



# An attempt to revitalize social dialogue and national industrial relations systems in some of the CEECs - the lesson learnt and best practices in the way out of the crisis

VS/2014/0588

## Country Report Lithuania - 2015

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**The project has the financial support of the European Union.**  
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## SUMMARY

The trade union movement in Lithuania started as early as at the end of the 19<sup>th</sup> century, when Lithuania still belonged to the Russian Empire. Afterwards, it gradually developed, until it reached its climax in independent Lithuania in 1920-1926. After the coupe d'état of nationalists in Lithuania of 1926, the activities of trade unions in Lithuania were largely constrained. In 1940, as Lithuania was incorporated into the USSR, trade unions were established according to the Soviet model. They became part of the All-Union Central Council of Trade Unions (Russ. VCSPS). Formally, between the congresses of the Communist Party of the Soviet Union, their activities were guided by VCSPS, however, in fact trade unions were guided by the Communist Party, and supervised by the KGB. Upon the restoration of independence in Lithuania, also thanks to the local enthusiasts and activists, both by using the support of foreign (Western) countries, a lot of effort was put to develop the movement of employees' organizations - trade unions. Other national level social partners – employers' associations and central government also grew stronger. Today the Lithuanian social partners from trade unions are represented in the Tripartite Council by the Lithuanian Confederation of Trade Unions (LPSK – LCTU), Lithuanian Trade Union “Solidarumas” and the Lithuanian Labour Federation (LDF). There are several other trade union movements in Lithuania, which are not part of the Tripartite Council.

There were two national employers' organizations in Lithuania in 2015, which were part of the Tripartite Council: the Lithuanian Confederation of Industrialists (LPK) and Lithuanian Employers Confederation, which some time ago was called Lithuanian Business Employers' Confederation. The Lithuanian Confederation of Industrialists unites mostly large business representatives, and the Lithuanian Employers' Confederation represents mostly small and medium-sized businesses. Other organizations, uniting employers and businessmen in Lithuania, are not part of the social dialogue. The most important role among them is played by the Lithuanian Business Confederation, which considers the Tripartite Council to be an outdated phenomenon and aims at implementing in Lithuania the ECOSOC system (Economic and Social Council), which, according to the opinion of President Sutkus, would better reflect the changed social-economic structure and representation of its parties

in the country. In the Tripartite Council of Lithuania the Chamber of Commerce, Industry and Crafts as well as the Chamber of Agriculture are still functioning. In 2015 the Tripartite Council consisted of 21 representatives of social partners – 7 of central government, 7 of trade unions and 7 of employers’ representatives. The government is currently represented by 3 representatives of the Lithuanian Ministry of Social Security and Labour, 3 of Ministry of Economy and 1 representative of the government. The representatives of trade unions and employers’ complain that the government has been recently represented by lower rank of officials, rather than at the level of ministers, as it previously used to be.

The specificity of Lithuania is that its employers’ and employees’ organizations are split on all levels. In practice, this often turns into unnecessary, excess competition, which reduces the authority of organizations and does not help to attract new members. Especially problems of interrelations and arguments are harmful to trade unions, which find it difficult to withstand the attacks of neo-liberalism and huge capital. The social partners with greatest achievements have achieved something on the national level, and much less – on the level of local companies, and the least – on the middle-sectoral level. Nationwide, the most influential platform for social dialogue is the Tripartite Council. Tripartite councils also exist on the regional level, under the State Social Insurance Fund Board and under the Lithuanian Labour Exchange.

Overall, the tripartite social dialogue may be seen during the recent crisis as the one that has reduced the consultation mechanisms due to the government dictate on austerity measures.

Trade union organizations in the country cover approximately 8-9 per cent of the employees, and collective agreements for the first time in the first half of 2015 included 15 per cent of the employees. A breakthrough is expected in the area of collective agreements in the nearest future, since previous sectoral level collective agreements, as well as national agreements between social partners were more of a formal content. The most proactive trade union activity is recorded in large companies, however, their activity is hardly noticeable in medium-size and small businesses and institutions. There are few strikes in Lithuania. Most employees due to the self-will are merely afraid to establish trade unions or participate in their

activities, since this is largely related not only to private but also public sector, not only to local but also foreign capital companies.

The best example of Lithuanian practice in the area of industrial relations should be considered the creation of industrial dispute commissions in 2013. Hearing of industrial disputes has become an effective legal instrument in defending both the employees' and employers' rights and interests infringed, and when consolidating social peace in individual companies, institutions and organizations. The defence of industrial rights has become fast, cheap, effective and impartial. The most important feature of the changes is active participation of social partners in the decision making of industrial dispute commissions. This means a new stage of social partnership, when social partners (representatives of employers' and employees' and public institutions) identify possible focus of social tension by common work, disseminate good practice of industrial dispute commissions in the regions, complete a lot of work in the area of prevention of labour law infringements.

In autumn 2014 independent experts – academics from Vilnius University, Mykolas Romeris University and the Social Research Centre and employees of the Ministry of Social Security and Labour - completed the preparation and presented to the society a new legal-administrative model of industrial relations and state social insurance, which was commissioned by the MSSL, one of the sections of which was dedicated to the new Labour Code. The new “social model” was for several months in the stage of consideration by the society and social partners in the Tripartite Council, and it is not clear how many amendments will be done in Seimas in the final version of it and when it could be adopted. In the initial version, the new “social model” was greatly influenced by neo-liberalism, the “flexicurity” of whose features were remarkably more influenced by the relations of flexibility rather than those of employees' security.

On the issues of social dialogue, collective bargaining and industrial relations 10 semi-structured interviews were completed in the headquarters of organizations in Vilnius, and 8 of them are provided below – mostly those with the heads of social partner associations. On 7-14 July 2015 Guogis interviewed the heads of two national trade union confederations chairwoman Krupavičienė, “Solidarumas” and Černiauskas, the chairman of the Lithuanian Trade Union Confederation, the

chairwoman of the Lithuanian Trade Union of Food Producers Gruzdienė, and the heads of two national employers' organizations (Director General of Lithuanian Employers' Confederation Arlauskas, Director General of Executive Directorate of Lithuanian Confederation of Industrialists and Vice-president Rainys), the heads of two public institutions (the head of the State Labour Inspectorate Čepas and the head of the Labour Department of the Ministry of Social Security and Labour Radišauskienė), one state research organization expert (Director of the Labour Market Research Institute of the Lithuanian Social Research Centre Gruževskis).

## INTRODUCTION

In Lithuania, with the help of educated socialists, the first trade union of shoemakers was established in 1892, i. e. long before any other trade unions in other parts of the Russian Empire. The movement of workers in Lithuania was much more conscious and better organized than in Russia at that time. After WWI workers were actively joining trade unions in independent Lithuania, which were operating legally until 1926. There were two major trade union associations in interwar Lithuania – that of the social-democrat Office of Workers and Civil Servants Centre and the Lithuanian Labour Federation influenced by Christian Democrats. On 3 July 1926 the Central Office of the Lithuanian Trade Unions united 18 sectoral organizations. However, after the coupe d'état of nationalists of 1926, the activities of trade unions were restricted in Lithuania. In 1940, as Lithuania was incorporated into the USSR, the establishment of trade unions was based on the Soviet model. They became part of the All-Union Central Council of Trade Unions. Formally, their activities between the congresses of the Communist Party of the Soviet Union were guided by the All-Union Central Council of Trade Unions, however, in fact the trade unions were managed by the Communist Party, and their activities were supervised by the KGB. As the reform that commenced in the Soviet Union in 1985 reached Lithuania in 1988, and once the National Revival was started in Lithuania, the club “Labora” was established under the Reform Movement Sajūdis, which generated the ideas of trade union renewal. In 1989 the Trade Union Reform Movement was established (Januška, Dagys, Paukštė, etc.). In 1989, as an alternative to Soviet trade unions the Lithuanian Workers' Union was established. Its first chairperson was Uoka. The relations with the All-Union Central Council of Trade Unions were broken, part of the industry sectors left the Soviet cross-sectoral associations. On 19-21 April 1990 a meeting of Lithuanian trade unions took place, which established a Lithuanian free trade union confederation on the basis of LTSR trade union council organizations and inherited its rights. Radzevičius was elected as its chairman. Subsequently, the Lithuanian trade union centre was established from the remainings of this organization. Part of the sectors of trade union and organizations, who were unsatisfied with the slow reform and the Soviet past, did not join this organization, and in February 1992 they established one more organization, i. e. that of the Lithuanian trade union association, the chairman of

