialogue and party cooperation have shown that it is possible to find solutions across interests and areas of society, both centrally and locally. This has

9 Fagfornyelsen (Professional renewal) is the name of the process of developing and introducing new curricula in the knowledge promotion. New curricula were introduced from 2020. <https://www.udir.no/laring-og-trivsel/lareplanverket/fagfornyelsen/>

10 The think-tank Agenda is a party-politically independent think-tank that contributes to social analysis and policy development for the modern center-left – <https://tankesmienagenda.no/page/om-oss/details>

had a positive effect on working life and on the development of citizenship and democracy. Although the degree of unionization in Norway has declined somewhat in recent years, there are still systems and agreements that maintain and develop practices for social dialogue and party cooperation. All parties must be committed, focused, patient, and determined to succeed in this job.

Various reports and experiments point out that tripartite cooperation can not only be adopted, it must be practiced. In order to achieve this, some small driving rules must be followed:

- recognizing that the parties are equal
- having a dialogue-oriented communication
- having a collective responsibility for the collaboration
- showing generosity and having time to listen

## 2. Social dialogue in the regional and sectoral perspective. Municipalities as the parties in working life

### Norway's prerequisites

Norway is an elongated country. The coast stretches along the North Atlantic for almost its entire length. The mainland's largest extent, measured between the extremes at Lista and Vardø, is 1789.6 km. Of Norway's total area, almost 31 per cent is productive land, ie cultivated land, which accounts for 3.6 per cent, and productive forest, which accounts for 27 per cent. There are approx. 5.4 million inhabitants in Norway. Settlement patterns are changing towards more centralized settlements and emigration from those settlements. This presents some challenges in relation to how we should plan good welfare services throughout the country, and how to utilize our common resources. The opening of new industries across the country depends on infrastructure and good public services.

Technology development and climate challenges affect the whole of society. In the time ahead, we must utilize resources in a sustainable way. Natural resources are scattered throughout the country and form the basis for activity and development. The opportunities for future growth and new jobs are great for industries that have markets around the world. When oil activity is gradually reduced, there will be great opportunities for the development of maritime industries, fishing, aquaculture and tourism, and in emerging industries such as bioeconomy and offshore wind power.

## Tripartite cooperation as a meeting place

More and more complex tasks make the actors and meeting places of tripartite cooperation even more important than before. Our understanding of the role and potential of tripartite cooperation is crucial for how we handle tasks and challenges in society. In this connection, the state and the parties in working life at the central level initiated projects and experiments that have contributed to enhancing tripartite cooperation in the municipalities.

Examples of this are:

- The model municipality experiment 1999 – 2003
- The Quality Municipality Program 2007-2010 (138 municipalities)
- Together for a Better Municipality 2011-2015 (110 municipalities)
- More on that later in Chapter 5, examples of practice in Norway at region and municipal level.

The Norwegian Union of Municipal and General Employees **Fagforbundet**<sup>11</sup> has been one of the driving forces in municipal tripartite cooperation as a tool for the development of the municipality for almost 20 years. Together with the research institute SINTEF, the Fagforbundet has documented how good development work has been created through active tripartite cooperation in the municipalities.

The projects that have been carried out emphasize that development work is nothing more than a waste of time, and it does not challenge the decision-making line in the municipality. In the municipal system, it is common for shop stewards to sit in cooperation meetings with the administration and politicians. In order to have an effect on the workplaces, one must activate the various workplaces through shop stewards, managers and administration and involve them through various specific projects that affect the business. Several projects and experiences from tripartite cooperation in the municipalities show that the time spent on work can lead to lower sickness absence and higher cost-effectiveness. By achieving results that are beneficial to all parties, the relationship of trust is also strengthened. This enables the parties to believe that development projects through tripartite cooperation and social dialogue actually work. There are different models for how tripartite cooperation works in the individual municipalities. Some have set up their own tripartite bodies and steering groups for the development work, while others have organized the work through their existing administration committees.

11 Fagforbundet (Norwegian Union of Municipal and General Employees) is the country's largest employee organization with about 395,000 members and is part of LO.

### 3. Development and change in employment and business development

Norway's population has increased by approximately 2 million since 1950 and now totals 5.4 million inhabitants. In the immediate post-war years, annual population growth was about 1 percent, primarily due to the high birth rates. Population growth fell to a third per cent in the 1980s, but has since increased significantly. After 2004, net immigration has a greater impact on population growth than the birth surplus. Even with declining birth rates, however, this difference has almost evened out in recent years (source: Statistics Norway SSB 2020).

In 2020, a Norwegian public report, NOU<sup>12</sup>, was published, which deals with the importance of business and industry for vibrant and sustainable local communities. In this report, we can see how inventory and employment are distributed in Norway. *Centrality* is an important explanatory factor in studies and the understanding of district and regional development, and is therefore also an important part of the most common district and regional policy analysis models. Statistics Norway's centrality index ranks all municipalities from 0 to 1000 according to the population's access to jobs, access to private and public services and the distance to these. The index is again divided into six classes from 1 (most central municipalities) to 6 (least central municipalities). Table 2.1 below summarizes the different levels of centrality:

Sentralitet	Antall kommuner	Befolkning 1.1.2020	Minste kommune (antall innbyggere)	Største kommune (antall innbyggere)	Antall sysselsatte 4. kvartal 2019	Andel av befolkningen	Andel av sysselsetingen	Typiske kommuner innenfor sentralitetsnivået
1 - mest sentral	6	1 026 486	18 530	693 494	655 863	19,1 %	24,4 %	Oslo og nære omlandskommuner
2	19	1 363 366	6 890	283 929	714 220	25,4 %	26,5 %	Storbykommuner og byomlandskommuner
3	51	1 364 123	3 805	111 633	614 842	25,4 %	22,8 %	Mellomstore bykommuner og byomland
4	71	878 734	2 340	42 186	374 404	16,4 %	13,9 %	Småbykommuner og byomland
5	96	499 142	852	17 207	228 044	9,3 %	8,5 %	Småsenterkommuner
6 - minst sentral	113	235 729	198	9 623	104 929	4,4 %	3,9 %	Minst sentrale kommuner
Hele landet	356	5 367 580	198	693 494	2 692 302			

With Report nr. 5 to the Storting (2019-2020), the Ministry of Local Government and Modernization presented a report on future district policy which emphasizes that the most important thing for vibrant local communities throughout Norway is a business community that maintains and creates new profitable jobs. The report shows that by investing in labor, business and tax policy, a basis can be created that enables companies to grow and create the jobs of the future. Transport,

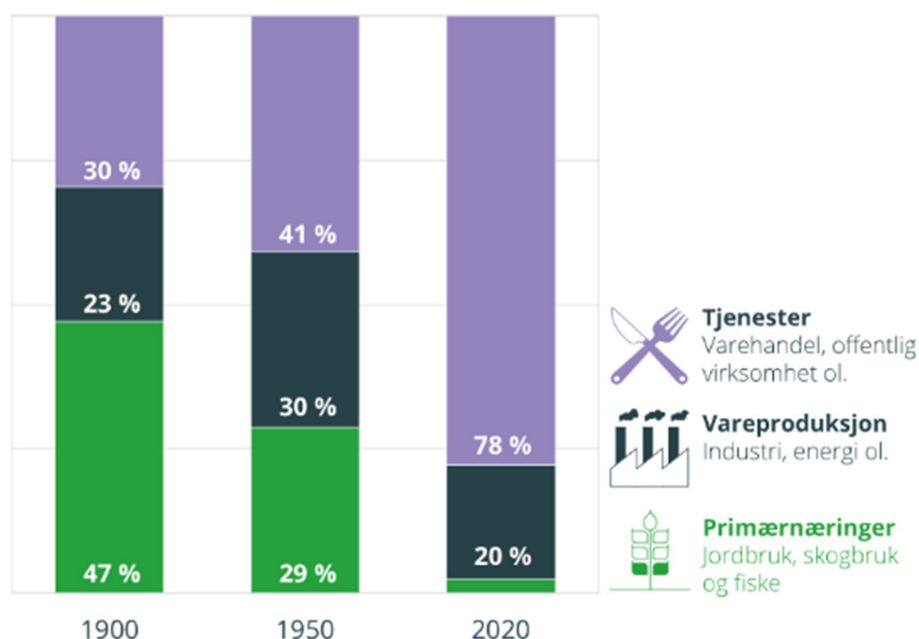
12 Norway's public reports (NOU) are a series of government reports. The purpose of the NOU reports is to present and discuss the knowledge base and possible action choices or strategies for the development and implementation of public measures for solving societal problems and challenges.

competence and health are also key topics addressed in the report, as well as municipal and regional reform.

From the beginning of the 20th century, there has been a shift of the workforce from work in the primary industries to industrial work and in the next phase towards knowledge work. In line with societal developments, the role of trade unions has also changed. The changes are happening at a faster pace than before. This change means that there must also be a change in how the parties in working life organize and cooperate.

The table below shows the development in employment by industry in a comparison between the years 1900 and 2020. The bar chart shows how business development in Norway has moved from the main emphasis on the primary industries from the year 1900 to a main emphasis on services in 2020. In 2020, 78.5% of the population worked in tertiary industries.

### Næringene<sup>1</sup> vi jobber i: Endringer fra 1900 til i dag



<sup>1</sup> Tallene viser andelen av de sysselsatte som jobber i primær-, sekundær- og tertiærnæringer i hvert av årene

#### Kilde

Nasjonalregnskap, Statistisk sentralbyrå

The table below shows total value creation in the business sector in 2020.

