

FOREIGN INVESTORS' COUNCIL IN LATVIA



POSITION PAPER
on
HUMAN CAPITAL

Position Paper No. 2



26.09.2024



EXECUTIVE SUMMARY

The skills of a population, their willingness to engage in continuous education/training, work culture and the availability of a labour force are critical factors in determining the competitiveness of an economy. Undoubtedly, the availability of a skilled labour force is the key consideration for investors and entrepreneurs when deciding where to commence business activities. For Latvia, one of the main challenges that hampers economic growth is its relatively low productivity (below the EU average¹), which is related to promoting the upskilling of the labour force in line with the future job trends.

According to the IMD Global Competitiveness Ranking 2024, although Latvia has improved its position over the last year, namely from 51st to 45th place, it still lags behind its neighbouring countries, which rank closer to the top 30. Employment-related indicators are among the key drivers behind the continuously poorer performance in the ranking.

This underlines the urgency of addressing the labour market and human capital issues to enhance Latvia's economic competitiveness,² which has been frequently pointed out by the foreign investors, as they have seen no tangible progress over the years.³

FICIL advocates for a dual approach to address labour force challenges, which focuses on both immediate and near-future human capital scarcity, and on implementing more long-term and comprehensive policies that are expected to enhance the skills of the entire labour force. In times of labour force shortages, it is critical that the government ensures the high quality of the healthcare system, but also provides an effective sick leave administration system to prevent abusive practices. In case the latter is not successful, significant costs will be incurred by employers and the government.

1 On medium- and long-term labour market forecasts until 2040 ([link](#))

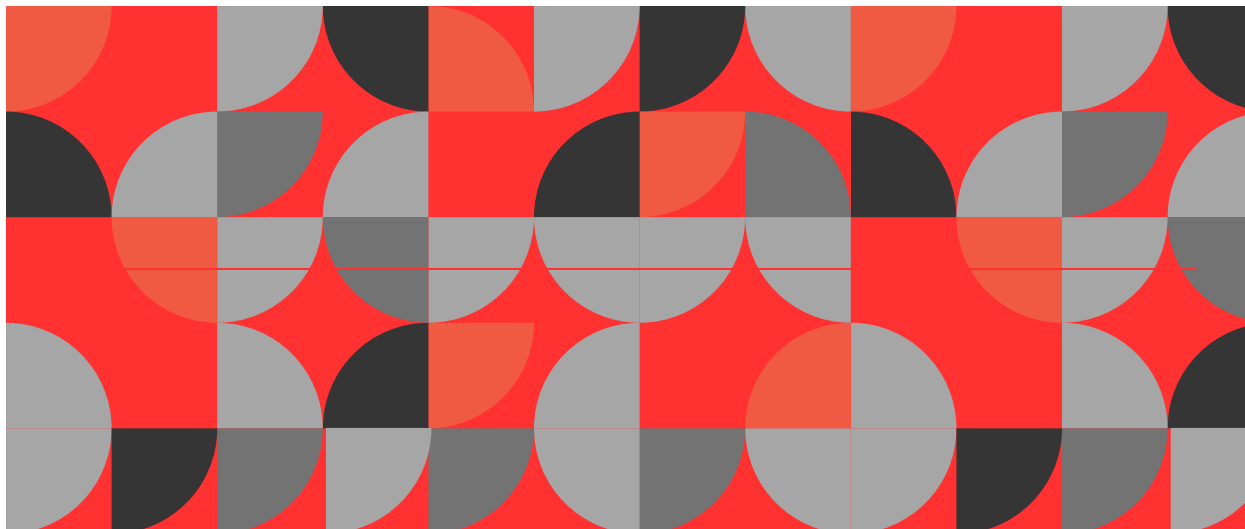
2 IMD Latvia competitiveness ranking ([link](#))

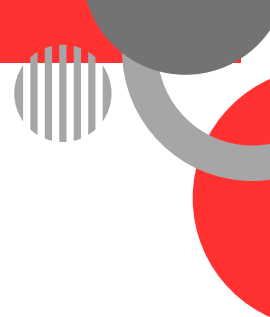
3 FICIL Sentiment Index (2023). Foreign investor opinion about investment climate in Latvia for the last 12 months ([link](#))



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RECOMMENDATIONS

REFINE GOVERNANCE

- | Ensure effective implementation of the "Human Capital Development Strategy 2024-2027" and assign the responsibility for driving its implementation to the Human Capital Development Council.
- | Allocate a sufficient budget for the Human Capital Development Strategy.
- | Address the fragmented governance in adult education and the requalification policy.