which was elected Sysas. In 2002, the Lithuanian professional trade union centre, led by Olekas, and the Lithuanian trade union association merged into the biggest Lithuanian organization – the Lithuanian Confederation of Trade Unions (LPSK - LCTU). In 2002 the Lithuanian Workers' Union changed its name and became the Lithuanian trade union “Solidarumas” (“Solidarity”). Much harm to the contemporary Lithuanian trade union movement was made by the fight for the former USSR trade union property. It was caused by the inconsistent decisions of the Seimas (Parliament) and Governments with regard to the use and redistribution of this property and it was influenced by various financial business groups. The greatest Lithuanian sectoral trade union is that of education specialists, and the greatest and most combating primary organization is the trade union of JSC “Mažeikių Nafta”. Lithuanian trade unions closely collaborate with the Baltic, Scandinavian, US, Polish, Russian, Georgian, Ukrainian trade unions. During the entire period of independence Lithuanian trade unions received significant material and methodological support from the international trade union movement for the adjustment of the activity for market conditions and reinforcement of membership. Currently, there are some newspapers “Lietuvos Profsajungos” (“Lithuanian Trade Unions”), “Solidarumas” (“Solidarity”), a number of sectoral and regional publications, a number of trade union internet websites functioning (<http://lprofsajungos.lt/>).

## I. THE INITIAL STAGE OF THE DEVELOPMENT OF INDUSTRIAL RELATIONS/ SOCIAL DIALOGUE SYSTEM IN LITHUANIA THAT RESTORED INDEPENDENCE

At the beginning of 1990s closer collaboration started in Lithuania between employers and employees, which reinforced economic development, democracy and civil rights. A Tripartite Council was created and started functioning both on the national level, and on other levels. The main organizations were operating on the national level. The most important result of the mutual social dialogue was collective agreement. The most proactive activity of the mutual social dialogue was that on the company level, but even today there are hardly any efficient and effective collective agreements between the social partners in the middle-sectoral level in Lithuania.

### **The Tripartite Council**

The Tripartite Council of the Republic of Lithuania (hereinafter – the Tripartite Council) was established on 5 May 1995 on the basis of an agreement of social partners. It represented the most important (national) trade union confederations in equal parts and on an equal footing, the most important employers’ organizations and the government (public authorities).<sup>1</sup> The Lithuanian Trade Union Confederation, the Lithuanian Trade Union “Solidarumas” and the Lithuanian Labour Federation became permanent members of the Tripartite Council. The representatives of the Tripartite Council from the employers became Lithuanian Confederation of Industrialists (LPK) and the Lithuanian Business Employers’ Confederation, which has now changed its name into the Lithuanian Employers’ Confederation. The government was represented by the representatives of the Ministry of Finance, the Ministry of Economy, the Ministry of Justice, the Ministry of Agriculture and the Ministry of Social Security and Labour. In the first years of existence, the Tripartite Council consisted of not more than 15 members, 5 members from each of the three represented parties (the government, employers and trade unions).

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<sup>1</sup> Gruzdienė G. Tripartism and Social Dialogue in Lithuania. Paper Presented at the Regional Seminar “Tripartism and Social Dialogue in Central and Eastern Europe”. Cyprus, 8-15 October 1996.

The Tripartite Council, according to the Labour Code, could approve the tripartite industrial relations and agreements on social-economic relations. The main functions of the Tripartite Council were these: (1) to analyze the social, economic and labour market problems and to submit proposals for solving them; (2) to discuss the legislation and draft legislation in the area of social-economic and industrial relations and to submit conclusions and proposals to the Seimas (the Parliament) and the government; (3) to analyze the opportunities of bipartite and tripartite partnership, by solving social, economic and industrial relation related issues; (4) to discuss and approve the annual tripartite draft agreement, which has been signed by all the represented parties in solving social, economic and industrial relation related problems; (5) where necessary, to coordinate the activities of other bipartite and tripartite institutions (work safety, employment and other issues) in the social, economic and industrial relations areas and to analyze the issues that raise concern at the meeting of the heads; (6) to discuss the issues according to Convention No. 144 of World Trade Organization (WTO) “Tripartite consultations preserving international standards” and to adopt decisions; (7) to inform interested parties and the society about the work in executing these functions.

## II. THE CURRENT INDUSTRIAL RELATIONS / SOCIAL DIALOGUE SYSTEM IN LITHUANIA

### **Public authority**

The main institution governing industrial relations in Lithuania is the Ministry of Social Security and Labour (MSSL). MSSL is responsible for the improvement of regulation of legislation in the area of industrial relations and implementation of legislation in Lithuania. The State Labour Inspectorate is subordinate to the MSSL. The main institution of national level tripartite social dialogue is the Tripartite Council of the Republic of Lithuania (TCRL), which is also functioning under the MSSL. Apart from the representatives of the MSSL, the TCRL consists of the representatives of the Ministry of Economy and one representative of the Government apparatus.

### **Trade unions**

In the past 20 years the main trade union organizations in Lithuania were transformed from the competing and confronting organizations to closely collaborating and acting ones operating on the basis of the coordination. In 2011-2015 no changes of the fundamental trade union operation design were recorded.

Since 2006 Statistics Lithuania has been collecting information on the number of trade union members. It shows that trade union membership is rather stable, covering approximately 100,000 (approximately 10 per cent) of all the employees working under work contracts. Despite this, since 2010 trade union membership has been gradually decreasing and it reached 9 per cent in 2012.

There are three major national trade union confederations in Lithuania:

- the Lithuanian Trade Union Confederation (LPSK);
- Lithuanian Trade Union “Solidarumas” (“Solidarity”) (LPS ‘Solidarumas’);
- Lithuanian Labour Federation (LDF)<sup>2</sup>.

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<sup>2</sup><http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/industrial-relationscountry-profiles>

There are also several trade union associations (mostly regional ones), which do not function at the national level. There are independent sectoral trade unions, which are not belonging to any national confederation: Lithuanian Education Employees Trade Union (Lietuvos švietimo darbuotojų profesinė sąjunga), National Association of Officers' Trade Unions (Nacionalinis pareigūnų profesinių sąjungų susivienijimas)

In 2011-2015 there were no essential changes in the main trade union confederations with an exception to the assembly of all the trade union representatives (three major confederations and nine associations that have not joined them) in October 2011. As a result, an agreement on collaboration and common trade union member actions was reached (LT1111019I).

Trade unions in Lithuania are still relatively weak, despite their involvement into a social dialogue and international collaboration, including access to the competitive financing of various projects. The main obstacle is lack of financing, even though it is slowly improving due to the use of EU funds and other resources, despite membership fees. The sectoral social dialogue in Lithuania is especially weak. Traditionally, the sectors of education and health care are more proactive in negotiating on remuneration.

### **Employers' organizations**

After the restoration of independence in Lithuania the main organizations of employers in 1990 were first of all taking care of the representation of its members' interests in the relations with the national authorities and foreign partners. Employers' organizations have been playing a significant role on the national level only, whereas they did not participate in the social dialogue of the companies, and especially on the sectoral level. Currently, the situation is changing, since European Social Fund programmes, which were started in 2012, encourage a social dialogue on the regional, sectoral and company level.

Since 2006 Statistics Lithuania has been collecting information about business economic units and employers' organizations. It shows that membership of

employers' organizations is rather stable, covering approximately 12,000 (around 14 per cent) of all the operating economic entities.

In Lithuania, there are two national employers' organizations operating, which are part of the Tripartite Council:

- the Lithuanian Confederation of Industrialists (LPK);
- the Lithuanian Employers' Confederation (LEC), which has recently changed its name from Lithuanian Business Employers Confederation (LVDK)<sup>3</sup>.