## De største næringene



Total verdiskaping i næringslivet  
2020

**3 007** milliarder kroner

↓ -5,0 % Endring fra året før

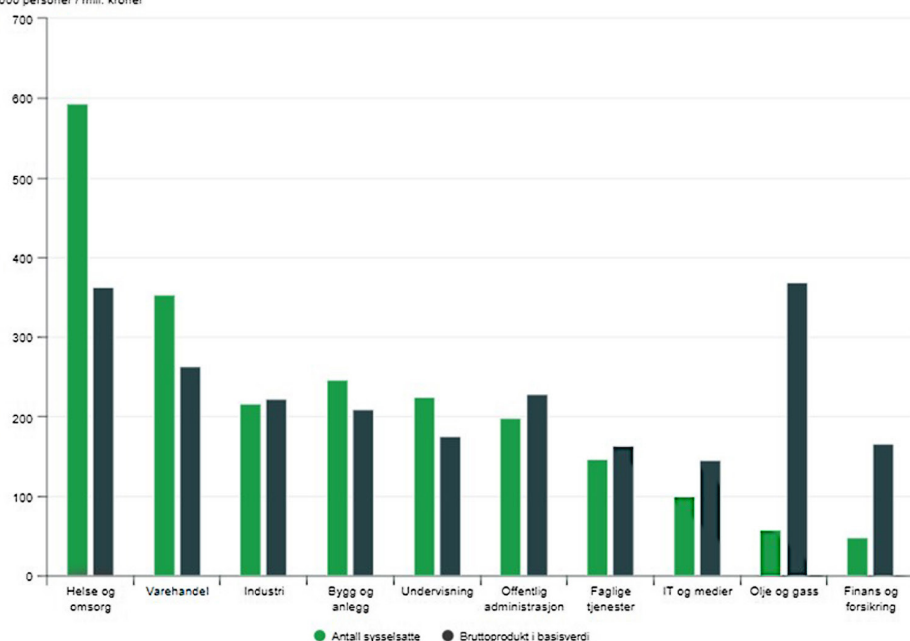
Kilde

Nasjonalregnskap, Statistisk sentralbyrå

### Produksjon og antall sysselsatte i utvalgte næringer

≡ Last ned som ...

1 000 personer / mill. kroner



Kilde:

Nasjonalregnskap, Statistisk sentralbyrå

In this context, value creation in the business sector is stated as gross product with basic value, ie the value of what has been produced minus the operating costs associated with producing it. In the public sector, the gross product is added to the sum of the costs of production, ie. wage costs and other expenses, minus purchases. From the left, the industries are shown as follows; health and care, trade, industry, construction, education, public administration, professional services, IT and media, oil and gas, finance and research. The green bar shows the number of employees, the black bar shows gross product in basic value.

### The green shift<sup>13</sup> and change in the industries

The green shift refers to Norway's transition to a low-emission country by 2050. To achieve this, we must adapt to a society where growth and development take place within nature's limits. There must be a transition to products and services that have significantly fewer negative consequences for the climate and the environment than today. Even though we are dependent on international cooperation, Norway must find its own path to a green economy.

The business community has prepared and delivered a number of road maps<sup>14</sup> for how to cut emissions, create growth and jobs. These roadmaps describe important steps that industries can take, and the framework conditions that must be present. Areas that are undergoing rapid change and growth in Norway today are:

- The forest and timber industry develops new products and production methods for increased utilization of wood in buildings. In 2019, Splitkon opened a new factory for the production of solid wood
- A number of players are investing in biogas and advanced biofuels. Biokraft in Skogn is, for example, a plant for the production of liquefied biogas. Borregaard factories have facilities for the production of advanced biofuels and several players have plans to produce sustainable fuel and energy by utilizing waste and surplus products from the forest or food industry.
- Norway has launched a demonstration project for full-scale CO<sub>2</sub> management that includes capture, transport and storage of CO<sub>2</sub>. Norcem's cement factory in Brevik will be the first captured project.
- Offshore wind power can contribute to increased emission-free power production. Both Equinor and the Norwegian supplier industry are involved in the development of some of the largest offshore wind turbines in Europe and the USA, both bottom-fixed and floating.

13 The green shift, green shift or green transition, is a change in the economy in the direction of higher resource productivity and lower greenhouse gas emissions

14 See chapter 6.3.3



- Emissions from domestic shipping and fishing will be halved by 2030. Work has come a long way in the ferry segment, which is well suited for battery electrification. From the first fully electric car ferry on the Sognefjord in 2015 (Ampere), more than 80 fully and partially battery-electric ferries are expected on the water in 2022
- Through Enova<sup>15</sup> the government supports the restructuring of commercial transport and contributes to accelerating zero-emission solutions both at sea and on land.
- With the electrification of large parts of the transport sector and industry in Norway and globally, there is a need to increase the capacity for production and recycling of batteries. A number of initiatives are being developed and piloted within the value chain for batteries, including Freyr's pilot plant for the production of battery cell production in Mo i Rana, and Hydro Volt's plant for battery recycling in Fredrikstad.

If we are to achieve the goals, it requires a restructuring that includes all areas of society and actors. Close dialogue between the parties in working life, innovation and technology development are the keys to the green shift. Our history of social dialogue and tripartite cooperation is invaluable in achieving success in all business areas, but we are not there in all areas. Business development that intervenes in the areas where people live and that affects nature are today's issues that are characterized by struggle and conflict. For example, wind turbine construction in untouched nature is a flammable topic. The need for power and the opportunity for business development in a municipality stands in opposition to important values that deal with nature management. This is something we have also seen earlier during the development of hydropower. When someone wants to take on nature in order to develop food, it shakes the Norwegian people's soul. There are several similarities between what is happening in this struggle and the liberation struggles that were waged in the early 1900s and during the occupation. One explanation for this may be that the Norwegian people perceive access to nature and freedom as two sides of the same coin.

15 ENOVA – Enova works for Norway's transition to a low-emission society. Enova SF was established in 2001 to contribute to the restructuring of energy use and energy production. The company is based in Trondheim, has almost 80 employees, and is owned by the Ministry of Climate and the Environment.

## 4. Systematic approach to social dialogue

### Development of projects and collaboration

A systematic approach from the 1960s, with attempts at increased participation and democracy in the workplace, has led to the climate we have for social dialogue and tripartite cooperation. Following the Model Municipality trial (1999–2003), the government started actions in 2005 to encourage municipalities to rely on local forces and resources to improve citizen services. With the vision of «brilliant municipalities», with good and relevant services to the citizens, a binding agreement was entered into with KS and the main associations. This resulted in the Quality Municipality program. The agreement on what became the Quality Municipality program states, among other things:

“The basic idea behind quality municipality collaboration is that there is more to be gained from constructive collaboration locally between the elected representatives, leaders and employees in relation to the development of quality and efficiency in the service offering.”

In a survey conducted among councilors, mayors, shop stewards and project managers in the autumn of 2009, 80 per cent answered that they had good experience with tripartite cooperation. The trade union's guide «Tripartite cooperation, consideration, solidarity and unity» (Fagforbundet 2014) refers to the quality municipality program (2006–2010).

The quality municipality program was followed by a new program, “Together for a Better Municipality”, where 110 municipalities worked actively on development work based on tripartite cooperation. Cooperation and involvement between politicians, administrative management, and employees/shop stewards was a basic prerequisite for this work, which lasted until 2015.

The various trials and programs show that in order to succeed in municipal tripartite cooperation, the parties must move from positions characterized by distance and mistrust to acceptance of proximity and responsibility. Tripartite cooperation is about making each other good. Dialogue between people with different roles, tasks and experiences lays a foundation for new and innovative solutions. When these differences are put into a system through collaboration, new and good solutions are created. The tripartite cooperation in the municipalities has in this way become an attractive model for work on development.

## Principles of cooperation

All of the programs emphasize a few key elements for achieving tripartite teamwork :

- a culture of cooperation is characterized by the parties working systematically towards the same goal
- mutual trust between the parties so they pull the load together
- role understanding and mutual respect between the parties for the different roles
- the parties must be able to assert disagreement (e.g. in relation to the tariff) without destroying the basis without destroying the basis of what is agreed upon
- solid anchoring of the tripartite cooperation between the parties
- administration ( councilor) should see the value of the cooperation and be a positive force
- shop stewards must also have the support of the members of their unions
- time must be set aside for both formal and informal meetings that must be prioritized by the participants
- a formal forum with clearly defined mandates and tasks
- time, continuity and focus

## 5. Examples of good practice in Norway at regional and municipal level

The current moment is (ref. Covid 19 pandemic<sup>16</sup>) is a good example of how communication and collaborative thought can help us in a crisis. At the start of the pandemic (2020), many felt insecure about their jobs and income. LO and NHO have been clear that we are in the same boat in this crisis, and that we can benefit from the Norwegian model. During the period, there was an ongoing dialogue between the government, the front lines and the employers' organizations. There is reason to assume that this co-operation and information from the various parties contributed to an understanding in the population about the basis for measures, and the importance of standing together to find solutions. There is also reason to assume that this collaboration contributed to optimism in business and thus also continued economic growth during this period.

In the last twenty years, a number of development programs and experiments have been carried out aimed at the municipal sector. These have been anchored in a central tripartite collaboration. At the same time, it has increasingly been emphasized that politicians, administrative management and shop stewards should collaborate locally on the local development projects.

### The model municipality experiment

The model municipality experiment was initiated by the Norwegian Association of Local Authorities Norsk kommuneforbund<sup>17</sup> and supported by the Ministry of Local Government and Regional Development. The model municipality experiment is a three-year trial that has been carried out in Sørumsund and Steinkjer, and which is now in the final phase in Porsgrunn municipality. The two key objectives for the Model Municipality trial have been increased resource efficiency and better quality of service provision. (NIBR<sup>18</sup> Report 2002: 24). As a result, one of the most crucial requirements for municipalities to become "model municipalities" was that they sign a commitment not to consider opening up to competition during the trial period. The common denominator for the instruments in the Model Municipality trial was that the municipalities were to carry out development work with the

16 The coronavirus pandemic in 2020 and 2021 is a worldwide outbreak of the infectious disease Covid-19, which is caused by a coronavirus, sars-CoV-2. More than four million people known to be infected have died.

17 NKF: Norwegian Association of Local Authorities, trade union for municipal employees, founded in 1920 and joined the National Organization in Norway (LO) since its establishment. In 2003, NKF merged with the Norwegian Health and Social Welfare Association in the new major union Fagforbundet.

18 NIBR: Norwegian Institute for Urban and Regional Research -NIBR report 2002: 24 – <https://www.regjeringen.no/globalassets/upload/kilde/krd/rap/2003/0004/ddd/pdfv/168450-nibr200224.pdf>

help of initiatives from the employees. The idea was that the own employees' experiences with the services were a good starting point for creating new ideas on how the services could be improved.

Party-composed steering group, use of development supervisors and working groups linked to concrete ideas from employees were the key elements in the organization of the Model Municipality trial. The experiments were led by a steering group composed of politicians, administration and trade unions. The three parties were equal, and the consensus principle governed the work of the steering group and working committee. The municipalities were left with slightly different results within the different areas, but in the evaluation, several successful sub-projects in the Model Municipalities show that the feeling of ownership among the employees becomes significant when they themselves are involved in designing proposals for restructuring measures.

### **The Quality Municipality Program (2006-2010)**

The aim of the quality municipality program was to stimulate the "development of quality in the municipal sector" through the development of change competence, new forms of collaboration and testing of concrete improvement measures in the services. The union's guide, Trepartssamarbeid, describes the Quality Municipality Program (2006–2010) as a special meeting place where the formal contracting parties meet elected representatives with the intention of making the municipality a better place to live and work in. The co-operation does not limit the decision-making authority of the councilor and politicians, but gives the decision-makers a much better basis for decision-making.