ENHANCE THE AVAILABILITY OF LABOUR

- | Improve the availability of labour by amending the Labour Law and make the employment arrangements more flexible.
- | Develop a strategy for attracting foreign labour and adjust relevant regulations to streamline their integration into the labour market.

FOSTER UPSKILLING AND REQUALIFICATION OF HUMAN CAPITAL

- | Establish a regular review process for the higher education reform that adjusts policies, if necessary, and monitors whether the set goals are being achieved.
- | Align national strategic priorities with that of professional education to ensure the availability of a skilled labour force that matches labour market needs in the mid- to long-term. Collaborate closely with the private sector to identify solutions related to the quality of teaching, teacher availability and compensation.



RATIONALE FOR RECOMMENDATIONS

REFINE GOVERNANCE

| Ensure effective implementation of the "Human Capital Development Strategy 2024–2027" and assign the responsibility for driving forward its implementation to the Human Capital Development Council.

Over the past years FICIL has reviewed various versions of the Strategy, designed by the Ministry of Economics. While some improvements have been made over time, FICIL suggests further amending the governance section of the Strategy to indicate a single institution that will drive forward and oversee its implementation, and describe the monitoring system in detail.

FICIL recommends assigning the Strategy implementation to the Human Capital Development Council. The Council, represented by the Ministries of Education and Science, Economics, and Welfare, at the highest political level, has the mandate to set goals and enforce decisions.⁴ We suggest enhancing the Council's decision-making capability, for instance, by allowing them to take decisions by a majority voting principle.⁵ In addition, FICIL welcomes permanent membership of the key stakeholders in the Council in an advisory role, as this is expected to stimulate more successful implementation of the Strategy.⁶

| Allocate sufficient budget for the Human Capital Development Strategy

In order to achieve the ambitious goals outlined in the Strategy, including upskilling over 50,000 people in the coming years, it is crucial to allocate sufficient funding. The Strategy's current version lacks details on the total budget planned for each stream of action and for specific activities. This is a worrying sign, since insufficient funding is likely

to jeopardise successful implementation of the Strategy.

For years, the OECD has highlighted a lack of sufficient national financial resources devoted to active labour market policies,⁷ while the EU structural funds have been used as a key source for implementing various education/training activities. Such an approach is not effective or sustainable, as investments in human capital are investments in the country's future.

There are many public discussions about the current budgetary constraints and the likelihood of negative fiscal space.⁸ This raises serious doubts about sufficient resource allocation for the Strategy implementation in the future planning periods. **FICIL urges the government to make human capital development a national priority, thereby allocating adequate national funding for the Strategy implementation, and to include a section in the Strategy that presents calculations on the total requested budget, detailing resource allocation under each stream of action, and for specific activities.**

| Resolve fragmented governance in the requalification policy.

FICIL calls for the abolition of fragmented governance over adult education and the requalification policy, advocating for a corresponding mandate of each responsible public authority, while ensuring that leadership is assigned to a single public authority. **FICIL, together with the State Audit Office, has long highlighted the need to eliminate function duplication in the governance of adult education between the State Employment Agency (NVA) and the State Education Development Agency (VIAA).⁹** However, it remains unclear what changes are being planned to address the issue, and to streamline retraining and adult education. FICIL believes that

⁴ Cabinet of Minister rules 290. Section 2.2

⁵ Regulation of the Human Capital Development Council ([link](#))

⁶ Amendment to the Cabinet of Ministers Regulation No. 290 of June 6, 2023, "Regulation of the Human Capital Development Council" ([link](#))

⁷ OECD "Economic Survey of Latvia 2024" ([link](#)), page 59

⁸ Minister of Finance: The situation with next year's budget is tense; the fiscal space threatens to be negative ([link](#))

⁹ Does adult education achieve its set goals and meet the needs of the labour market? ([link](#))



merging several working groups into one Adult Education Coordination Commission might not address the existing overlap of functions.