The Lithuanian Confederation of Industrialists unites mostly large business representatives, whereas the Lithuanian Employers' Confederation represents mostly small and medium-sized business. Other organizations uniting employers and businessmen in Lithuania are not part of the state social dialogue. Among them are the Lithuanian Business Confederation (LBC), which plays the most significant role, which considers the Tripartite Council to be an outdated phenomenon and aims at implementing in Lithuania an ECOSOC system (Economic and Social Council), which, according to the opinion of President Sutkus, would better reflect the social-economic structure that has changed and the representation of its parts in the country. In the Tripartite Council of Lithuania the Chamber of Commerce, Industry and Crafts as well as the Chamber of Agriculture are functioning.

In the recent decade in Lithuania there were no cardinal changes in the activities of employers. They are involved in the social dialogue at the national level and their membership remains rather stable. In 2011-2015 employers' organizations were working hand in hand, and on 2 December 2013 for the coordination of their activity and to achieve continuous economic development in Lithuania, four main employers' associations signed a memorandum on the basis of which a Business Council was established (LT1401029I).

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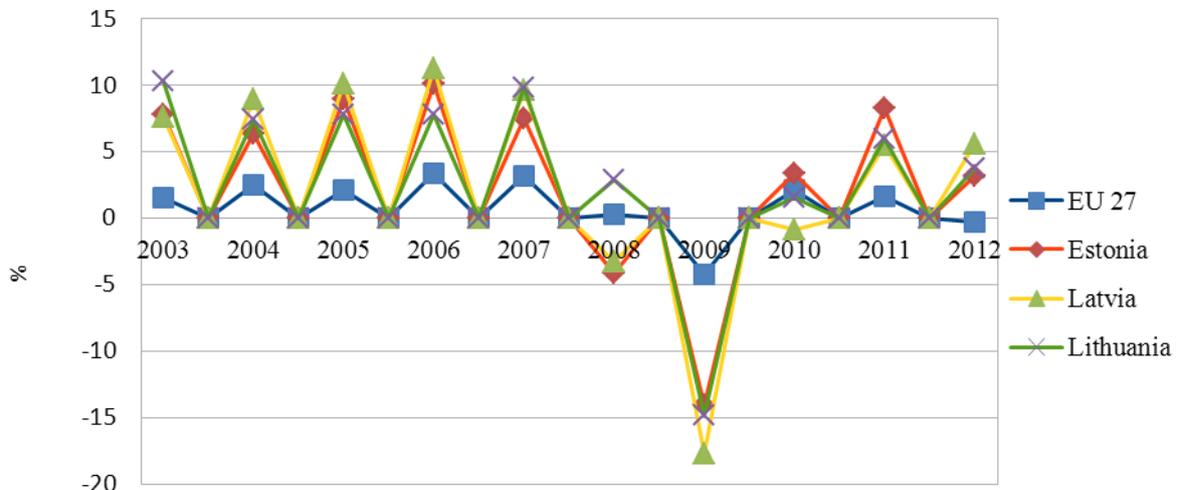
<sup>3</sup> Ibid.

### III. SOCIAL PARTNERS AND THE CRISIS

#### A review of the Lithuanian economic situation

The economic crisis of 2008, which started in the US, and then covered the EU, reached Lithuania rather late and emerged only in the period of government change. This is probably the main reason why Lithuanian was so poorly prepared for the crisis. As one can see from diagram 1 showing the change of GDP growth, in 2008 GDP plummeted (however, as compared to the figures of Latvia and Estonia, it remained positive), and in 2009 it reached its lowest point.

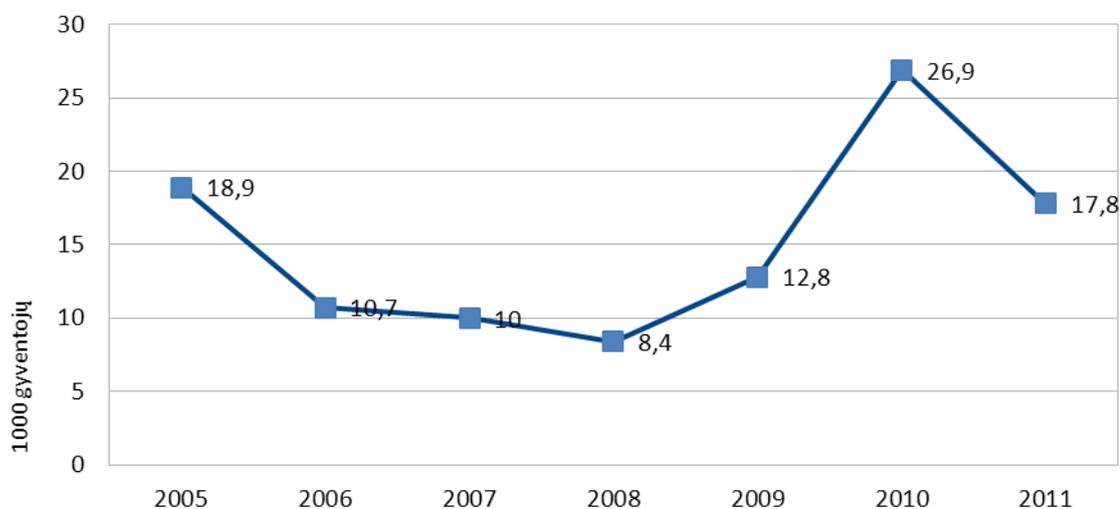
Diagram No. 1. GDP growth in the Baltic states



Source: Eurostat, 2013

Unemployment in 2009 reached 13.6 per cent, whereas in 2010 it reached 18 per cent. Increased unemployment, which became the biggest in the EU, significantly increased emigration from Lithuania.

Diagram No. 2. Emigration, per thousand residents



Source: Statistics Lithuania, 2012.

### The anti-crisis guidelines of the new government

In October 2008 new election of the Seimas (the Parliament) took place in Lithuania, which was won by the right-of-centre parties. The new government inherited a very bad situation of public finances, when the state revenues had become significantly smaller. The new government had to undertake austerity measures and to implement a tax reform. Otherwise, they would have had to devalue the Lithuanian national currency Litas.

### Reduced distribution and reduced wages

To maintain the control of public finances, where the budget revenue was had been significantly reduced, the first task that had to be resolved, was to rationalize the expenditure. In this situation, the salaries of the civil servants were reduced, starting with the President, members of the Parliament and government. The expenditures of managers of the budget assignments were also reduced by 15 per cent. The total budget saving result was approximately 2 billion Litas.

### The tax reform

First of all, exemptions from the value added tax were refused, which had been applied to 14 products and services and due to which the budget would not receive

approximately 400 million Litass of additional revenue. Farmers were included into the tax revenue system, and journalists and other creative workers were included into the social security system. The objective of the reform was also to make the system clearer not only by refusing tax exemptions, but also by introducing a single (flat) tax system: 20/20/20: for value added, reduction of personal income (reduction from 24 per cent) and profit tax (increased from 15 per cent). This model was copied from that of Slovakia, and, according to Prime Minister Kubilius, it was supposed to make the tax system more transparent and therefore more attractive for investors and encouraging business. The tax reform produced additional 2 billion Litass.

### **Business stimulation**

One of the measures for encouraging EU fund absorption had to involve reduction the requirements for own funds and simplifying the procedures. It is worthwhile to mention that Lithuania was positively evaluated by the European Commission and it was granted a “Regions of Excellence” award, which is granted to the advanced regions.”<sup>4</sup> In addition to this, the investment of the new construction projects was restored and the payments to private pension funds were reduced.

### **The system of collective bargaining**

Both in terms of the number of trade union members, and the number of employees that are covered by collective agreements, Lithuania was lagging behind from most of other EU countries. In 2009, at the most critical time of the economic crisis in Lithuania, when the economy shrank by nearly 15 per cent, according to the calculations of experts (Eurofund EIRO research), only 15 per cent of all the employees were covered by collective agreements. However, in reality this per cent could have been smaller, which was revealed by the data of the Work Inspectorate of 2010. According to this data, only 248 companies and organizations had signed collective agreements of 12,411 verified ones – which accounted for only 2 per cent. The data of 2009 was similar, with 15,935 verifications and 290 collective agreements, which accounted for only 1.8 per cent.<sup>5</sup>

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<sup>4</sup><http://lv.lt/lt/naujienos/?nid=8105> – retrieved on 18/05/2013.