Results from a survey (2010) among councilors, shop stewards, mayors, and project managers who had participated in the Quality Municipality program show that there are positive results from all parties:

The aim of the quality municipality program was to stimulate "development of quality in the municipal sector" through the development of competences, new forms of collaboration and testing of concrete improvement measures in the services. The union's guide, Trepartssamarbeid, describes the Quality Municipality Program (2006 – 2010) as a special meeting place where the formal contracting parties meet elected representatives with the intention of making the municipality a better place to live and work in and a much better basis for decision-making.

Results from a survey (2010) among councilors, shop stewards, mayors and project managers who had participated in the Quality Municipality program show that there are positive results from all parties:

Experiences from politicians	Experiences from the administration	Experiences from shop stewards
<ul style="list-style-type: none"> <li>• Got better acquainted with tasks and employees</li> <li>• Became more visible, promote collaboration internally and externally to the media and citizens</li> <li>• Became more inclusive, ensured that employees, residents and enthusiasts are included in consultation</li> <li>• Better basis for decision-making</li> </ul>	<ul style="list-style-type: none"> <li>• Better decision-making</li> <li>• processes – fewer rematch</li> <li>• More qualified employees</li> <li>• More satisfied employees</li> <li>• Better efficiency</li> <li>• Lower sickness absence rate</li> </ul>	<ul style="list-style-type: none"> <li>• Greater influence – are heard more</li> <li>• Better collaborative climate, fewer conflicts</li> <li>• Enthusiasm</li> <li>• Greater presence, better working environment</li> </ul>

Source: *Fagforbundet.no*

Fagforbundet report refers in particular to two examples of what municipalities have done to develop their services based on tripartite cooperation.

### Example from Lunner municipality

Since 2003, Lunner municipality has worked systematically and long-term to anchor tripartite cooperation. The parties emphasize that the use of time provides the necessary learning to be able to reap the benefits of the cooperation. Poor finances have given the municipality great challenges. Through the project “Balance 2010”, every possible source was used, which gave a financial saving of 16 million NOK. The savings were mainly taken out in the form of fewer employees due to natural attrition. After this process, the municipality has reduced its finances further in 2013 and 2014. This has happened through cooperation and without major internal problems. Lunner municipality has adapted the organization through several measures:

- Agreement on tripartite cooperation
- Tripartite Cooperation Body
- Municipal sub-plan

- Revised employer document
- Learn – self-developing/adaptation process tool
- Job bank
- Service optimality – tripartite cooperation at the place of employment (pilot in the upbringing sector)
- Employee training courses

Example: Service optimality was established following a decision by the municipal council in 2014. The background was a need to save 4-6 million NOK through the parties, including politicians' sector, by going through the services together in a few days. If the proposal is accepted, it is then processed in the usual way in municipal bodies.

### Example from Øvre eiker municipality

Øvre Eiker municipality has a completed culture of cooperation expressed in the vision "Together we create a vibrant Øvre Eiker". The vision "Together we create" was developed after a quarrel with neo-Nazis in the 1980s and includes the entire local community. The tripartite collaboration was strengthened and further developed through a collaboration with the Fagforbundet to be a model municipality. The employees in the municipality are referred to as «directing assistants for the inhabitants». Enthusiasm among the inhabitants of district committees and voluntary teams and associations has a prominent place in the municipality. A number of measures were established and as an example this shows how tripartite cooperation and social dialogue can be an important driving force against negative societal development and destructive forces.

### Together for a better municipality

Together for a better municipality was a national learning and innovation program for Norwegian municipalities, which came about through a national tripartite cooperation between former Ministry of Local Government and Regional Development, now the Ministry of Local Government and Modernization, KS, LO Municipality (v/Fagforbundet), YS Municipality (v/Delta), Unio and Akademikerne (The Federation of Norwegian Professional Associations). The program built on, among other things, the experiences with tripartite cooperation from the Quality Municipality program. Through participation the development program addressed some of the most important challenges in the municipal sector: sickness absence, competence and recruitment, full-time culture and reputation.

Through together for a better municipality, financial and professional support was given to local development projects in the period 2011-2015.

Osloeconomics<sup>19</sup> evaluated the program in 2016 on behalf of the Ministry of Local Government and Modernization (10 March 2016). Summary from the report shows the following:

- In addition, goal achievement in the other areas has also led to savings and better services.
- In sum, the program appears to be very productive from a socio-economic perspective.
- The participating municipalities have received an overall reduction in sickness absence compared with others
- There is no basis for comparison on the topics of reputation and competence/recruitment, but feedback from the project managers indicates positive goal achievement.
- Local anchoring and good tripartite cooperation have been important success factors in every municipality
- The work in networks gave positive results in learning and innovation
- Collaboration between key actors and local actors can provide learning in both directions: centrally by understanding problems and locally by formulating policy
- The total financial savings from reduced sick leave is NOK 338 million (less total costs)
- In addition, goal achievement in the other areas has also led to savings and better services
- In sum, the program appears to be very productive from a socio-economic perspective

### **Party cooperation and preventive working environment (SINTEF 201820)**

Norway has a well-developed system for caring for sick workers. The inclusive working life (IA)<sup>21</sup> collaboration's overall goal is to create a working life with room for everyone by preventing sick leave and drop-out and, in this way, increasing employment. In an assessment of the IA agreement, it is pointed out that there is a significant potential for improvement in the preventive work, and that the parties' cooperation can be a strategy for that. SINTEF's report from the 2018

19 Oslo Economics investigates financial issues and provides consulting to companies, authorities and organizations. Its analyses can be a basis for decision-making for the authorities, a basis for information in legal proceedings, or a basis for interest groups that want to influence their framework conditions.

20 SINTEF <https://www.sintef.no/contentassets/d30d9dedfc6247939153740bea0c1c49/rapport-partssa-marbeid-og-forebyggende-arbeidsmiljo-2018.pdf>

21 The Inclusive working life agreement covers the entire Norwegian working life. The workplace is the main arena for inclusive employment. Good party cooperation is a prerequisite for success with the IE.



study shows that safety representatives and shop stewards raise employees' duty to their own participation as an important factor for success in prevention work and that the leadership role is to be close to daily operations and take responsibility for continuous focus on the work environment and follow-up of measures. The report is comprehensive and consists of analyses of agreements through workshop cases, interviews etc.

The report describes 13 different cases that were investigated through 5 workshops within public companies, municipality and private business. The workshops have developed definitions and descriptions within the following areas;

- A good working environment for the company
- Initiative and start-up of a preventive work environment
- Focus areas in the working environment
- Preventive measures
- Results
- Collaboration with external parties in the working environment

### DAB-Digital Arena Kindergarten

Small and large initiatives and projects arise and are developed in all sectors and industries. Competence development and competence sharing are important focus areas in tripartite cooperation. In connection with the development of competence in the kindergarten sector, both public and private initiatives take place. A practical example of tripartite cooperation is an annual kindergarten conference which is organized in 6 cities. The DAB conference is a conference that communicates from research and practice on the development of digital tools as a pedagogical tool in kindergartens. In 2021, the conference had over 700 participants. The initiator is the private company Mekki Education, which runs pedagogical skills development and programs aimed at schools and kindergartens. Together with the relevant municipalities, various suppliers of educational digital tools, the professional organizations, and the employers' organization KS and the employees' organization Fagforbundet create an area for professional development and network building. The conference is a good example of how different parties can work together in order to create dialogue and raise competence within an important area of society.



*Picture 2 shows the logos of the various actors which contributed to creating a conference for the development of competence in the kindergarten sector.*

## 6. Methods and processes

### Being in the process

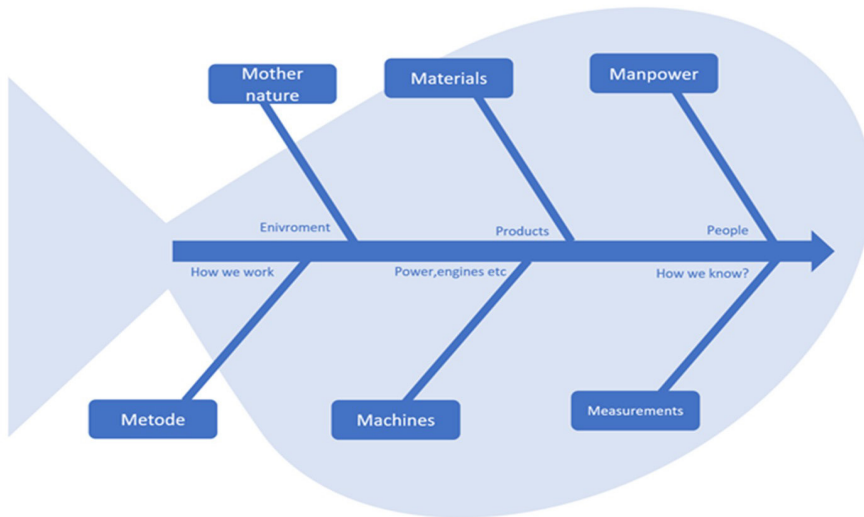
Tripartite cooperation and social dialogue in Norway have developed over time, and are in a continuous process. Change and development is time-consuming and takes place both centrally and locally and in all aspects of working life. Good process design and process tools are a prerequisite for success. With today's access to digital collaboration solutions, we see that a combination of physical meetings and digital processes, contributes to many opportunities to achieve broad participation. The forms of communication are more and more dynamic and the boundary between the public and private spheres is more fluid in today's society than before. In addition, the population is more diverse and has a higher level of education than before.

Processes that are run with broad involvement where interests, knowledge and needs are mapped and the work is anchored, will have a great effect in the work of developing the social dialogue. A number of requirements must be met for the work to be successful:

- good information about the process to everyone involved
- motivation to participate (what's in it for me)
- a clear intention at work
- positive expectations for participation
- time and resources for participation

### Tools that work

A number of process tools are available and explained through various process platforms. When working with the development of a common process, it is important to make good analyzes in the early phase. An example of such an analysis method is the fishbone diagram. Fishbone diagram is also known as a "cause and effect" or Ishikawa diagram (named after the inventor, the Japanese quality control expert Kaoru Ishikawa).