Among the positive developments in this regard is the establishment of the State Education Content and Innovation Agency, which will consolidate various functions and reduce the fragmented approach in the education policy.¹⁰

FOSTER UPSKILLING AND REQUALIFICATION OF HUMAN CAPITAL

I Establish a regular review process for the higher education reform that adjusts policies, if necessary, and monitors if set goals are being achieved.

The recent higher education reform in Latvia marks a significant shift towards a more inclusive and efficient system, aimed at prioritising the development needs of Latvia over institutional goals. This transformation encompasses several key aspects: changes in governance to emphasise the strategic goals of Latvia, a revamp of academic career paths through the promotion of tenure-track positions for the new generation, a flexible funding model that empowers institutions in program support and fund allocation, and a strategic consolidation of institutions to enhance their capacities. Whilst these reforms present a progressive blueprint for higher education, their implementation has not been without challenges.

One of the primary hurdles is the current level of funding available for higher education, which remains insufficient to fully support the ambitious objectives of the reform. As of 2022, the government's total expenditure on tertiary education was slightly above the EU average (0.9 vs 0.8), according to the European Commission.¹¹ However, it was below that of other countries in the region (Estonia, Finland and Sweden), with which we compete on labour attraction and investment. Additionally, the pace of institutional consolidation has been slower than anticipated, with the number

of state-run higher education institutions decreasing from 29 in 2020, to 23 in 2024.


This slower pace potentially hinders the intended strengthening of university capacities. Moreover, the reforms have yet to yield visible short-term benefits, causing scepticism among stakeholders and the general public. In terms of internationalisation, Latvian higher education institutions have shown significant efforts, but still face challenges. According to the Times Higher Education rankings, Riga Technical University (RTU) and the University of Latvia (LU) rank within the 1001–1200 range in the 2024 World University Rankings. This indicates a growing recognition on the international stage, albeit with room for improvement in global competitiveness and visibility. According to Times Higher Education, Latvian institutions have also been declining in their scores for ranking in the STEM fields, such as Computer Sciences, Life Sciences, Physical Sciences and Engineering.¹² Furthermore, during the last four years the comparative performance of Latvian institutions at global level has been worsening in important areas connected with innovation, such as patents and research excellence. These statistics underline the need for effective and immediate measures to enhance the attractiveness and support systems of Latvia's higher education.

Given these challenges, **it is crucial to recommend the establishment of a regular review process for the reform.** This process should actively involve all main stakeholders, including government representatives, educational institutions, industry partners and civil society. Such inclusive reviews would allow for the discussion of necessary adjustments and the identification of emerging issues, ensuring that the reform remains responsive and effective. The reform of higher education in Latvia serves as an example of the power of consensus-driven change, having been the product of dialogue among government, educational institutions and industry. **To sustain this momentum, it is vital to foster continuous and regular discussions on the reform process.**

¹⁰ The Ministry of Education and Science has developed a solution for the growth, support, and development of children, youth, and adults' abilities and talents ([link](#))

¹¹ Eurostat (2022) "Government expenditure on education" ([link](#))

¹² Presentation by the Times Higher Education "Latvia - Ranking Performance" in April 2024



Align national strategic priorities with that of professional education to ensure the availability of a skilled labour force that matches labour market needs in the mid- to long-term. Closely collaborate with the private sector to identify solutions related to the quality of teaching, teacher availability and compensation.

Professional education (vocational education) plays a crucial role in driving forward economic growth and fostering innovation. It equips individuals with the practical skills and knowledge required for specific occupations, leading to increased employability and higher earning potential. Although it has made positive progress, Latvia is still facing challenges in vocational education. Insufficient funding remains a persistent challenge for professional education and Latvia predicts a significant shortage of people with a specific vocational education.¹⁴ This skills gap threatens to hinder economic growth and innovation, and addressing this challenge requires a concerted effort in order to strengthen and modernise the professional education system.