<sup>5</sup> Fulton, L. 2011. Worker representation in Europe Labour Research Department and ETUI (online publication) <http://www.worker-participation.eu/>

### The number of trade union members

The number of employees, who were members of trade unions, decreased in Lithuania. Below are the tables, in which the figures of the wages earned by the persons as compared to the number of trade union members and density of trade unions have been provided:

The numbers of persons receiving wages in thousands:

Country/Year	2008	2009	2014
LT	1318,7	1219,8	1319

Source: Visser data basis 2013, WSEE, <http://osp.stat.gov.lt/en/statistiniu-rodikliu-analize1>

The number of employees (net), who were members of trade unions, in thousands:

Country	Net		2010	Net		2013
	2008	2009		2011	2012	
LT	111,7	115,4	112,6	108,9	102,3	95,3

Source: Visser data basis 2013, <http://osp.stat.gov.lt/en/statistiniu-rodikliu-analize1>

### Representation of employees

According to the Labour Code of Lithuania, the rights and interests of the employees' industrial relations may be represented and protected by trade unions. Where a company, agency or organization does not have a functioning trade union and a personnel meeting has not transferred the representation and protection of employees right to the trade union, the employees may be represented by the work council, which is elected by secret voting in a general personnel meeting. The activities of the work councils are regulated by the law on work councils. The work council is made for a three year period. The work council in the company has the same rights and obligations as a trade union, including the rights to organize strikes.

### Crisis management

Lithuania in Europe is usually shown as an example of crisis management. Despite all the painful austerity measures and the tax reform, the state budget deficit accounted for 18.9 per cent in 2009, and in 2010 it accounted for 23.4 per cent. However, it is worthwhile mentioning that firm government actions in 2009 allowed Lithuania maintaining its confidence in global financial institutions, which allowed

Lithuania borrowing in international markets, and Lithuania used the opportunity. Therefore, it is worthwhile to ask whether independent exit of Lithuania from the crisis, even though it showed the abilities of the government, it was sufficiently practical. E. g. Latvia received a loan for significantly smaller percentage from the International Monetary Fund and incurred smaller losses in the social area.

## **Emigration**

A largely negative influence on the social-economic processes in Lithuania during the years of independence was made by the residents' emigration to other countries, usually – Western Europe, which especially grew at the beginning of the 21<sup>st</sup> century and during the years of the economic crisis. As most analysts note, that was the way to reduce the tensions with regard to industrial relations and social dialogue – instead of an active confrontation with the local employers, the residents would choose the retreat way. According to the data of 2013, during the years of independence, approximately 788 thousand of persons left the country or approximately one fourth of residents of Lithuania<sup>6</sup>. In 2014-2015 emigration from Lithuania slightly decreased, and the number of Lithuanians returning to the country increased, however, the relation remained negative. The problem of emigration in Lithuania remained to be the most important one, and there were hardly any solutions to it.

Taking into consideration the painful sectoral collective agreement topic in Lithuania, e. g. in 2009 only one sectoral collective agreement was concluded with journalists.<sup>7</sup> In total, the tripartite social dialogue over several crisis years and exit from crisis years could be defined as the one that significantly reduced the consultation mechanisms due to austerity measures dictate from the government.

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<sup>6</sup>Migration: a 10 year review. European migration network (EMN), 2014. Internet access: <http://123.emn.lt/lt/bendros-tendencijos/migracija-10-metu-apzvalga>

<sup>7</sup> Kallaste, E., Woolfson, C. Negotiated Responses to the Crisis in the Baltic Countries. TRANSFER: European Review of Labour and Research, 2013, Vol. 19, No. 2, p. 253–266.

#### IV. THE PRACTICE OF SOCIAL PARTNERS IN “MANAGING” THE CHANGES

8 semi-structured interviews on the issues of social dialogue were conducted in Vilnius – mostly with the heads of the associations of social partners.

##### 1. Krupavičienė (Chairwoman of the Lithuanian Trade Union “Solidarumas” for 1 year)

Social dialogue grew worse both in Europe and Lithuania. The Eurofound has recently presented a research on social dialogue, and the situation of Lithuania, as compared to other countries, was weak. This was also certified by the fact that in 1995, once an Agreement on the Tripartite Collaboration was signed, the level of representation was changed; at that time in the Tripartite Council ministers would participate, and now only their advisors participate in the social dialogue on the governmental level. Industrial relations did not change in Lithuania for a number of years. A more significant event was the “National agreement on combating the economic crisis” that was signed in 2008. During the crisis all the benefits were reduced, child allowances disappeared, unemployment insurance benefits were significantly reduced. Recently, as we talk about the increase of minimum wages, employers, especially small businesses constantly complain that they will go bankrupt if the minimum wages is increased. Hence a good solution was to make a tripartite commission to solve the issue of increasing the minimum wages. The State Social Insurance Fund Board, the State Tax Inspectorate provided the commission with the information on the situation of the companies, the taxes paid, business profits, therefore, employers could not continue manipulating and stating that they did not have opportunities to raise salaries. However, the conditions of the social dialogue have deteriorated since at the end of 2014, the Secretariat of the Tripartite Council was abolished, and the government is represented only by the heads of ministerial units. There are attempts to include into the Tripartite Council nongovernmental organizations, but we are trying to preclude this from happening since there are plenty of them, they are very small and they do not represent the real interests of all the residents.

There have been attempts to improve the social dialogue, we wanted to involve youth, we even signed a memorandum on the inclusion of youth. We started closer collaboration with the representation of the European Commission in Lithuania. Good examples have to be shown by the state owned companies, good experience has to be shared by them, however, it is more difficult to establish trade unions in the state owned companies than in private ones. The greatest powers to make the social dialogue more proactive lie within the government, however, it is largely influenced by large capital companies. The most active social dialogue is on the national level, there have been attempts to sign sectoral agreements but they were more of a declarative nature.

## **2. Gruzdienė (Chairwoman of the Lithuanian Food Producers Trade Union for 25 years)**

Since 2003 large amounts of money have been allocated for the Labour Code, social dialogue, collective agreements, but they did not produce results. Social dialogue is still not as it should be and as it should be as we know. Even though money was allocated from the Social Fund and the government, without a state policy, trade unions did not grow strong because of this money – they grew weak. All of a sudden, there was an opportunity to participate in various projects, hold seminars for the sake of holding them, and nobody summarized the use of these funds. The agreements signed were *vain* in fact, formal ones. E.g. I have seen myself an agreement which was signed by an employer stating that he would pay wages according to the laws of the Republic of Lithuania (signatures put included those of the employers and sectoral trade unions). The fund should verify whether the funds are efficiently used, or whether they are only properly arranged in the account books. There are some “practical people” who could share their knowledge in Lithuania, but they are rarely involved, they are avoided. We have a number of agreements – some of them are better, some are worse, there is some good practice, e. g. during the crisis, when both parties lost something, but jobs were preserved. We work together with international companies, the work level in them is completely different and so is the understanding of social partners. Due to external influences, we have made some critical concessions, but we preserved jobs, there have been some reasonable ways out, which retrieved the situation. However, the situation in Latvia, which was showed

by its Presidency to the Council of the European Union, is much better – social partners were involved in everything there and everything was aligned with them. The image of Latvia is completely different than that of Lithuania. In Lithuania, there is no real partnership, it is of a demonstrative nature, there is a clear split, partnership is not as that in e. g. Austria, Belgium. They believe that they will sit down and will find a solution since we address them when we do not know what to do. The Austrians told us that Lithuanian employers do not understand how much they can benefit from a real social dialogue. The way we understand it here is that when you (as a trade union) are some kind of enemy here. The authors of social model suggest reducing all the guarantees and then negotiating about the same ones in collective negotiation, if we talk about the reduction of poverty, employment and stress at work. And in reality we need to start from today and move on to seek improvement. The composition of the Tripartite Council has greatly deteriorated, the representatives from the government do not solve anything, since they are inferior subordination than before, they do not even have a right to vote, they run to the government to ask for permission and return back. From the trade union side, the Lithuanian Labour Federation is falling apart. Formally, it is still part of the Tripartite Council but due to the intrigues, lack of professionalism, financial fraud, it is now being dissolved. The same situation is with the commissions and committees under the Tripartite Council. Some of the regional tripartite councils also may somewhat influence the situation but in general their people are hardly trained. Sometimes *ad hoc* groups are made. The Tripartite Council operates under State Social Insurance Fund Board. However, the Social Dialogue Department under the MSSL Labour Department created from national independence Tripartite Council Secretariat does not help to better solve the problems. There are a lot of good things that may be done via the Tripartite Council, e. g. to reply to the question why do we have so many employees receiving minimum wages? But there is not even anybody who could prepare a report. The persons are selected not according to their competence – nobody knows what the selection criteria are.