**Focus point example** Through social dialogue, we will develop both the business and the working environment

*Method 2 – fishbone diagram can be a structuring tool for working towards a strategic goal.*

A team can use a Herringbone Diagram to visualize all the possible causes of a problem, circle the underlying cause and predict the consequences of effective analysis. By choosing a focus area, for example a strategic goal of developing social dialogue in a company, the method will help to;

- Map out possible causes of a complex problem.
- Make visible the connection between cause / effect.
- Lay the foundation for data collection by identifying possible measuring points.
- Systematize main and secondary causes to gain a more comprehensive understanding of a problem / area.

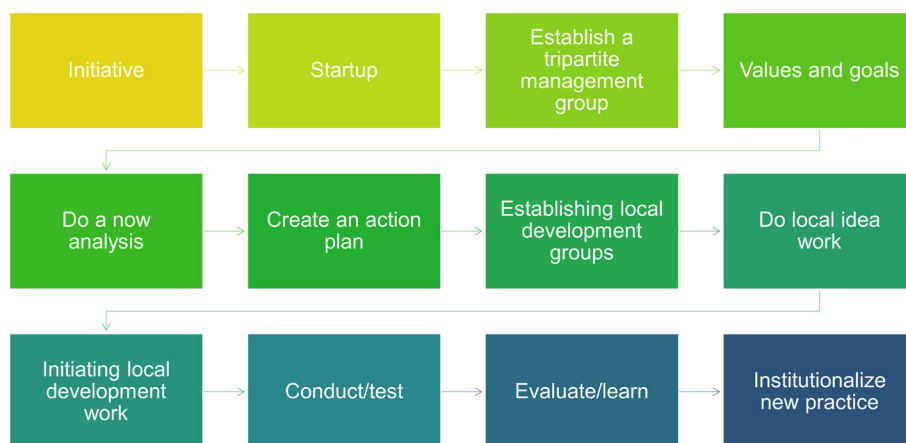
A team can use a fishbone diagram to visualize all the possible causes of a problem, circle the underlying cause and predict the consequences of effective analysis. By choosing a focus area, for example a strategic goal of developing social dialogue in a company, the method will help to:

- Identify possible causes of a complex problem.
- Make visible the cause/effect connection.
- Lay the foundation for data collection by identifying possible measuring points.
- Systematize main and secondary causes to gain a more comprehensive understanding of a problem/topic.

## Methodology

### LINEAR PHASE DESCRIPTION

There are many methods that can create good processes that can contribute to the development of tripartite cooperation and social dialogue. In the Fagforbundets' manual *Tripartite Cooperation*, Knut Stranden has prepared a linear phase description for the development of tripartite cooperation. The linear process is a good starting point for showing how to carry out development work.



#### *Method 1: Linear phase description*

### LEAN

LEAN philosophy and methodology have gained an increasing foothold in both private and public companies in Norway. LEAN is a way of thinking about managers and employees in a company working together over time to increase value for the customer – towards a seamless process without wasting resources, time or effort. In other words, to deliver more value with less effort.<sup>22</sup>

LEAN in a classic version which is characterized by standardization and the pursuit of increasingly efficient work processes. The rapid spread of LEAN in Norwegian working life is therefore somewhat controversial. Many believe that LEAN

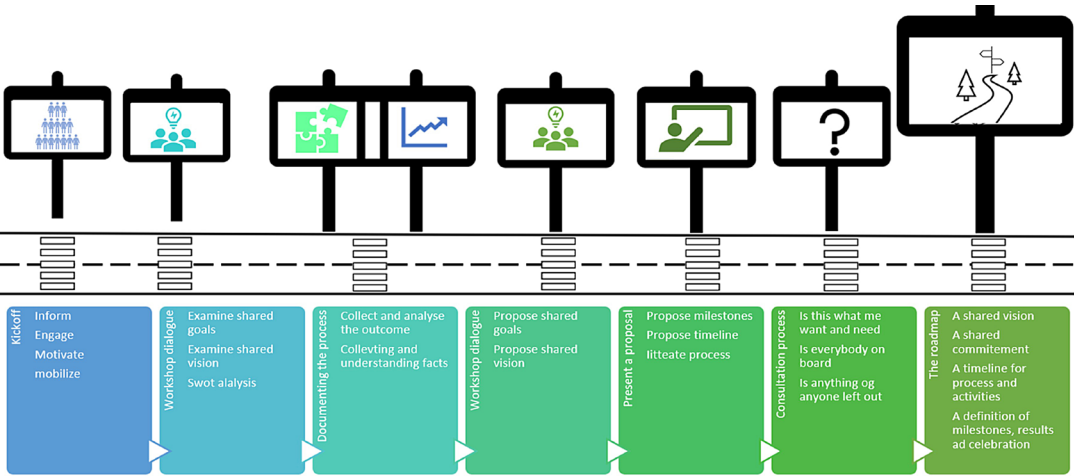
22 Lean originally started in the automotive industry. Toyota, which was the first to prove the value of the Lean mindset in practice, used the Toyota Production System (TPS) as a name, and from 1950 to early 2000, Toyota became the world's leading and most successful car manufacturer. The name "LEAN" itself can be translated as "Slim production" and was first mentioned and known in American research and literature in the 1990s (John Krafcik, 1988, "Triumph of the Lean Production System").

undermines important aspects of the Norwegian working life model, such as autonomy and participation. But there is also experience that shows that LEAN can strengthen participation and create an inclusive work environment, if the process is well rooted and resources for participation have been set.

ROADMAP METHODOLOGY

Roadmap is a tool where you follow a linear process, and can use many different methods along the way. Roadmap is a visual tool used to show the broad outlines of a process and consists of both short-term and long-term milestones. As an example shown in chapter 3.1. Roadmap process can be a good tool for creating lasting change, because the purpose is to help participants visualize the goals set and the commitments they make in relation to each other. A good Roadmap specifically illustrates which path to use to reach the goal, and links specific actions to specific dates and time frames. This makes it easier for participants to see what tasks they are facing and enables them to see and prevent any obstacles/challenges before they arise.

A Roadmap process can vary in length and scope and participants can have different tasks and roles. Along the way, professional studies, financial analyzes and other knowledge bases can support the process. In order to get all parties to the table and focus on co-creation, it can be advantageous for a neutral party to facilitate the process. In addition to descriptions of what is to happen in a timeline, the end result will consist of a visual line. An example might look like this:



Method 3 A roadmap can be used as a tool for coming together and making progress in social dialogue. Fig.Sigrid Hestnes

As shown in Chapter 3.1, roadmaps can be a method for working out green competitiveness. The roadmaps are initiated by the government, while the results are a product of a dialogue-based process in which companies, organizations, and academia have worked together. Many of the roadmaps describe how greenhouse gas emissions can be cut to zero in 2050, at the same time as industries can achieve increased value creation and new jobs. [roadmapexamples, regjeringen.no](https://www.regjeringen.no/en/topics/energy-and-climate/roadmap-examples)

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# Strengthening local and regional tripartite social dialogue in Latvia



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# The concept of social dialogue, the legislative base and its development at national level

## History of formation

Following the restoration of Latvia's independence on 4 May 1990, both the state structure and the structural institutes in all areas of life changed, including new concepts such as "employer" and "worker" that did not exist before.

On 25-26 May 1990, the Latvian Free Trade Union (hereinafter "LBAS") is established<sup>1</sup>, bringing together workers in trade unions. In 1993, the Latvian Employers' Confederation ("LDDK") is founded<sup>2</sup>, bringing together employers and industry associations, according to the criteria set out in the organisation's articles of association.

The establishment of these two public organisations called for a qualified, professional and legal dialogue between the two organisations and their representative entities, employers and workers.

The beginning of the social dialogue mechanism is 1994, following the ratification by the Saeima of the Republic of Latvia of the United Nations International Labour Organisation (hereinafter – ILO) Convention No 144 on trilateral consultations on promoting the application of international labour standards and Convention No 154 on supporting collective bargaining.

In 2004, when joining the European Union ("the EU"), Latvia became bound by the Treaty establishing Europe, which provides for consultations with social partners and the right to enter into agreements introduced as directives implemented by social partners. In addition to these processes, a social dialogue was launched in Latvia between the two parties, joined by the State on 1 October 2004 when signing the trilateral agreement on the socio-economic partnership. It established the National Tripartite Cooperation Council (hereinafter referred to as NTSP), thereby establishing a legal mechanism for social dialogue and launching the implementation, development and development of the principles of social dialogue.

## Social dialogue in regulatory enactments

Social Dialogue Platform – National tripartite Cooperation Council (NTSP)<sup>3</sup>. The NTSP is a national platform, of which is the implementation of the trilateral social dialogue in the Republic of Latvia. Tripartite social dialogue plays an important

1 <https://arodbiedribas.lv/>

2 <https://loddk.lv/>

3 <https://www.mk.gov.lv/lv/nacionala-trispusejas-sadarbibas-padome>

role in shaping, adopting and implementing policy decisions in the, particularly on labour market, labour law and social security issues. Various issues are being addressed within the framework of the NTSP and its sub-councils in order to agree on the most relevant decision of all parties involved. The main objective of the NTSP is to ensure and promote cooperation between government, employers and workers' organisations (trade unions) at national level, with a view to ensuring a coherent, socially and publicly relevant socio-economic development challenge, by developing and implementing strategies, programmes and legislation on social and economic issues that guarantee social stability and increasing welfare levels and increase the ownership of decisions taken by the social partners and their enforcement. The NTSP shall be composed on the basis of parity by representatives nominated by the State – Cabinet, employers – LDDK and employees – LBAS.

Functions of the NTSP shall be to promote cooperation at sectoral and regional level and to examine draft policy planning documents and regulatory enactments and to provide proposals for their development to the relevant ministries on the following issues:

- social security;
- State budget guidelines;
- the country's economic development strategy and the development of regional;
- promotion of health care;
- development of general and vocational education;
- employment, classification of professions;
- implementation of ILO conventions ratified and proposals for ratifying conventions, draft government reports to the ILO on the application and enforcement of ratified conventions in the country;
- legislative evaluation in the context of the European Social Charter;
- proposals for the improvement of laws and other laws, in line with the European Social Charter, that also ILO conventions and recommendations;
- draft government reports to the Council of Europe on the fulfilment of commitments on economic and social matters;
- application of decisions, recommendations and recommendations of international organisations.

#### THE NTSP HAS THE RIGHT TO:

- to request and receive without reimbursement the information necessary for the operation of the State Administration, local government authorities and non-governmental organisations of the Member States;
- setting up working groups for the preparation of matters falling within the competence of the NTSP;
- to take decisions regarding proposals for the development of policy planning documents and regulatory enactments, and the projects thereof in matters of their competence, and to submit them to ministries, the competence of which includes these matters, as well as to request ministries to suspend, but not longer than five working days, the progress of these projects to the Cabinet until their consideration by the NTSP;
- control the enforcement of decisions taken;
- invite experts and specialists from different sectors to carry out their tasks where necessary;
- if necessary, invite representatives of the State administration, local government authorities and non-governmental organisations to meetings of the NTSP;
- to be a conciliator in collective labour disputes.