There is a lack of consensus at national level about the priority sectors or areas where the state should focus on the most. This absence of a clear strategic direction hampers the ability of the Ministry of Education and Science to set long-term priority objectives for professional education, and allocate resources effectively. While businesses can provide a short-term view of the specialists needed for the industry they represent, it is not responsible for setting the state's strategic vision which, in turn, affects the categories of specialists that will be needed in the long-term. **A clear link between the professional education strategy is needed, and should be combined with open and consistent communication between the government, businesses, and educational institutions.**

In their new report on Latvia, the European Commission highlights that investing in upskilling and improving the quality of education, especially vocational education, will remain an important investment priority in the coming years.¹⁵ Although expenditure on professional education (per student) is higher than in the general stream, Latvia's expenditure on staff per full-time student in vocational education is below that of the OECD and even the EU average.¹⁶ **While EU funds have played a valuable role in supporting professional education, excessive reliance on these funds causes concern regarding the long-term financial sustainability of the sector. A greater commitment to sustainable funding from the national budget is necessary to ensure consistent and reliable support for professional education.** Moreover, FICIL believes the current funding levels are inadequate to fully meet the objectives of developing modern, well-equipped facilities and providing competitive remuneration to attract and retain qualified teaching staff, which is a significant challenge in the professional education sector.

In general, Latvia is faced with the problem of recruiting enough teachers, and one-third of the existing teachers in the country are approaching retirement age.¹⁷ Low remuneration, coupled with an ageing workforce, contribute to a growing shortage of experienced educators. **This situation requires a comprehensive review of remuneration structures within the vocational education sector, to ensure they are competitive and reflect the importance of attracting and retaining high-quality teachers. In an environment of limited resources, much closer collaboration with professionals from the private sector (where remuneration for experts is much higher) is critical.**

¹³ CEDEFOP (2023) "Policy brief: Vocational Education and Training" ([link](#))

¹⁴ CEDEFOP (2023) "2023 skills forecast Latvia" ([link](#)), page 9

¹⁵ European Commission (2024) "2024 Country Report - Latvia" ([link](#))

¹⁶ OECD (2023) "Education at Glance 2023" ([link](#)), page 274

¹⁷ European Commission (2024) "2024 Country Report - Latvia" ([link](#))



ENHANCE ACCESSIBILITY OF THE LABOUR FORCE

I Improve the availability of labour by amending the Labour Law, making the employment arrangements more flexible.

FICIL has repeatedly raised concerns about the procedures for granting sick leave and conducting mandatory health checks. These issues remain important considering the current labour shortages and promises by the government to reevaluate the current sick leave certificate payments.¹⁸ FICIL maintains that an accurate assessment of the overall labour market can only be achieved through a clear understanding of employees' genuine health conditions.

AMENDMENTS TO THE LABOUR LAW

- FICIL has long highlighted the need for a **more flexible employment framework**, allowing employers to respond more quickly to changes in demand for labour, creating a more modern legal framework, and making it easier to attract employees. While there is no urgent need for a new Labour Law, given the already established approaches, including case law, the existing Labour Law framework is outdated on some issues, while on others it does not provide sufficient flexibility, specifically for short-term or irregular employment.
- FICIL has prepared its proposals for **amendments to the Labour Law**, which have been sent to the Ministry of Welfare and the Ministry of Economics (Appendix I). According to the reply from the Ministry of Welfare, we understand that quite extensive amendments to the Labour Law are currently being drafted, which partly include FICIL's proposals. At the same time, FICIL would like to stress that, despite the existence of social partners, amendments that concern a very wide range of employers should be discussed with as many employers' representative organisations as possible in order to ensure transparency and a democratic process, and to avoid situations where

amendments have to be revised after their adoption.

- FICIL also stresses the need to discuss the development of a framework for electronic communication with employees, and also the extension of the cases in which fixed-term contracts can be concluded. FICIL positively values the readiness and openness of the Ministry of Economics, as the main public authority for the human capital policy of Latvia, to discuss the improvement of the Labour Law framework. **FICIL therefore calls on the other ministries involved, in particular the Ministry of Welfare, to openly discuss the necessary amendments, engaging a wider range of organisations representing employers.**

I Develop a strategy for attracting foreign labour and adjust the relevant regulations to streamline their integration on the labour market.