At the European level and in Lithuania a lot of persons want social dialogue to be developed at the local level. In 20 years in Lithuania we have not managed to jump to the sector level. Let alone the things that the government could do with this sector, e. g. in the area of education with regard to work pay, but nothing has been done, even

though the money has been used. Indeed, currently they have come very close to a collective agreement in education. We have the largest number – in total 21 company agreement. That is the result of the work of our highly qualified specialists.

The work sources of our organization are a membership fee, collaboration with the European trade unions via projects, e. g. with regard to employment via agencies, which very important for Lithuania.

### **3. Černiauskas (Chairman of the Lithuanian Trade Union Confederation for 10 years)**

Social dialogue first of all starts from the budget sector, and it is then followed by the sector of economy. The laws on budgetary institutions and civil service stipulate that one cannot consider the things which need additional assignments from the budget. This means that the path for social partners to negotiate on these matters is completely closed. We may not negotiate on certain sizes of the wages, therefore social dialogue is weak. There are no agreements as long as they become legal norms, and as long as they are not implemented, sanctions are imposed. Where next to the collective agreements it is written how it should be preserved, how national agreements should be implemented and how they should be preserved, in reality is not at all stipulated. This depends on the benevolence of the employers, and there is lack of benevolence both from the employers and the Government. In 2005-2009 national agreements were signed with the governments of the conservative party and the social-democrats that industrial relations may not be amended without having received an approval of the social partners. However, the current draft of the social model, without considering it in the Tripartite Council, was pushed out to the Seimas. Therefore, national agreements are typically not preserved in reality. A Tripartite Council under the MSSL on the national level, as well as other tripartite councils – that under the State Social Insurance Fund Board, under the Labour Exchange are based on the establishing national agreements, and only some of their provisions are transferred to the level of legislation, but in reality most of them “remain in the drawers”. For example, the agreement of 2005, which was very important for us due to the evaluation of the jobs, where a work payment system had to be created in each company, based on prof. Gerikienė’s methodology, also was put to drawers –

and there is still no job assessment in small business sector. There are no mechanisms for implementing agreements. In the recent three years there have been no significant changes in terms of social dialogue on the national level.

To reveal the problems of trade unions it is not enough to know law and labour law legislation, the best specialists of this area in Lithuania are professors of social economy Lazutka, Gruževskis, even though lately there are increasingly more specialists like that. Labour law is not that profitable as, for example, civil law or criminal law which would be appreciated by lawyers. Even courts face serious problems of labour law interpretation. In labour law, employees are treated as a weaker part. In terms of quality, social dialogue has deteriorated on the national level, e. g. the Government is not represented by the ministers anymore, and lower rank officials do not have such authorization. This happened five years ago. Agreements on the sectoral level used to be very formal, and now we see somewhat more serious, higher quality agreements. Even though in public sector these agreements are financially constrained, there are activity normative agreements and it has been foreseen in them what is not stipulated in the laws and which stipulate the same activity procedures. As a result of a social dialogue project, sectoral general forest enterprise, chemistry sector, police (Ministry of Interior) sector, firefighter, state border protection service agreements were concluded. A serious agreement has been foreseen for the sector of education. However, the biggest problem is that employers' organizations are not authorized to agree, to negotiate work pay, e. g. there are no opportunities to foresee the wage limit in the sector in question. This is the case because there is no law defining an employers' organization.

In total, in Lithuania there are around 100,000 trade union members paying a membership fee. All three trade union confederations of the Tripartite Council, i. e. the Lithuanian Trade Union Confederation, “Solidarumas” and Lithuanian Labour Federation unite approximately 70 per cent of all the trade union members (LTUC – 60,000 members, “Solidarumas” and Lithuanian Labour Federation – 10,000 members) and the remaining 30 % cover approximately 10 names of sectoral or individual trade unions. The Tripartite Council consists of 21 person, and 7 from each state. Trade unions are represented by only 6 persons, 1 is left for those 30 % that are not represented. But they cannot agree among themselves on who to send to the

Tripartite Council. In terms of the company level, if there are large companies, social dialogue is on a very high level both in terms of quality and quantity. If agreements include everything that is related to the work pay, premia, work procedures, employee encouragement, that these contracts are high quality, and once they are read by Scandinavian partners, they say that we have achieved a lot, and in some areas we have even left them behind. But these include large company agreements, e. g. that of Ignalina Nuclear Power Plant (we negotiated for a year on this one), “Švyturys”, “Philip Morris”, “Utenos trikotažas”, Kėdainiai “Achema”, Jonava “Azotas”, “Klasco”, “Nafta”, etc. However, looking at the small sector, there is no social dialogue. There are also no trade unions in banks (there are only work councils). The qualification of trade union representatives and the level of their knowledge have changed significantly after various trainings. Where there is a high level trade union in a company, it hires economists, lawyers, and other specialists. They even complete an economic evaluation of companies as analysts. In terms of Works Councils, their influence is very limited. They do not necessarily have to be registered, we do not know where they are and how they are doing. E. g. trade unions have to be registered in the Register of Legal persons. But due to works councils we see some perspectives. We have compiled a module of works council training to learn about collective agreements and what is a social dialogue. There were only several cases during the entire period of independence, where Works councils grew into trade unions. Works councils have to be established by the very employees, but honestly, in fact they are often created by employers so that there is somebody to sign collective agreements with. I think the funds of the European Union for social dialogue have been very beneficial. Those funds were meant for a tripartite dialogue to encourage it in the regions, for education about the trade union activities, they were not meant for collective agreements. In most of the regions, tripartite councils are now functioning successfully, e. g. in a region that I do not want to mention, trade unions agreed with the employers on the minimum wage limit so that the salaries of the newly arriving employees in that region are not dumped. I think that due to the EU funds we stabilized the membership since it was falling significantly before this.

According to the statistics of 2014, one can state that the number of trade union members reached 9 per cent, and the number of those covered by collective

agreements is 15 %, however, in 2015 once the collective agreements have been signed, the latter number should significantly increase. First of all, in the area of education an agreement is signed, this alone will increase the figures, not to mention the system of internal affairs, the chemistry industry, etc. The objective of collective agreements is to solve the issues of the collective work pay, work safety and social guarantees. We offer for those using the achievements of collective agreement to contribute to the preparation of the collective agreement, to pay a collective agreement support fee, which is smaller than the trade union membership fee.

A good example: a trade union was established in one regional company, and the employer insisted on closing the trade union, or else he would close the company. And so the employer paid the activists of the trade unions large severance payments, and they quit their work, left the company in peace, and taking care of their colleagues who were working in that company. LTUC was not stubborn, the unemployment level in that region was not significant, and that is how it all ended.

In the company of “Kipronas” microschemes, which is of Lithuanian-Norwegian capital, a person who was not a member of the trade union, but was a regular employee, was included into the board by the employers. Subsequently, he was included into the board of the Norwegian concern.

A bad example: having worked as specialists for trade unions, and once they get a stamp – they are either rebought by employers and confronted against the trade unions, or else they have to go to work for the public sector.

Membership fee and economic-commercial activity are our financial resources. Everything else, e. g. EU funds, as auxiliary measures, are meant to achieve certain objectives. We have not received anything from the government for a long time, and the funds of the European Social Fund are as a measure to achieve better results, for the work pay from them a very small amount is allocated, and it is said that they cannot be allocated to finance operations.