#### STRUCTURE OF THE NTSP AND DECISION-MAKING ARRANGEMENTS

The NTSP shall operate in accordance with the by-law adopted on 30.10.1998 and shall consist of the same number of representatives of the Member States, namely the State, employers and employees. Each Member State shall nominate nine representatives, including the Head and Deputy of each Member State. Representatives of the Government part shall be nominated by an order of the Cabinet, while representatives of the LDDK and LBAS shall be nominated by decision of the relevant decision-making bodies of such public organisations.

The rules of the NTSP and its amendments should be approved by the Prime Minister, the President of the LDDK and the Chairman of the LBAS. The NTSP shall approve the by-laws and composition of its sub-councils, as well as determine the responsible ministries, which shall ensure the functioning of these sub-councils. Decisions shall be taken in the Councils and sub-councils by agreement of all three member sides. The decisions taken shall be binding on all member sides. The activities of the NTSP shall be financed from the State budget and the meetings shall take place once every two months, and emergency meetings shall be held where necessary.

#### TEN SUB-COUNCILS HAVE BEEN ESTABLISHED IN THE NTSP STRUCTURE:

- Sub-Council for trilateral cooperation between the budget and tax policy;
- Sub-council for labour trilateral cooperation (DLTSA);
- Social security sub-council (SDA);
- Sub-council for trilateral cooperation in vocational education and employment (PINTSA);
- Health sector sub-council (WANG);
- Sub-council for trilateral cooperation in the transport and communication sector (TSNTSA);
- Sub-council for trilateral cooperation in environmental matters (VALTSA);
- Sub-council for trilateral regional development cooperation (RAPLTSA);
- Public security sub-council;
- Sub-council for trilateral cooperation on competitiveness and sustainability.

#### REGULATORY ENACTMENTS REGULATING THE ACTIVITIES OF EMPLOYERS' ORGANISATIONS

The law of employers' organisations and their associations<sup>4</sup> is an essential source of social dialogue rights governing the role of employers in social dialogue. The purpose of this Law is to establish the legal status and system of employers' organisations, as well as the rights and obligations in relations with trade unions, State and local authorities, namely with parties involved in bilateral and tripartite social dialogue.

The Law determines both the employer organisations and the definitions of their association:

- an employers' organisation shall be a public organisation established by at least five employers, representing and defending the economic, social and professional interests of their members, as well as any other interests corresponding to the objectives and functions of the employers' organisation. A member of an employers' organisation may be a natural or legal person employing at least one employee on the basis of a contract of employment.
- an association of employers' organisations shall be an association of at least three employers' organisations. An employer who is not a member of an employers' organisation may also be a member of an association of employers' organisations, if on the basis of an employment contract he employs not less than 50 employees.

4 <https://likumi.lv/ta/id/24467-darba-deveju-organizaciju-un-to-apvienibu-likums>

The Law also stipulates that there may be the following types of associations of employers' organisations:

- association of Latvian employers' organisations;
- an association of employers' organisations in the sector;
- territorial association of employers' organisations.

The procedures for the establishment, registration, operation, supervision, reorganisation and elimination of employers' organisations and their associations shall be determined by the Law On Public Organisations and their Associations, as well as by the statutes of such organisations and their associations, in so far as the Law of Employers' Organisations and their Associations does not prescribe otherwise.

Employers' organisations and their associations shall be independent in their activities. Any action in the Republic of Latvia shall be prohibited, the purpose of which is to obstruct, directly or indirectly, the establishment of employers' organisations and associations thereof, to expose the institutions of the State and local governments thereof, as well as to interfere with the performance of the functions specified in laws and articles of association of employers' organisations and their associations and the achievement of the objectives.

The Law shall also determine the specific rights of employers' organisations and associations thereof, which shall ensure the performance of their functions:

- to cooperate with other countries and international employers' organisations and to join international employers' organisations;
- to request and receive from State and local government authorities the information necessary for the performance of their functions and the achievement of the objectives, if regulatory enactments do not prescribe restrictions on the issuance thereof;
- to participate in the work of commissions, working groups and consultative councils established by State and local government authorities and to provide opinions on the issues to be addressed within the scope of their competence;
- to be present and make proposals at public hearings of State and local government authorities, when issues relating to the functions of employers' organisations and their associations are examined.

The Law also determines the duties of employers' organisations and their associations:

- to represent the interests of their members in relations with trade unions, State and local authorities;
- within the scope of their competence, to provide opinions regarding draft regulatory enactments, as well as other matters affecting the functions of the relevant employers' organisations or associations thereof, at the request of State and local government authorities;
- they may not, directly or indirectly, restrict workers' rights to join or influence their activities.

Given that the regulation of rights and obligations refers repeatedly to the functions of employers' organisations and their associations, the Law of Employers' Organisations and their Associations also provides for them. The functions of employers' organisations are as follows:

- establishing a policy of employers' organisation;
- to represent the interests of the employers' organisation in relations with trade unions, State and local authorities;
- cooperate with trade unions in the preparation, closure and other labour relations issues of collective agreements;
- to inform their members of the regulatory enactments in the economic and social field;
- organise the training of members of employers' organisations;
- provide advice on employment relations;
- to participate in the settlement of labour disputes, including in the event of strikes;
- collect and analyse information on employers' organisations and their associations and inform the public on issues of concern to employers.

The functions of associations of employers' organisations are as follows:

- to represent the interests of the association of employers' organisations in relations with trade unions, State and local government institutions in tripartite cooperation boards, as well as international employers' organisations;
- drawing up and submitting proposals to the national and local authorities for improving social and labour relations;
- to draw up and submit proposals to the national and local authorities for the development of an economic strategy;

- develop and submit proposals to national and local authorities for the organisation of vocational training in line with business development and labour market requirements.

The law of employers' organisations and their associations also governs their relations with State and local government institutions, as well as with trade unions. Two basic principles have been laid down in relations with national and local authorities:

- The interests of employers at the State level in relations with the Cabinet shall be represented by an association of Latvian employers' organisations, in which employers who employ the most employees in the country have joined, and who is a member organisation of the International Labour Organisation.
- The interests of employers at the level of the sector or administrative territory in relations with State and local government institutions are represented by an industry or territorial employers' association (organisation), in which employers who employ most of the employees in the sector or administrative territory have joined.

In both cases, the main criterion for employers' representation is the number of most employed workers in the country, industry or administrative territory, respectively.

In relations with trade unions, the Law of employers' organisations and their associations provides for the following legal criteria:

- The Latvian association of employers' organisations shall negotiate, enter into collective agreements on behalf of their members and enter into general agreements.
- agree on the general principles of cooperation, conduct discussions on the resolution of conflict situations with the Latvian Industry and Professional Trade Union, which represents the most employees in the country.
- sectoral employers' organisations and their associations are negotiating, concluding agreements with sectoral trade unions, contributing to the prevention of conflict caused by strikes and other conflicts at sectoral level.
- territorial employers' organisations and their associations shall negotiate, enter into agreements with territorial trade unions, promote the elimination of conflicts caused by strikes and other conflicts at the territorial level.



## REGULATORY ENACTMENTS REGULATING THE ACTIVITIES OF WORKERS' ORGANISATIONS

The current law governing the role of trade unions in social dialogue is the "Trade Union Law."<sup>5</sup> This Law entered into force on 1 November 2014 and was consequently repealed by the previous Law on Trade Unions of 13 December 1990.

The new law is designed to improve and modernise the legal framework for the operation of trade unions, as well as to avoid contradictions with other laws and regulations. It aims, as in the past, to lay down general rules for the establishment and functioning of trade unions and their associations. This Law extends the scope of those who can establish a trade union. The old law stated that the right to form trade unions was for residents of the Republic of Latvia who work or learn, while the new law stipulates that everyone has the right to establish a trade union freely, without any discrimination, and, in compliance with the trade union's statutes, to join it. The Law also lays down the principles that trade unions adhere to in cooperation with employers, employers' organisations and their associations, state and local government institutions.

The Law distinguishes company-level trade unions and trade unions that are created outside the company, such as in the industry or profession. A minimum number of founders shall be established for each of them. Outside the company, a trade union can bring together people from different companies, industries, occupations, territories, so a larger number of necessary founders are identified in order not to form small, fragmented interbranch unions. At least 50 people are needed to create a union outside the company.

The law regulates matters related to the name of the union, determines the registration of trade unions and defines the legal status of the union and its departments. In addition to the provisions of the Law on Associations and Foundations, trade union statutes also include issues related to the establishment of trade union units and the legal status thereof. The Law provides for the possibility for units set up by a trade union to acquire the status of a legal person, while determining that the unit shall acquire the status of a legal person by the time it is entered in the register of associations and foundations. If you register a union unit, you do not have to submit the articles of association of the unit. The State fee shall be payable for such registration in accordance with the provisions determining the amount of the State fee, the procedures for payment and the relief regarding the making of an entry in the Register of Associations and Foundations.

Chapter three of the Law (Trade Union representation in social dialogue and tripartite co-operation institutions, as well as relations with State and local government institutions) includes issues related to bilateral social dialogue and tripartite cooperation, as well as trade union relations with State and local government institutions. The Law provides that the representation of trade unions

5 <https://likumi.lv/ta/id/265207-arodbiedribu-likums>

in social dialogue with employers, employers' organisations and their associations shall be exercised on the basis of a trade union agreement with employers, employers' organisations or their associations. Trade union relations with public and local authorities are also defined, as well as with which trade unions are consulted at different levels.

Trade unions, representing and defending the labour, economic, social and professional interests of workers, have the right to carry out collective discussions, to receive information and to consult with employers, employers' organisations and their associations, to enter into collective agreements (general agreements), to apply for strikes, as well as to exercise other rights specified in regulatory enactments.

The Law provides for the right of trade unions to participate in the development of draft regulatory enactments and draft policy planning documents, as well as the right to request and receive the necessary information from State and local government institutions. At the same time, a trade union shall be represented by an institution or official authorised by its articles of association.

In relations with employers, the trade union must inform the employer in writing of the officials authorised by the trade union who have the right to represent the rights and interests of the trade union and its members. This is necessary for the employer to know who is entitled to negotiate on behalf of the trade union, to enter into collective agreements or to whom certain guarantees apply.

However, as regards the performance of an economic activity, the trade union is entitled to perform an economic activity related to the maintenance or utilisation of its property, as well as an economic activity directed towards the achievement of its objective.

