

# Newsletter

LEAD E.I.L.

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## IMPORTANT ISSUES ABOUT CONSTRUCTION INDUSTRY IN THE BALTIC STATES

On 10 May 2018, the signing of the General Agreement (General Agreement) on the establishment of minimum wage in the construction industry in Latvia was initiated. By now more than 170 construction companies with total turnover of ~85% of the necessary quorum (EUR 713 million) for the conclusion of General Agreement have signed it. In accordance with the provisions of the General Agreement, the minimum wage for construction industry will be set which will significantly exceed the current minimum wage in the country. Additionally the General Agreement provides specific rules relating to overtime pay. In Lithuania and Estonia such general agreements are not concluded and the minimum wage in all sectors of the national economy, including construction industry, is the same.

### MINIMUM WAGE

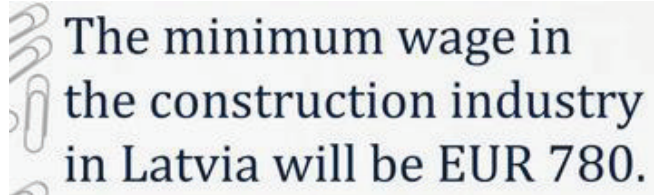
From 1 January 2018, the minimum wage in Latvia is set at EUR 430 which is slightly more than in Lithuania (EUR 400) and less than in Estonia (EUR 500). If the General Agreement enters into force, minimum wage in the construction industry in Latvia for employees with normal working hours will be EUR 780 per month. Furthermore, minimum hourly rate of EUR 4.67 will be set as well. In Lithuania and Estonia, the minimum hourly rate for all sectors of the economy is respectively

	LV	LT	EST
Minimum wage	780,-	400,-	500,-
Minimum hourly rate	4,67	2,45	2,97

EUR 2.45 and EUR 2.97. Certain transition period may also be set for the adaptation of the minimum wage and hourly rate according to the provisions of the General Agreement. Namely, during the first six months when the General Agreement enters into force, an employer is entitled to set a minimum wage of EUR 650 and an hourly rate of EUR 3.89.

### PAYMENT FOR OVERTIME

In Lithuania and Estonia, the payment for overtime compiles 150% of the salary. An employee in Latvia receives an overtime payment – at least 100% of his or her hourly or daily payroll rate. However, amendments to the Labor Law are currently in legislation phase in Latvia. These amendments provide the right to set a smaller payment for overtime work if in accordance with the legal requirements a general agreement has been concluded in the relevant sector, and if the

The minimum wage in the construction industry in Latvia will be EUR 780.

general agreement stipulates a substantial increase of the state minimum wage or hourly wage rate in the sector. The project of the said law, among other, provides that the payment for overtime may be set to at least 50% of the employee's defined salary. The construction industry wants to take such an advantage and the General Agreement includes provisions of the overtime payment to be 50% of the defined salary. Consequently, the application of such provisions of the General Agreement depends on the adoption of the referred amendments to the Labor Law.

### ELECTRONIC TIME TRACKING SYSTEM (EDLUS)

The construction industry in Latvia has a high share of the shadow economy and it requires effective solutions that would be binding on all players in the industry. The implementation of EDLUS (from 01.10.2017) together with the conclusion of the

## In Estonia, the minimum wage for all sectors of the economy is EUR 500.

General Agreement creates a powerful mechanism for combating the shadow economy in construction industry, reducing cheating on working time accounting and payment of salaries in envelopes. This will foster fair competition and ensure more effective supervision of construction companies in the areas of employment and taxes. In Lithuania the average salaries in each company are disclosed publicly every month. Therefore all interested parties can compare salaries paid in different companies. If wages differ significantly, payment of wages in envelopes can be suspected. In Estonia the tax authority is disclosing on its website the amounts paid by taxable person in total on a quarterly basis and the number of persons performing work under the employment register.

within ten days as from the date of the suspension or termination.

There are no specific requirements for working time in Lithuania that would apply directly to the construction industry. In accordance with law, employers must keep records (process data) of the working time of employees, except when the work time of an employee does not vary. Working time records may be processed by filing forms approved by the employer itself. Records may be processed electronically as well.

## In Lithuania, the payment for overtime compiles 150% of the salary.

	LV	LT	EST
Payment for overtime	50%	150%	150%

EDLUS in Latvia is obligatory on every construction site when the construction works of the third group buildings are performed or if the amount of construction works is EUR 1 million or more.

The workers employed on a construction site can be registered using freely customized devices or IT solutions that ensure the identification of individuals and the recording of working time. These can be, for example, complex access time tracking systems with card solutions, chips, biometric recognition systems or mobile solutions.

In Estonia such electronic timetable system is lacking. Working time records are kept by the register of employment. The employment register is maintained to ensure the performance of functions imposed by law. Employer is required to register its employees in the employment register and indicate the commencement, suspension and termination of work as well as the type of employment in accordance with tax laws. The commencement of work must be registered at the latest by the actual start of work. The suspension and termination of employment shall be registered

### SUMMARY:

- Upon reaching the required quorum of EUR 713 million (50% of the total turnover of the construction industry), the General Agreement on minimum wage will become binding on all construction companies in Latvia.
- The General Agreement and profitable overtime pay rules are precondition that may encourage many construction companies to move from the gray sector to white.
- Within Estonia and Lithuania the fight against the shadow economy in construction industry takes place by publishing information on wages, paid taxes and the number of employees.

*\* Note: all amounts mentioned in the newsletter are given in gross.*