#### **4. Arlauskas (Director General of the Lithuanian Employers' Confederation for 14 years)**

Due to economic crisis, the level of social partnership in Lithuania has fallen, and its resources have decreased due to a number of reasons, e. g. self-employment of youth. Only approximately 15 per cent of the entire business participates in associated structures. LEC participation is also constrained due to the lack of resources since it is difficult to persuade entrepreneurs. It is easier for me personally to participate since I am the head of several companies. In terms of external influence, in 2004, as Lithuania acceded the EU, the Social Fund shared their experience. On the governmental level, social partners were supported, common points were sought. After the economic crisis, as the support from the European Social Fund decreased, there were not so many enthusiasts, everyone remained in their interest group. “We close ourselves in our trench”. The further, the more opportunities social partners lose to collaborate with each other. And the government predominates. In terms of trade unions, it would seem that they are weak but in fact they are not – they have a strong material basis – they are given the property which once belonged to everyone. Some of the trade unions develop their commercial activities and they live on them. They consider representing their electorate to be a secondary issue, which is not a vital task for them. E. g. the chairman of the Lithuanian Trade Union Confederation Černiauskas was defeated in the election of the Seimas. Employers give a very small part of their capital to social partnership. Nobody wants to contribute to the common good, everybody asks individually “What do I get from this?” How many people would be able to analyze the new social model? Trade unions at least can hire lawyers, whereas employers cannot. A significant role is played by the Lithuanian Business Council, which consists of the Lithuanian Industrialists Confederation, the Lithuanian Employers' Confederation, the Investors Forum, the Lithuanian Chamber of Trade, Industry and Crafts. Thanks to this chamber, we try to align the interests of business, since in the areas of production or services these interests differ a lot. An agreement in the area of economy has to be reached since in Lithuania “we have only a labour market Tripartite Council”. Talking about the past, the National Agreement of 2008 played a significant role in managing the crisis, and it was followed by a regress. After 2008 we have only been fighting back. Even the current clarification of the Lithuanian

Business Employers Confederation into the Lithuanian Employers' Confederation means that “we have to focus more on the interests of the employers”, since business “does not have a significant authority”. Employers are mostly focused on gaining profit, and one should consider the human factor as well. Not every honourable businessman may be an employer. Business associations in Lithuania do not get any external support; in this regard they are not equal players. As social partners, they would also like to get support from their employees to improve their skills, for the preparation of the draft legislation, learning languages, analysis of the economic processes. The Lithuanian Employers' Confederation gave significant attention to the work safety and health. It initiated the law on social initiatives so that subscription to the gyms, long-term scholarships are not taxed, took care of social insurance. National agreements of 2008 and 2009 could be called good practice, as well as informal communication and sport relations during the term of office of the Kirkilas government. The best foreign practice could be noticed in the national agreement of Ireland of 1980, in the initiatives of the employers in Portugal and especially the Netherlands (when stabilizing the economic crisis). Most of the Lithuanian initiatives on the national level are only an imitation and reminds of the chaotic selection, for instance, the State Progress Council creation on the State Progress Strategy “Lithuania 2030”. I do not think that the new social model will be approved by the Seimas before election, and it may be significantly amended. I think none of the governing members of the Seimas from Lithuanian Social Democratic Party has read it.

##### **5. Rainys (Director General of the Executive Directorate of the Lithuanian Industrialists Confederation and Vice-President for 7 years)**

For the past three years the Tripartite Council has changed a lot as part of the organizations representing business increased – the Chamber of Commerce, Industry and Crafts joined along with the Chamber of Agriculture. Tripartism is better than the ECOSOC offered by LBC President Sutkus since it better to fight in words than have strikes on the streets. Tripartism covers a number of areas – work safety, pension issues, etc. It involves very intensive work. There are numerous alternatives for ECOSOC here: the Lithuanian Council of Small and Medium-Sized Business, the Investors Forum, the State Progress Council, various interdepartmental groups,

programmes and commissions – I cannot imagine that ECOSOC could be any more advantageous and cover everything. Beside this, LIC and LBC members intersect in a number of areas, i. e. they are members of both organizations. ECOSOC exist in South Europe, and not North Europe, whose development is faster. However, Sutkus is right, and I also think that there should be a certain rotation of the members of the Tripartite Council. I think that there is a certain hurry with regard to the adoption of the new social model before it is aligned with the trade unions. On 10 September trade unions are planning to have a demonstration with regard to the social model with 3,000 people. I think that the chairperson of the LTUC Černiauskas is right and one can consider separate parts of this model, e. g. the problem of severance benefits for pensioners. These benefits may be paid in a longer period of time. In this way, the implementation would be acceptable for all the parties, i. e. the government, the employers and the employees. The Labour Code should not be the object of “street market”, there should be political will involved, and tripartism is really necessary in this regard. During the past three years the best practice was the procedures of regulating industrial disputes, which was approved by the Tripartite Council. An Industrial Dispute Resolution Commission was established under the State Labour Inspectorate. Since until then the number of disputes was huge and everything was resolved in courts and via lawyers, this would take long and would cost a lot. Now a pre-trial dispute institution has been established, and tripartite commissions were established in greater cities, and it is led by a representative of the Labour Inspectorate, however, employers also take part in it, as so do employees. The percentage of resolved issues (or issues related to payment of salaries and arguments) is 95 %, and the remaining 5 % get to courts and they are approved. This is a huge achievement and undoubtedly an example of the best Lithuanian practice. I would like to criticise the government for sending lower rank officials to the Tripartite Council, who do not even have authorization. A typical example is when the government handed in the draft new social model without an approval of the Tripartite Council, and now it is struck. Apart of the national Tripartite Council which has the biggest influence for social dialogue, there are commissions, and of those the Labour Safety Commission works especially well. I think that the rotation of the Tripartite Council should be more operative, taking into consideration the change of all the partners and the grievance of those who did not get in there. We know the experience of foreign countries, and we are interested in it. During the Lithuanian

Presidency to the Council of the European Union, we were at the forum of the European social summit, and J. C. Juncker had called a new initiative “A New Start for a Social Dialogue in Europe”, and we also actively participate in the “Business Europe” activity. One needs to be more concrete and talk about the ILO (International Labour Organization), where the experience of Denmark and Germany is important. “Bundes Deutschen Industri” and “Bundes Deutschen Arbeit” are operating in Germany, which are based on the pyramid of employers, whereas here the number of organizations we have is significantly higher, and they split the power. In terms of rotation, as we started working with the ILO in Geneva after 4 or 5 years, there is nobody to properly take care of the international issues. The function of the employers in Germany and Denmark is connected and individual persons specialize in the area of the conventions created under the ILO, etc. The International Organization of Employers (IOE), during which one could operate and seriously undertake the operations. And the function of the employers here is split and as you can see from Sutkus, there are attempts to split it even more.

The sources of activities of our organization are a membership fee, projects, additionally earned revenue from events, awards. Reinforcement of the organization is only feasible by involving ordinary members, members of the social committee, external academics, we, as a confederation, may allow specialising on the issues of social dialogue only a specific individual person.