## REGULATION OF SOCIAL DIALOGUE IN THE CONSTITUTION AND LABOUR LAW

The most important legal element of the social dialogue, in accordance with Section 108 of the Constitution of the Republic of Latvia<sup>6</sup>, is a written collective agreement governing relations between the two sides, starting from negotiations between the employer and the trade union or representatives of employees on its necessity in a particular company until the conclusion of the collective agreement and the mutual signature.

It follows from the above that one of the most important regulatory enactments in Latvia governing social dialogue and certain elements thereof is the Labour Law of the Republic of Latvia.

6 <https://likumi.lv/ta/id/57980-latvijas-republikas-satversme>

## COLLECTIVE AGREEMENT

In view of the fact that Section B “collective labour agreement” of the Labour Law<sup>7</sup> is an integral regulatory framework for social dialogue and a source of rights. Section 17 of the Labour Law states that it is in the collective agreement that employers’ and workers’ parties agree on rules governing the content of the employment legal relationship.

The collective agreement shall address in particular the following issues as a source of rights:

- the wage organisation;
- the organisation of labour protection;
- establishment and termination of employment legal relationships;
- increasing the qualifications of employees;
- agenda items;
- social protection of workers;
- other matters relating to the employment relationship which define mutual rights and obligations.

An employer, an employers’ organisation or an association of employers’ organisations is not entitled to withdraw from negotiations regarding the entering into a collective agreement. They shall be obliged to provide a written response to a proposal to conclude a collective agreement within ten days of the date of receipt of the proposal.

Section 21 of the Labour Law provides that in order to conclude collective agreements, it is necessary for the parties to hold negotiations in which they agree on the procedures for drawing up and negotiating a draft collective agreement. The Parties may invite specialists, experts, to set up working groups, including representatives of both parties, and to draw up a draft collective agreement independently.

## GENERAL AGREEMENT

Another source of the right to social dialogue is the general agreement governed by Section 18 of the Labour Law. A general agreement shall be a collective agreement of the sector or territory entered into by an employer, an employer group, an employers’ organisation or an association of employers’ organisations

<sup>7</sup> <https://likumi.lv/ta/id/26019-darba-likums>

with an association of employee trade unions or an association of employee trade associations (unions), if the parties to the general agreement have an appropriate authority or if the right to enter into a general agreement is provided for in the articles of these associations (unions). Such general agreement shall be binding on members of the employers' organisation or association of employers' organisations.

Where employers, employers' groups, employers' organisations or associations of employers' organisations, including employers who have joined a collective agreement already concluded, in the sector or in the territory in which more than 50 per cent of employees are employed, according to the data of the Central Statistical Bureau, or the turnover of their goods or the volume of services is more than 50 per cent from the turnover of goods or services in the sector, the general agreement shall be binding on all employers in the sector concerned and shall apply to all employees employed by those employers.

For the said employers and employees, the general agreement shall take effect on the day on which it is published in the "Latvijas Vestnesis", if it does not specify another time of entry into force. The "Latvijas Vestnesis" is to be published on the basis of a joint request from the parties. According to Section 22, Paragraph four of the Labour Law, the validity of a general agreement does not require the approval of such agreement at general meetings of employees (conferences).

An employer, an employers' organisation or an association of employers' organisations is not entitled to refuse to negotiate with employees' representatives regarding entering into a general agreement.

## Social dialogue in a regional and sectoral perspective

### Municipalities as social partners

The country's effectiveness is largely due to the extent to which each of its regions can identify and realise its potential. The core of the potential of the region is the endogenous development assets at its disposal, as well as the types of operational organisation and management that dominate the adoption of important decisions in order to make the best use of these assets. National territorial policy is a comprehensive set of measures focusing on the maximum possible development of all territories, while at the same time promoting the alignment of living standards, a balanced population density and the distribution of economic activity.

In the case of Latvia, Riga and Riga region stand out with a strong concentration of social and economic activity: more active use of new technologies (ICT, financial

intermediation, manufacturing, management); higher income levels of the population; higher investment ratios; social and cultural capital development is stronger. In the other four regions, the situation is contrasting: lower levels of use of information and other modern technologies; lower wages (income); relatively low levels of investment; lower levels of social and cultural capital. In order to control social tensions, limit unemployment and economic emigration from the least prosperous areas of the country to foreign countries, Latvia needs an active and effective regional policy that would help to align the standard of living between these regions.

Each region is seeking to find its place in the interregional relations system, using its resources to strengthen economic and cultural contacts, increase the diversity of external relations, increase the visibility and attractiveness of citizens and potential partners. Initially, areas with a more favourable geographical position, climate, size of territory, availability of natural resources, etc., have benefits. A number of factors that are crucial for strategic development are the region itself: the region's investment climate, quality of management, the level of education, image or awareness of the population, and other social and cultural factors.

In the management of regional development, economic and social entities should create the conditions under which the resources available to the region can be transformed into assets, which in turn can give the region a maximum socio-economic return (capitalised). This approach opens up opportunities for innovation in the economic and social fields.

In recent decades, the principles of territorial management have changed significantly within the framework of the European Union's regional policy. These changes have mainly affected the way funds are allocated, as well as the substantial decentralisation of some national functions and their partial transfer to regional and local authorities. A more flexible institutional relationship was established in which all stakeholders, including private entrepreneurs, business and civil society entities, were involved in important decision-making processes. In the light of these changes, regional authorities acquire a mediation function by becoming a kind of "bridge" between the central government and its social partners on the ground, thereby strengthening local regional participation in the development and implementation of regional policy.

One of the main tasks of territorial management is to mention increasing the attractiveness of investment and creating living conditions that have a positive impact on the influx of people into the region. On the other hand, investor decisions are heavily influenced by factors such as geographical location, climate, natural resources, cultural and production traditions, population quality of life, degree of urbanisation, industrial areas, networks, the presence of clusters, business incubators, or their absence, etc. Similarly, the attractiveness of regional investment can be influenced by customs legislation and their enforcement practices, as well as by the general climate, namely informal rules that interact economic entities. For example, when concluding contracts and agreements, a "social capital" factor, i.e.

personal contacts, can be very important, leading to expressions of solidarity and mutual assistance in legislative or other circumstances of uncertainty.

For the full development of the region, it is important to create additional human and social value, to strengthen territorial identity, to strengthen the emotional link with the place of residence. There is a tendency to create new brands of goods or services that become recognizable in a wider room, becoming an image engine of the region – a brand of territory. For this purpose, the distribution of printed materials and souvenir products with urban or regional symbolism, the presentation of regular events in the media, the organisation of festivals, festivals, etc.

One of the innovations in regional governance is the “social partnership”. The familiar format of “social dialogue” is often extended to represent a variety of social forces united to improve the effectiveness of territorial governance. For example, the development of consultative councils is widespread. Through the social partnership, local private business representatives, non-governmental organisations, other non-formal associations, or simply active citizens, can work with the self-government to put forward and implement all the initiatives for the people of the region. Partnerships generally aim to address economic policy and employment issues, help socially disadvantaged groups, strengthen regional identity, ensure long-term development and the consumption of considered natural resources, the development of local industries and the promotion of their products on foreign markets, take care of future generations of people in the territory. Such a form of cooperation increases the responsibility of citizens for improving living conditions in the region, guarantees the maximum participation of citizens in self-government processes. It should be noted here that traditional forms of governance are not always easy to perceive and adapt to established management, technological, technical, social and cultural innovations. The success of regional development depends on the extent to which the idea can be reconciled, the development ideology with the management technology, i.e. the effectiveness of communication and cooperation between stakeholders.

#### INVESTMENT FRIENDLY MUNICIPALITY INDEX

In order to assess and compare local governments according to the attractiveness of their investments, the employers' organisation “Latvian Business Union”, in cooperation with the “Lursoft” and the Ministry of Environmental Protection and Regional Development, periodically publishes the results of the “Investment Friendly Municipality” index. The index shows the quantitative socio-economic indicators of municipalities that are relevant for business development in a given area and enables municipalities to undertake self-assessment of activities in attracting investment, promoting entrepreneurship and employment, as well as direct and indirect support for business development, assessing the results achieved over a given period of time. The index also reflects the results of the municipal survey and the practical activities of municipalities in promoting the investment environment.

*Rinalds Mucins, state secretary: "The results of the index show that municipalities not only implement different support measures that encourage entrepreneurship, but also that they are tailored specifically to the situation of each particular municipality and to the needs of entrepreneurs. We believe that cross-comparison between municipalities develops favourable competition between municipalities and business. It is also a good opportunity to get to know the experience of other municipalities and to get an initiative for new ideas to be implemented in their municipalities."*<sup>8</sup>

#### Index calculation methodology

Part I of the methodology. Statistical data in the figures (40% share in the index; calculations for "" Lursoft ""):

- Number of active enterprises per 1000 inhabitants,
- Number of employees in municipality companies against population, (%)
- Total turnover, in thousand EUR per 1000 inhabitants,
- Total profit, in thousands EUR per 1000 inhabitants,
- Corporate income tax per 1000 Citizens.

These statistical indicators have been selected to reflect, in a concise manner, both the success of economic operators and the positive contribution of economic operators to the municipality and society. The index does not include state and local government companies, their financial indicators.

Part II of the methodology. Assessment/nomination of planning regions assessing the activities organised by municipalities to promote entrepreneurship and investment in a friendly environment (60% share in the index).

- According to the Law of Regional Development, the planning region has competence to promote economic activity in the area of the planning region. In order to ensure this competence, business centres have been set up in each of the planning regions, which play a coordinating role at regional level between national, municipal and non-governmental business support bodies and a business support area.
- The business centres of the planning regions are a regional-level stakeholder, or the competent stakeholder, in order to provide a bottom-up assessment of the performance of municipalities in promoting entrepreneurship within the region.

8 <https://www.varam.gov.lv/lv/jaunums/noskaidroti-ii-investicijam-draudzigakas-pasvaldibas-in-deksa-laureati>

- Within the framework of the evaluation of the Investment Friendly Municipality Index, the planning regions shall designate, from each region, the TOP 3 municipalities, providing descriptive information in the following respects:
  - The progress and achievements of the municipality in the implementation of support measures to promote entrepreneurship (including the development of business support infrastructure);
  - Cooperation of the local government with different organisations in business promotion activities.

Part III of the methodology. The rating of qualitative data results and the rating of the results of quantitative data are compiled using the weighted average rating method (weighted average of ratings).