While improving the qualifications and skills of the existing labour force is a priority cornerstone of the human capital policy, FICIL stresses that, without attracting foreign labour, the Latvian economy cannot develop, and many companies will be at risk of liquidation, given the current labour force shortages. As has been repeatedly pointed out, it is essential to find solutions for this. Therefore, while **FICIL agrees that Latvia should primarily focus on attracting highly skilled labour, it should also be acknowledged that a number of sectors are suffering from an acute shortage of a lower skilled workforce.** Sectors such as retail, hospitality, logistics, manufacturing, road transport, etc. do not solely need highly skilled labour.

FICIL appreciates the adoption of amendments to the law that now allow foreign workers to be paid according to the average salary in the respective sector, rather than the country's average level, and the elimination of the requirement for foreigners to prove their qualifications in non-regulated professions.¹⁹ However, FICIL would advocate for reevaluating the regulation to allow an exemption for foreign students who have completed their studies in

¹⁸ On the Government Action Plan for the Implementation of the Declaration on the Intended Activities of the Cabinet of Ministers led by Evika Siliņa. Point 029 ([link](#))

¹⁹ Amendments to the Cabinet of Ministers Regulation No. 225 of April 25, 2017, "Regulations on the Amount of Financial Resources Required for Foreigners and the Verification of the Existence of Financial Resources" ([link](#))



Latvia. Often these students have lived in Latvia for more than four years and choose to work in fields related to IT or professional, scientific or technical services.²⁰ As with all entry level jobs, the salary is usually below the industry average. The current regulation acts as a disincentive to employ such foreign students, which has a negative impact on the availability of labour. A revised approach would also be consistent to one of the goals of the "Human Capital Development Strategy 2024-2027" for attracting foreign students (see below).

The introduction of the "Green Corridor", or the simplified procedure for the recruitment of employees in some occupations, is a positive development. At the same time, there are concerns about the proposed requirement for the Latvian Investment and Development Agency (LIAA) to provide an opinion on the recognition of an employer's investment or export project for confirming eligibility to the simplified procedure. In particular, it is unclear whether LIAA will have the necessary capacity and expertise to provide quick and adequate assessments.



²⁰ 37% choose IT and Professional, scientific and technical services as their employment area. According to "Graduate monitoring report, 2022 monitoring year" ([link](#))

There are also concerns about the amendments related to the need for an opinion from the State Employment Agency (NVA) before employing foreigners. Although it has been argued that such a regulation would not prolong the procedure or create further uncertainty in the process, in **FICIL's view, given the current situation of labour availability, it is not objectively necessary to introduce such a regulation, which implies undue subjectivity in its implementation, as the criteria for providing such opinions is not entirely clear.**

FICIL requests considering the removal of the requirement to publish a job advertisement on the website of the State Employment Agency in the first instance, for those companies which have been objectively assessed as "good taxpayers", e.g. in the rating system as category "A" companies. Companies initially look for employees on the local market, therefore recruitment of foreign labour is an exceptional measure, in cases where it is not possible to find suitable local specialists. Therefore, such a requirement is a formality that unnecessarily slows down the recruitment process.

The "Human Capital Development Strategy 2024-2027" contains some proposals on attracting foreign students and Latvian students that are studying abroad, to work in Latvia. However, it should be acknowledged that **there are currently no clear steps towards the introduction and implementation of a broader "smart migration" programme.** Students are not the only target group that should be attracted to work in Latvia. As FICIL pointed out last year, there is a need for common platforms that provide clear, up-to-date information, not only on job opportunities in Latvia, but also on any issues that could potentially be of interest to prospective employees.

APPENDIX I

PROPOSALS FOR AMENDMENTS TO THE LABOUR LAW (LL)

1 PROPOSAL

I Allow zero-hour employment contracts under the current regulations.

Comment. The LL does not currently permit zero-hour employment contracts. On one hand, this would give employers the ability to establish contractual relationships with employees without guaranteeing a set number of working hours, offering work opportunities on a short-term and irregular demand basis. On the other hand, employees could accept or decline specific tasks offered by the employer.

2 PROPOSAL

I Duration of collective agreements.