## **6. Prof. Gruževskis (Director of the Labour Market Research Institute of the Lithuanian Social Research Centre for 10 years)**

During the past 3 years there was an overall trend of liberalizing industrial relations in Lithuania. Public discussions would be either on the reduction of the work time setting, or on the cutting the holiday time, or on the reduction of the severance payments. Before the crisis the dominating principles were those of “flexicurity”, and they were echoed until 2012, whereas after the crisis the principles of “flexibility” were predominating. There was a tendency of moving towards collective agreements – the very trade unions talked about them more. There were attempts to improve the trade unions – to raise their competence, to train, to conclude sectoral agreements, there were requirements to differentiate minimum wages on the sectoral level, etc. The

crisis revealed the simplicity of the social dialogue in Lithuania and the low quality organization of it. There was a significant increase of unemployment – in two years it increased threefold. After one of my presentations on the deterioration of the unemployment situation in one of the events, the French social insurance specialists stated that this was merely impossible. Nowhere was such deterioration noticed as in Lithuania – not even in Latvia, and the unemployment social insurance measures did not protect people. One should note that the activity of social partners at that time did not increase at all – there were no strikes, no other campaigns. Traditionally, increase of unemployment causes the fact that social partners become more proactive, but this was not the case in Lithuania. As the work pay decreased due to the deterioration of work conditions, the negotiating capacity of the employers with the employees decreased. Shrinking business reduced the activity of the employers. Especially negative influence on the social dialogue was made by the shrinking of the large and small enterprises in Lithuania. Overall, their number is decreasing, and part of them is shrinking. Large companies were the basis of social insurance, there were a number of employees in them, and their failure reduced the social insurance space. Currently, the system of the social partners remains stable. During the past three years no new actors emerged. After the election of the new President of the Industrialists Confederation Dargis the activity of the Lithuanian Industrialists Confederation increased, including social dialogue. The direction of the Lithuanian Confederation of Industrialists did not change significantly – they are more in favour of liberal decisions, but they more often support the measures offered by the trade unions, and they are more flexible in discussing the issues of work conditions and work remuneration with the trade unions. The Lithuanian Confederation of Industrialists for the second time supported the intentions of trade unions to increase minimum wages (for the first time in January 2015, and for the second time in July).

The main mechanism on the national level in aligning the interests of the employers and trade unions remains the Tripartite Council. In 2012-2015 the Tripartite Council became very proactive and started solving real tasks. All the amendments of the Labour Code, changing the minimum salary, the issues of work time, holidays, days off (bank holidays) were considered in the Tripartite Council and the position of the social partners was taken into consideration. The mass media constantly presents the work results of the Tripartite Council, analyzes the disputes. Another level is

negotiation in the companies, however, their activity after the economic crisis of 2008-2009 was significantly reduced, and the practice of the employers and trade unions in the case of strikes in the court were significantly different. This largely restricted the opportunities of trade unions to express their dissatisfaction with employers, by disapproving their opinion and boycotting their companies on the level of negotiation. According to the number of strikes and activity of trade unions on the company level, Lithuania is among those lagging behind in the entire European Union. However, industrial relations very much improved upon the establishment of Labour Dispute Commissions in the State Labour Inspectorate. However, the domination of employees, which is restricted in other countries, is clearly seen and felt in Lithuania. An example of this may be a widely known case in Lithuania of the “Krekenavos agrofirma” employee’s Dalia Budrevičienė’s defence of her rights against the manager Viktoras Uspaskich, where upon the publication of the case about payment of wages in envelopes, the case not only failed to receive an adequate support from the society but also ruined her health. The most important thing for Lithuania today is restriction of total domination of employers in the domain of public governance. The development of social dialogue and progressive policy lacks employers’ interest and motivation. The position of the employers shows the trade union initiative which is suppressed by the legal and economic measures, their low level of organization and lack of administrative capabilities. Therefore, contemporary European Union practice is usually not suitable for Lithuania today and they may not be adopted here. For Lithuania, more suitable practice would be those of Bulgaria, Romania. One should be more oriented towards the experience of Europe of 1950-1960, where a consensus of the employers and employees relation was reached, on the basis of which the culture of the corresponding social dialogue was developed. The opportunities of employers and social dialogue in Lithuania are different – a low level social dialogue predominates on the level of companies. Alongside this, there are approximately 10-15 per cent of companies (employers) in Lithuania, developing a socially responsible business, implement social obligations, effectively develop industrial activities. Therefore, for the analysis of the overall situation of the social dialogue one needs to remember its dualism, even though the predominating level of the social dialogue culture is low. The strongest social dialogue is on the macro-level, on which the Tripartite Council is operating. In Lithuania, it would be expedient to reinforce the social dialogue on all levels.

Currently, there are more and more discussions on the possibility to refuse this system, and to establish an Economic and Social Council (ECOSOC). However, this kind of change is not expedient. The Tripartite Council fulfils the function of merely work space harmonization by not involving nongovernmental organizations separately, and the focus on the issues of work may be significantly reduced. Therefore, it is expedient to establish an Economic and Social Council as an additional institution, by clearly separating the competences of these commissions and foreseeing the procedures of collaboration and exchanging information. In the future, should its work be justified and effective (in approximately 3-5 years) one could consider the possibility of merging them. However, in this stage it is not expedient to abolish the Tripartite Council. The second level is conclusion of sectoral collective agreements. For Lithuania, it would be very useful to develop sectoral collective agreements since they would serve for the purpose of solving three main issues: (1) differentiation of minimum monthly wages; (2) solution of working time issues (e. g. in case of seasonal jobs); (3) with regard to working conditions (in agriculture, construction, etc.). The third level is the activation of the social dialogue of the companies by developing initiatives, increasing organization of participation in trade unions, solidarity of employees. All campaigns in the EU, the US, Canada, which show and direct to employees activity, financial collaboration with other residents according to the principle of work, profession, would be very useful in this period. The indicators of mental welfare, the statistics of suicides, crimes certify about alienation of residents, therefore, the campaigns and measures that would serve for the sake of increasing the solidarity of employees would respectively contribute to the increase of the overall welfare of residents, their mutual support, social proactiveness and reduction of social exclusion.

#### **7. Radišauskienė (Lithuanian Ministry of Social Security and Labour, Director of the Labour Department for 1 year)**

The changes in industrial relations are constant, they are especially intensive now due to the consideration of the new “social model” and the new draft of the Labour Code. Perhaps these changes are not real, but the very fact that these changes are being considered is some kind of progress. In fact, we have a Labour Code, which has been functioning for ten years, but the salaries in the labour market do not

change, in a number of places the wages are extremely low, a big part of employees get a minimum salary, which depends on the political decisions we make. This is especially relevant to budgetary organizations, even though their employees have higher education degrees and they hold certain qualifications. This shows that the situation is not good and something needs to be done.

In the past several years in the area of industrial relations there have been inconsistent, chaotic changes going on. In the case of a crisis, we unsuccessfully attempted to submit a draft of Labour Code amendments, but we failed to agree with the social partners, the project got to the Seimas, but it was never implemented. There have been attempts to agree among the social partners in each period, but an inflexible system of industrial relations shows that the very social dialogue is also “inflexible”. There is no great initiative for a change, we want to preserve what we have, and we do not think about the possibilities to have a higher quality social dialogue, high quality industrial relations so that our employees feel well. The changes are constant, however, they are chaotic, but I hope that with the package of the “social model” they will produce positive impulses. Due to external influence, Lithuania has suffered greatly from the economic crisis, as well as the measures of the Russian embargo applied also had influence for a certain period of time. Even though we fail to notice that the number of employee redundancies is increasing, agreements where employees voluntarily quit their jobs, and fixed-period work agreements are not extended, shows that the situation in the work market is not very favourable. This was conditioned by the economic conditions and international political situation. If we look at the situation in industrial relations, we see a structure that more than 98 per cent of employees are employed according to fixed-term contracts, this shows that we are not flexible in reacting to the labour market changes. There was some kind of stagnation and there was no breakthrough so we need to change something. Our social partners see the government as a very significant social partner but, since they are willing to negotiate with them, they want some kind of regulation. In terms of social partners, in 2005 an agreement was signed on the recognition of social partner organizations. The composition of the participants did not change, except for the fact that in the Tripartite Council, along the Lithuanian Confederation of Industrialists and Business Employers Confederation, the Chamber of Commerce, Industry and Crafts and the Chamber of Agriculture were

established. On the side of the trade unions, we can see the Confederation of the Lithuanian Trade Unions, and its sectors – an especially active Food Producers’ Trade Union, Service Trade Union, Transport sector trade union, “Solidarumas”, as members of the Tripartite Council, and the Lithuanian Labour Federation, which is now falling apart. We offered our social partners to review the list of the partners for the Tripartite Council, since we have organizations that are not part of the Tripartite Council, but they are huge organizations, which are deeply enshrined. The powers of social partners are similar, but if we talk about organizations that do not belong to the Tripartite Council, they do not have a clearly expressed recommendation capacity. It has been offered to create a new platform of social partners, however, the Tripartite Council remains unchanged. A programme for the development of social dialogue for 2007-2011 has been created, the measures financed with regard to the social dialogue for 2007-2013 Structural funds are being implemented. Among the criteria of effectiveness evaluation was the number of company collective agreements in the sector. That period is important because before the project we had only two sectoral collective agreements. Today we have already registered 16 sectoral collective agreements. However, the figures are nice, but there is no content, it is formal. The main problem is shortage of constructiveness and an ability to amicably, reasonably manage and continue the programs. Unwillingness to accept changes, innovations or merely a negative attitude of the society towards anything is to the detriment of social dialogue. Taking into consideration the past meetings of the Tripartite Council, one can assume that we are striving at constructively working and finding a consensus.