Winners of the latest published index in the relevant categories:

The most investment-friendly county with the local development centre:

1 st place – Marupe municipality

2 nd place – Olaine municipality

3 rd place – Jelgava municipality

The most investment-friendly county with the regional development centre:

1 st place — Aizkraukles municipality

2 nd place – Dobeles municipality

3 rd place – CKuldīga municipality

The most investment-friendly city of the Republic's importance:

1 st place – Ventspils

2 nd place – Valmiera

3 rd place – Liepāja

At the beginning of the administratively territorial reform, work on the index has been postponed until it is completed.



## Social dialogue in sectors

In 2014, the study “DEVELOPMENT OF SECTORAL SOCIAL DIALOGUE AND BARRIERS TO IT IN LATVIA” carried out by the LDDK<sup>9</sup> showed relatively pessimistic forecasts on the possibility of closing general agreements in sectors, thereby realising the opportunities provided by the social dialogue framework:

*“When assessing the possibilities for the conclusion of the sector-general agreement, the majority of those surveyed are pessimistic and believe that such agreements are not possible at this time in Latvia. The exception is certain sectors where sectoral social dialogue is ongoing on a long-term basis and there have been or are currently existing general agreements. But potentially close-ups in any sector in the near term, the study doesn’t allow identification. There are similar reasons for this, as described above, for the development of the social dialogue process in general: instability and unpredictability of the economic and business environment prevent employers from undertaking additional commitments and hence risks.*

*At the same time, several representatives of employers’ and workers’ organisations have indicated that they would assess the possibility of closing a general agreement if they were to be respected by all market participants. Thus, the general agreement is also seen as an instrument regulating the business environment to combat illegal employment and the shadow economy.*

*The possibility of concluding sectoral agreements depends directly on the improvement of the business environment in the country as a whole. If employers were able to plan their business in the long term without fear of rapid and unexpected changes in tax policy or changes in sectoral laws and regulations, and if the government, as a social partner, strengthened (directly or indirectly) the capacity and competitiveness of the social dialogue in the sectors, the general agreement of the sectors could become a common practice in which labour employers and workers would be interested. Unfortunately, this type of agreement is currently very skeptical of employers and workers.”*

Despite such past assumptions and arguments, we can note in 2021 that the first 3 sectoral collective agreements, which include minimum wages, have already been agreed and signed in three sectors of Latvia.

9 [https://lddk.lv/wp-content/uploads/2020/09/ZI%C5%85OJUMS\\_-\\_NOZARU-SO-CI%C4%80L%C4%80-DIALOGA-ATT%C4%AAST%C4%AABA-UN-T%C4%80-%C5%A0%C4%B6%C4%92R%C5%A0%C4%BBI-LATVIJ%C4%80.pdf](https://lddk.lv/wp-content/uploads/2020/09/ZI%C5%85OJUMS_-_NOZARU-SO-CI%C4%80L%C4%80-DIALOGA-ATT%C4%AAST%C4%AABA-UN-T%C4%80-%C5%A0%C4%B6%C4%92R%C5%A0%C4%BBI-LATVIJ%C4%80.pdf)

## GENERAL AGREEMENT OF THE CONSTRUCTION SECTOR

This agreement is concluded between the Latvian Construction Industry trade union and three employers' organisations and its members – Latvian Construction Partnership, Latvian Builders Association, Latvian Road builder, as well as individual companies.

It shall apply from 3 November 2019 to 31 December 2025 and shall apply to all employers and workers in the construction sector. For employees, it foresees a minimum wage increase of up to €780 a month and a monthly education supplement of 5% (€39) if it corresponds to the work to be carried out. On the other hand, employers will be able to set the 6-month aggregated working time reference period and pay the overtime premium at 50% of the salary.

## GENERAL AGREEMENT OF THE GLASS FIBRES SECTOR

The aim of the general agreement is to promote mutual cooperation in the development of social dialogue in the field of labour law, labour protection, labour productivity, the creation of a favourable social environment for workers in the sector and to develop the growth of a sustainable and competitive glass fibre sector and the development of the business environment of the sector.

AS "VALMIERAS GLASS FIBRE" is the leader of the glass fibres sector in Latvia, which employs the largest number of employees in the sector. The employer considers that an example and good will should be shown to address issues that would allow for improved working conditions for employees, encourage the development and growth of skills for employees, facilitate other work-related issues, such as transport opportunities to get to work. The agreement considered not only their efforts to continue their work on improvements, but also to proactively advance changes to the regulatory framework in order to ensure ever better conditions and benefits for workers in the company and industry

The signing of this general agreement fulfils the conditions laid down in Section 18 of the Labour Law, which relate to turnover and the number of employees. This is a very important step for the development of the sector, which has been taken after long and constructive negotiations."

The general agreement entered into force within six months of its publication in the official publication "Latvijas Vestnesis" of the Republic of Latvia and is binding for three years, after the date of its entry into force.

## GENERAL AGREEMENT OF THE HOSPITALITY SECTOR

The hospitality sector has also signed a general agreement to set minimum wages and social guarantees for workers in the sector and to jointly seek solutions during the crisis caused by Covid-19. Four parties have signed the general agreement – Latvian Association of Communications Workers (LSAB) and three employers' organisations – Latvian Restaurant Association (LRB), Latvian Hotel and Restaurant Association (LVRA) and Latvian Merchant Association (LTA).

With such a general agreement, it will be much easier for the social partners to discuss the rules to be adopted by the industry. General agreement increases productivity at work and promotes the sustainability of the sector, the ability to respond flexibly to the situation on the domestic and international markets. The signing of a general agreement has significantly coincided with the most difficult times in the history of the sector, and joint cooperation depends on how strong and successful the sector will be in exiting THE COVID-19 crisis.

## Regional characteristics of social dialogue

### RIGA REGION

The planning region of Riga consists of two state cities – Riga and Jurmala, as well as 7 municipalities – Adazu, Ropazu, Salaspils, Sigulda, Kekava, Olaine, Marupes<sup>10</sup>. In Riga, nearly 70% of Latvia's gross domestic product. The region has the largest number of companies registered in Latvia, the lowest unemployment and the largest gross salary in the country.

More than 10 regional business associations have been registered in the region by the end of 2021, trilateral social dialogue agreements have been concluded between employers' organisations, trade unions and municipalities in Riga and Jurmala. Following the administratively territorial reform, several business associations are involved in the merger process or plan to continue their work separately. There are also associations which, for some reason, have ceased to be active. There are several municipalities in which municipalities form business advisory boards, such as Sigulda, Jurmala, Marupe. In the beginning of 2021, Riga City Council has established an implementing council for Riga City Council and non-governmental organisations, which could replace the advisory council, but does not yet have any visible results for this organisation. Many years of successful dialogue between the municipality and municipal operators is being conducted without the basis of governed documents. Like elsewhere in Latvia, the development of classical tripartite social dialogue in Riga is in many places

<sup>10</sup> <https://rpr.gov.lv/teritorija/>

lacking a third partner – trade unions. There is no tradition in Latvia that there would be strong trade unions in small towns and villages.

The Riga Planning Region has established a Business and Information Centre<sup>11</sup>, but unfortunately, the funding for business support on the part of the State is significantly smaller and therefore the benefits for entrepreneurs from the activities of the Centre are not as significant as in other regions.

## VIDZEME REGION

Vidzeme is located in the central part of Latvia to the north-east of Riga. The largest cities in the region – Valmiera and Cēsis – have the most pronounced activity of entrepreneurs, trade unions and municipalities, which is the necessary basis for social dialogue. In Vidzeme, there has been no classic tripartite social dialogue between employers' organisations, trade unions and municipalities. Entrepreneurs with trade unions do not have as good cooperation as would be necessary for a successful trilateral social dialogue. In companies that find it difficult to find specialists, the benefits are already offered in the contract of employment, often without collective agreements and trade unions. In companies where labour problems are smaller, employees don't think about unions but about job opportunities. There are companies where employees are part-holders of the company, so they have no role in forming a union. Cooperation between employers and municipalities is more active in Vidzeme. In most cases, it is implemented through the business advisory councils. Vidzeme has a business centre.<sup>12</sup>

## KURZEME REGION

The largest cities in Kurzeme are Liepāja and Ventspils. According to statistics on the working population as well as the companies' overall profits, Kurzeme outperforms even one other region of Riga region, but after average wages and unemployment rates have been forced to make concessions. The business associations established in the region shall cooperate with local governments within the framework of the Tripartite Cooperation Council and shall act in local government business advisory boards or commissions in Ventspils, Kuldīga, Saldus and Talsi. One of the most active employers' organisations in the Kurzeme region is the association "Liepājas Board of Directors" and the association "Grobina municipality Business Club", which also shows a successful organisational model – both associations have a coordinator who provides continuous communication with entrepreneurs and other partners, including local authorities. In Kurzeme there is also a business centre<sup>13</sup>.

11 <https://rpr.gov.lv/darbibas-areas/non-activity-and-information-centre/>

12 <https://invest.vidzeme.lv/>

13 <https://www.kurzemesregions.lv/uznemejiem>

## ZEMGALE REGION

Zemgale has the second lowest population and working population, the second lowest unemployment rate and the second highest average salary in the country. These indicators are influenced by the proximity of Riga and by the strong development of agriculture. Positions in metalworking and food manufacturing companies are also strong.

Jelgava operates the oldest employers' organisation in the Zemgale region – Jelgava Producers and Traders Association (JRTA). Under the Tripartite Advisory Council of Jelgava City, there is a systematic exchange of current economic and social information.

The latest business organisation in the region was established in the end of 2014 in the Plavīnu municipality. In several municipalities of the Zemgale region, social dialogue activities are carried out outside formal cooperation agreements or consultative boards, the most important thing in this situation is that cooperation is taking place. The Centre for Entrepreneurship has also been established and worked successfully in Zemgale.<sup>14</sup>

## LATGALE REGION

The region is located in the eastern part of Latvia and the number of companies registered in it is the second best after Riga and Riga region. Unfortunately, the unemployment rate in the region is the highest, while the wage for the working population is the lowest in the country.

There are a number of employers' organisations, business clubs, developing on the basis of a transfer of good experience. An influential employers' organisation in Latgale is the "Rezekne Entrepreneurs Society", which works with Rezekne municipality in providing an organised business environment. The organisation shall actively cooperate with the local government, the State administrative authorities for the representation and consolidation of the views of economic operators. There is ongoing mutual cooperation to search for business partners, ensure the transfer of positive experience and develop new services.