Article 19. Duration of a Collective Agreement. After the expiration of a collective agreement, its provisions, except for the obligation specified in Article 17, Paragraph 2, Point 1 of this Law, remain in force until a new collective agreement comes into effect, unless the parties have agreed otherwise. Amend Article 19, Paragraph 3 by adding after the words "comes into effect" the phrase "but not longer than one year from the expiration of the collective agreement." Amend Article 140, Paragraph 3 of the Labour Law with the sentence: "If the collective agreement provided for a reference period longer than three months and has expired, the reference period is three months."

Comment. Given that employers face difficulties in negotiating changes to a collective agreement after its term has ended (even if the agreement imposes an unreasonable burden on the company, such as additional tax obligations), Article 19 of the Labour Law should specify that a collective agreement loses its force one year after its expiration if a new agreement is not concluded. This would motivate both social partners to agree on the terms of the

collective agreement. At the same time, to avoid situations where the minimum reference period automatically applies after the collective agreement expires, it should be stipulated that after the expiration of the collective agreement, the reference period is not shorter than three months (or another maximum allowable duration if amended, see subsequent proposals).

3 PROPOSAL

I Overtime compensation.

Article 68. Overtime. Paragraph one of Article 68 should stipulate a 50% overtime pay rate. Paragraph three of Article 68 should allow, through a collective agreement, for the overtime pay rate to be set at up to 20%.

Comment. It is necessary to reduce overtime pay across all sectors of the economy. According to the Collective Agreement in the construction sector, the minimum wage in that sector, starting from January 1, 2024, is EUR 930 (5.57 EUR/hour). Accordingly, the construction sector's collective agreement does not permit an overtime premium of 50%, as stipulated in Section 3 of Article 68 of the Labor Law, because the minimum wage in the construction sector does not exceed 50% above the national minimum wage. Currently, with the national minimum wage set at EUR 700 per month, the sector's minimum wage would need to exceed EUR 1050 per month. Therefore, the labor law in Latvia effectively requires a 100% overtime premium across all sectors. If the actual situation shows that even with a collective agreement, a higher minimum wage is not ensured in certain sectors, there is no justification for such an exception in regulation, and a general reduction in the premium rate should be considered. If no amendments are made to the wording of Section 1 of Article 68 of the Labor Law, it is necessary to amend Section 3, deleting the words "at least 50 percent above the nationally set minimum wage or hourly wage rate."

4 PROPOSAL

I Amend Article 44 by allowing employees to conclude fixed-term employment contracts if they are needed for the execution of a specific agreement or project.

Comment. A legal framework for fixed-term employment contracts should be introduced to make them more flexible. The current legal regulation regarding fixed-term employment contracts (Article 44) is outdated and inflexible. While there is the possibility to conclude fixed-term employment contracts in cases of temporary workload or production volume increases, this does not align with modern economic relations, which are primarily based on the execution of specific agreements and project implementation.

5 PROPOSAL

I Clarify the LL by stipulating that the organization of aggregated working time is acceptable for part-time employees.

Comment. Currently, public sector institutions publicly express differing interpretations and positions regarding the application of aggregated part-time work. FICIL believes that such uncertainty significantly limits the ability of employers and employees to agree on a mutually acceptable working time organization model. Given the contradictory court practices on this issue and differing opinions among legal professionals, it would be necessary to clarify the Labour Law. To ensure the protection of employee rights, a requirement could be set that in cases of aggregated part-time work, a minimum guaranteed number of hours must be specified for the employee, not less than, for example, five hours per week (on average over the reference period).

6 PROPOSAL

I Dismissal of trade union members.

Article 110 (1) An employer is prohibited from terminating an employment contract with an employee who is a member of a trade union without prior consent from the respective trade union if the employee has been a trade union member for more than six months, except in cases specified in Article 47, Paragraph 1, and Article 101, Paragraph 1, Points 4, 8, and 10 of this Law. If the employment contract is intended to be terminated in cases mentioned in Article 101, Paragraph 1, Points 7 and 11 of this Law, the employer shall inform the trade union in advance and consult with it. **Delete this provision from the LL.**

Comment. Despite the 2018 amendments to the Labour Law, employers still need to coordinate the dismissal of trade union members, for example, if they have committed violations or if staff reductions are being made. This article needs to be deleted because all employees should have the same dismissal procedures. Membership in a trade union should not, in itself, be a reason—overt or covert—for preferential continuation of employment or the application of different practices in cases of violations.