The good news is that we are heading towards agreements. When business has certain interests, objectively, they defend their interests, but not as aggressively as trade unions. Beside this, understanding is necessary that one needs to take care of not only one’s own employees but also the persons who register themselves in the labour exchange. In 2010 the representation of the government in the Tripartite Council was reformed, and only representatives of two ministries, however those representing MSSL and the Ministry of Economy and one more staff member of the Government office joined them (or somebody from the Prime Minister’s office). Now the quality has been maintained with regard to the content, but for social partners the level of representation is important, and the directors of departments are not ministers who would represent the institutions previously. Therefore, social partners

express their pretences, they demand a higher level of representation. But our minister of Social Security and Labour comes to the meetings rather often. The former management planned establishing an Economic Affairs and Social Affairs Council (ECOSOC) and expanding the representation of the Tripartite Council, however, this idea was rejected. The good examples, how a way out is found from the worst situations, for example, in the way of previously signed national agreements. With regard to the bad example, I do not want to be subjective since I participated in the creation of the social model, but that is negation, lack of listening, misleading people, manipulating information. If you see that an agreement on certain issues has already been reached on certain issues, they have already been submitted, and afterwards they are manipulated, that is a bad example.

In terms of overtaking foreign experience, it is important what we are aiming at – whether it is a Scandinavian or continental Europe, the model of the Mediterranean Sea, there are numerous examples, and this is a subjective national issue. The traditions are already in place, we need to restrict ourselves to the areas, and we should not consider the project of law on gambling in the Tripartite Council for sure, for the consideration of which perhaps only the Ministry of Finance has experts for, but not social partners for sure. We should improve the quality, since our example is not a bad one. We need to ensure an expert level with the help of independent experts or academics, and sometimes social partners of this level and constructivism do not manage to preserve and they are short of arguments.

## **8. The best example of Lithuanian practice – the Labour Dispute Commission**

### **Čepas (Chief Inspector of the State Labour Inspectorate for 1 year)**

The amendments of the Labour Code with regard to the new procedures of individual labour dispute settlement, which came into effect on 1 January 2013, have basically amended the basis of such dispute settlement. As a result of such amendments, settlement of industrial disputes has become an effective legal instrument in defending both the rights infringed of the employees and employers, their interests and enshrining social peace in individual companies, institutions and organizations. The defence of industrial disputes has become fast, cheap, effective and unbiased. The most important feature of the amendments is active participation of social

partners in the decision making of industrial dispute commissions. This means a new stage of social partnership, where social partners (representatives of employers and employees and state institutions) identify by their joint work the possible focus of social tension, disseminate the good practice of industrial dispute commissions in the regions, do a lot of work in the prevention of labour law infringements.

### **The new social model – is this practice good or bad?**

In autumn 2014 independent experts – academics from Vilnius University, Mykolas Romeris University and the Social Research Centre and the staff of the Ministry of Social Security and Labour - completed the preparation of the new legal-administrative model of industrial relations and state social insurance, which was commissioned by MSSL, one of the four parts of which were dedicated for the new Labour Code<sup>8</sup>. The new social model was for several months in the stage of consideration by the society and social partners in the Tripartite Council, and nobody knows how many amendments will be made in Seimas in the final version and when it may be adopted. In its initial version, the new social model was greatly influenced by huge influence of neoliberalism, in whose “flexicurity” features a much greater significance was determined by the relations of flexibility rather than employer’s security. With regard to the new social model in public, especially from the trade unions side, there were a number of evaluations, which were more or less criticized.

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<sup>8</sup><http://www.socmodelis.lt/trisaleje-taryboje-pristatytas-sadm-inicijuotas-socialinio-modelio-projektas/>

## CONCLUSIONS

- (1) The history of Lithuanian trade unions dates back more than a hundred years back. After the restoration of independence of Lithuania in 1990, three Lithuanian trade union confederations – that of Lithuanian Trade Union Confederation, “Solidarumas” and Lithuanian Labour Federation (currently falling apart), both of enthusiasts and activists, both supported by foreign organizations and funds, enshrined in the Tripartite Council, which became the main platform in the area of social dialogue and industrial relations on the national level. In the Tripartite Council Lithuanian trade unions are represented by 7 members.
- (2) Employers in Lithuania are represented in the Tripartite Council by four organizations – the Lithuanian Employer’s Confederation, the Lithuanian Confederation of Industrialists, Lithuanian Chamber of Commerce, Industry and Crafts and Lithuanian Chamber of Agriculture. Employers in the Tripartite Council are represented also by 7 members.
- (3) Other trade union confederations as well as other employers’ associations are not part of the Tripartite Council. The government of Lithuania is represented in the Tripartite Council also by 7 representatives. Employers and trade union members also complain that recently the Government increasingly more often is represented not at the level of ministers, but at the level of lower rank officials, who do not have authorizations to take decisions.
- (4) The split of both employers and trade unions is specific to Lithuania. In practice, it often turns out into an unnecessary, surplus competition, which reduces the authority of associations and does not help to attract new members. Especially resuming one’s relations and arguments are to the detriment of trade unions, which have problems to withstand the attacks of neoliberalism and large capital.
- (5) Both the leaders of the trade unions interviewed, and the heads of employers’ organizations complained that trade unions and employers do not have a proper support and authority in the society. Therefore, naturally the question arises as to who in Lithuania does have authority?

- (6) The greatest achievements have been reached by the social partners on the national level, and smaller ones – on the level of local companies, and the least has been achieved in the middle, i. e. sectoral level. Tripartite councils exist on the regional level, too, under the State Social Insurance Fund Board, under the State Labour Exchange. In total, the tripartite social dialogue during the several years of crisis and exit it, one can describe it as the one that significantly reduced the consultation mechanisms with regard to the austerity measure dictate from the government.
- (7) Only about 8-9 per cent of the employed belong to the trade unions of the country, and according to calculations, collective agreements covered approximately 15 per cent of employees in the first half of 2015. A breakthrough is expected in the nearest future in the area of trade union sectoral agreements, since former sectoral agreements, as well as national agreements between social partners were more of a formal content. The most proactive activity of the trade unions is recorded in large companies, however, their activity is hardly noticeable in medium-sized and small companies and institutions. Most of employees are afraid to establish trade unions of their organizations and to participate in their activities due to the self-will of the employers, and this is largely related not only to the private but also to the public sector, not only local but also foreign capital companies.
- (8) The best example of the Lithuanian practice in the area of industrial relations should be considered the creation of the Labour Dispute Commissions under the State Labour Inspectorate. Labour dispute settlement has become an effective legal instrument in defending both the employees' and employers' rights infringed, their interests and enshrining social peace in individual companies, institutions and organizations. The defence of industrial rights has become faster, effective and unbiased.
- (9) In autumn 2014 independent experts, i. e. academics of Vilnius University, Mykolas Romeris University and the Social Research Centre and the staff of the Ministry of Social Security and Labour completed the new preparation and legal-administrative model of industrial relations and state social insurance, which was commissioned by the MSSL, one of the four parts of which was dedicated to the new Labour Code. The new social model was for several months in the stage of consideration both by the society and social partners in

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the Tripartite Council, and it is not clear how many amendments in the Seimas will be made in the final version and when it would be possible to adopt it. In its initial version, the new social model was greatly influenced by the neo-liberalism, whose “flexicurity” features were much more influenced by the aspects of flexibility rather than employees’ security.

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