Other business associations also have potential – the "Balvi municipality Business Support Club "Krams", Daugavpils Board of Directors and Entrepreneurs, Daugavpils Business Development Association, Daugavpils Municipality Entrepreneurs Council. Business Advisory Councils have been set up for employers' cooperation with municipalities, such as Rezekne and Daugavpils in municipalities, Līvānos, Ludza, Balvos. They ensure regular availability and exchange of information, tenders for small business projects are being carried out, enabling entrepreneurs to improve the services available to local residents, etc.

14 <https://zuc.zemgale.lv/>

The trilateral social dialogue between employers' organisations, trade unions and local governments in Latgale is being carried out in Daugavpils and Rezekne – Rezekne City and municipality in the Tripartite Advisory Council and Daugavpils in the Tripartite Advisory Council.

Latgale also has its own Business Centre.<sup>15</sup>

### Business in the COVID-19 crisis

Despite the Covid19 pandemic, in 2021 more companies are registered in Latvia, while much more companies are being stopped and a significant number of previously registered ones are being liquidated.

Statistics compiled by “Lursoft” show that 3.6% more new companies registered this year than in analogue time last year. This increase is not very large, but it is significant, especially given the difficult conditions and the great unpredictability of business at the moment. Another positive trend in 2021 is the size of fixed capital of registered companies, which is significantly higher than analogue time in 2020. This is the highest creator in the past four years, as the data gathered show that in the nine months of 2021 the total amount of capital of newly registered companies at the time of their registration was EUR 95.5 million, while the figure for 2020 was significantly below EUR 57.66 million. In a more detailed analysis of the share capital data of the new companies, Lursoft concluded that in 2021 a number of companies were registered with a relatively high share capital. For example, above EUR 0.5 million, equity capital was registered for a number of companies formed as real estate investment projects or as subsidiaries for previously registered companies, which apparently plan to develop new business lines or to expand the holding company, etc.

By analysing the statistics of companies newly registered in the first nine months of 2021, a study by Lursoft shows that the sector selected by newly registered companies in the TOP 5 is followed this year: retail sales are ranking first, as in previous years. On the other hand, companies with real estate activities are entering the second place this year (a year ago, the sector was not even among the top sectors of TOP 5). Top 3 rd place this year is the provision of transportation services, which in 2020 was the fourth-most popular among new companies. The fourth activity of companies registered in 2021 is wholesale, which remains the most widely represented sector among companies registered in Latvia. On the other hand, the data programming sector ranks fifth, showing that the dynamics of setting up new companies in the IT sector are still relatively high, and it is expected that this popularity will certainly remain at the same level in the coming years, but may even grow. Compared to last year, the newly registered companies are relatively less established and selected areas such as legal and accounting

15 <https://lpr.gov.lv/lv/luc/#.YeQJgf5BzIU>

services, including construction, which was TOP 3 rd, and the manufacturing industry, which ranked 5 th last year.

## REGIONAL DIFFERENCES

When assessing the statistics of newly registered companies in the regional breakdown and comparing the average number of companies registered in 2021 and 2020, we see that the largest increase in the number of newly registered acquisitions is in the municipality of Augsdaugava, which combined Daugavpils and Ilukste. On average, this county register's two times more companies per month in 2021 than in the average month of 2020.

Following the new administratively territorial reform, looking at the new municipal area and compared to the historical distribution, 29 municipalities have a growing dynamic in setting up new businesses. The largest percentage increase – in the municipalities of Augsdaugava, Varaklani, Saldus, Dienvidkurzeme, Olaine, Dobele, Ventspils, Jekabpils and Madona. On the other hand, when we look at the statistics on which this year there is a decrease in the number of newly registered companies compared to 2020, we see the following counties: Preili (-28%), Valka (-27%), Ludza (-22%), Aizkraukle (-19%) and Salaspils municipalities (-18%).

In analysing this dynamics, it is important that the regular evaluation of statistics and the reasons for change are carried out by both the new municipal administrations and regional development policy makers. It is important to clarify and provide business support measures for municipal enterprises in order to promote their development, as well as to successfully implement investment links, local government infrastructure and spatial planning.

## IN PANDEMIC BUSINESS

When assessing the data reflecting the “negative” signals for business, Lursoft notes that this year, for example, the number of companies being liquidated has increased again, exceeding 10.9 thousand in nine months, which is 25% more than in 2020.

There is also a negative trend in the statistics on the cessation of economic activity, with an increase of more than 15% compared to last year.

This means that companies still have to keep track of the status of their partners and clients on a regular basis, for example, whether they are a taxpayer or not, or whether their business activity has not been suspended, since, in the event of this, the provision of services to such an undertaking is prohibited.

Another negative trend compared to 2020 also appears in registered securities statistics this year, as closures and arrests are registered at 2% more. However, this is not seen as a significant increase since, compared to the period considered in 2017-2019, companies and their owners, for example by registering a restricted re-registration of shares, had more than 10 thousand collaterals, which is currently significantly less than 8 thousand.

## Conclusions and proposals

Strengthening regional social dialogue is an effective path to faster and sustainable economic growth through economic transformation. The recommendations below are not perceived as a universal prescription, but we hope that they can help the stakeholders to develop their respective development strategies, including through the integration of the social dialogue approach.

- The regulatory framework does not sufficiently and effectively create an entrepreneurial and public awareness of the regulation of social dialogue. It is based in Latvia on a consolidated basis in three regulatory enactments – the Labour Law, the Law on Employers and their Organisations and the Law on Trade Unions. The mechanism for the functioning of the national (tripartite) social dialogue stems from The NTSP Statute.
- Social dialogue at national level needs a new impetus, particularly in the direction of regional development. For example, the work of the NTSP Regional Development Sub-Council (RATSA) has been suspended for a period of time pending the harmonisation of the views of the Member States on what the future model of their activities might be (on the possibility of bringing together existing sub-councils, establishing a joint sub-council). This is one of the indicators that signals a long-standing pause, particularly in the context of the need for a powerful stepping-stone to overcome the crisis in the country as a whole and to strengthen regions.
- In order to make social dialogue more efficient, particularly at regional level, it is necessary to consider extending the criteria that mandate specific employers' organisations or their associations to represent employers in the framework of social dialogue. According to the current regulation, there is only one criterion for legitimising representation: the number of most employed workers in the country, industry or administrative territory, respectively. An additional criterion could include, for example, the number of companies merging from employers' organisations at the appropriate level (national, administrative or sectoral), regardless of their number of employees. This would reduce the risk of individual



industry monopolists or large enterprises representing only their own interests in the social dialogue. However, when introducing this criterion, it is likely that too small and fragmented employers' organisations will be created, which can divide and mitigate the impact of the representation in social dialogue.


- Administrative territorial reform is in fact still ongoing. Most of the municipalities remain in the process of change following the implementation of the administratively territorial reform. This applies to the same extent to internal governance structures, co-operation partners and formats, but we note that the Members of many newly created municipalities declare and demonstrate a desire to improve and develop existing cooperation, including with entrepreneurs and their associations. It should be acknowledged that it is difficult to predict the development and development of business cooperation with the new municipal management structures, if, for example, three or even four previously autonomous municipalities are combined.
- Local governments and the state must cooperate more actively by engaging in the promotion of science-intensive and costly labour business, including, if necessary, the formation of municipal capital companies.
- The EU's strategic initiatives, such as the "green course", should be used wisely and proactively to minimise potential losses for citizens and entrepreneurs, while the export capacity of businesses working in municipalities would grow.
- Maintain development opportunities in local governments and not address national social policies at the expense of local governments.
- The implementation of an accurate and effective regional policy in the municipality requires the collection and analysis of current economic, social and environmental data.
- It is only on the basis of data and facts that a constructive dialogue with citizens, NGOs and entrepreneurs can be expected. It is important for entrepreneurs to have high-quality day-to-day cooperation with the municipality, mutual interest, understanding and the opportunity to address specific challenges.
- In general, despite extensive consultative rights, there is relatively low motivation for engagement. It makes no sense to formally create, for example, a municipality business association only because they are created in other municipalities, which must happen naturally at the initiative of the entrepreneurs themselves. If, for example, the municipality tries to initiate such an organisation "artificially from the top", it may at the end not justify its activities. For example, a consultative council has been set up in a local government in the previous term, where the county management regularly reports to entrepreneurs on the work done – describing what has been done and planning, but entrepreneurs do not see added value to these meetings, because they feel like statisticians in this formal event, where there are no negotiations on a particular topic and spotlights.

- Dialogue is more effective than a monologue. Local governments should make additional efforts to inform about their strategic and tactical objectives, thereby gaining additional allies, while entrepreneurs need to communicate their development plans to build synergies.
- In recent years, increasing digitisation and developing new communication channels, particularly under the influence of THE COVID-19 pandemic, large groups of society, even individual active citizens, have significantly increased the scope for monitoring and monitoring in municipalities. These processes, on the one hand, contribute to the development and strengthening of the social partnership, but there is a risk of too distancing itself from the objectives of the social dialogue framework, as it is not possible to conduct a qualitative and structured dialogue with all and about everything. The objectives of cooperation should be clearly declared by the local authorities and the partners should be chosen in a forward-looking manner, taking into account the agreements and agreements concluded, ensuring the principles of good governance and transparency of processes.
- It is positive to note that local governments are becoming more aware of the fact that there are people and businesses in the regions, because entrepreneurs create jobs and taxes for the municipality, which the municipality can invest in the development of its municipality, for the needs of both citizens and entrepreneurs.
- On strategic development issues, such as attracting investment, mobility, the Green Course and the availability of resources, the ability of several regions to cooperate with each other is important, with a shared position of themselves more broadly and more versatile.
- Closer cooperation between municipalities and regions needs to be developed to take over the good demands of social dialogue, share achievements. Similarly, experience from foreign countries with high social dialogue traditions, such as Norway, should be taken over.
- The principle of “road map” enshrined in the Norwegian social dialogue should be introduced more widely in the decision-making process of municipalities.
- According to data available in Lursoft registers, there are 145 employers’ organisations in Latvia at the end of 2021 and 334 trade union organisations, while the representation of employees is 45% and 45% respectively. 12%. Although on the employers’ side the level of mergers and organisation is higher, it is essential to ensure the balance and integrity of the representation at different levels, particularly to improve and promote the representation of trade unions in the regional dimension of social dialogue in order to extend the context of cooperation to topical issues employed in the region. In this way, strengthen the representation of the social partners in regional management units and their practical involvement in the planning, implementation and evaluation phases.





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**Innovation  
Norway**

Supported by Norway through the Norway Grants 2014-2021,  
in the frame of the Programme "Social Dialogue – Decent Work".

Atbalsta Norvēģija ar Norvēģijas dotācijām 2014-2021  
programmā "Social Dialogue – Decent Work".