7 PROPOSAL

I Article 140, Paragraph 3: Aggregated working time reference period.

By default—three months. In the employment contract—up to three months. In the collective agreement—not longer than 12 months. Specify that in the employment contract, the employer and employee can agree on a shorter reference period or, for example, up to six months.

Comment. This is a current issue, especially for seasonal workers; a reference period of up to three months is too short and does not allow for "balancing" overtime hours. By default, the reference period could be three months. A shorter reference period could be agreed upon between the employee and the employer.

8 PROPOSAL

I Add a new article to the LL:

"During 'standby duty' (standby), the employee must be available at the time and place specified by the employer and must commence work immediately when requested by the employer. In contrast, during 'on-call duty' (on-call), the employee is obliged to ensure constant availability during the time specified by the employer (outside their regular working hours), but may be at a location of their choosing, from where they must engage in work duties as needed. For the time the employee is on standby duty, they are paid their salary, while for the time on on-call duty when not performing direct work duties, the employer pays a supplement in an amount not less than ____."

Comment. We believe that clear national regulation is needed concerning employee availability and flexible working time arrangements, as repeatedly emphasized by the European Court of Justice in its judgments, stating that standby and on-call regulations pertain to national legal norms and should be specified therein. A clear definition of standby duty and on-call duty is necessary regarding the time during which the employee must be at the time and place specified by the employer and must commence work immediately, and when this is not required, as well as the payment terms for these working regimes. Compensation can be in the form of wages or as compensation for working hours. The amount of this compensation is determined by a collective agreement, or a separate agreement concluded with the employer.

Standby duty is the time during which the employee must respond to the employer's call but does not have to be at their workplace; it is not considered working time. During on-call duty, the employee is obliged to ensure constant availability during the time specified by the employer (outside their regular working hours), but may be at a location of their choosing, from where they must engage in work duties as needed.

For example, practices in other countries stipulate that on-call time is compensated at approximately 20% of the employee's hourly rate, and the number of hours per month an employee can be on-call is limited—for instance, in Lithuania, it is 168 hours per month. On-call time is clearly defined from a specific start to end time and is not an abstract period, as during this time, the employee is expected to be ready to perform the employer's tasks, which partially restricts the employee's freedom, and the employer could pay a certain compensation for this restriction.

9 PROPOSAL

I Article 74, Paragraph 2 of the Labour Law:

(2) An employee's obligation is considered fulfilled, and the employer is obliged to pay 50% of the remuneration specified in Paragraph 3 of this article, even if the employer does not employ the employee or does not perform actions necessary to accept the employee's performance (downtime). In the case of downtime caused by the employee's fault, they do not receive this remuneration.

Comment. A mechanism needs to be developed for compensating downtime. Downtime is a period during which the employee is ready and available but is not doing anything productive. Therefore, downtime is sometimes referred to as waiting time.

10 PROPOSAL

I Article 79, Paragraph 3 of the LL:

If the employee had been entrusted with the employer's assets, which the employee has not returned to the employer on the last working day, the employer is entitled to deduct the accounting value of these assets from the employee's payable wages, without observing the provisions of Article 80, Paragraph 1 of the Labour Law.

Comment. Deductions to compensate the employer for damages caused: The employer has the right to deduct from the employee's payable remuneration for damages caused by the employee's unlawful or dishonest actions. Such a deduction requires the employee's written consent.

A mechanism needs to be developed for how the employer can compensate for the equipment previously provided to the employee (deduct from the salary calculation) if the employee does not return the assets (e.g., laptop, mobile device, monitor, chair, etc.) on the last working day.

11 PROPOSAL

Amend Article 70 of the LL: Wages are calculated and paid in non-cash form via bank transfer.

The employer has the right to pay wages in cash only if the employee and employer have expressly agreed to it.

Comment. The current Labour Law has established cash payment as the primary method of wage payment, and non-cash payments are accepted based on agreement. Cash circulation promotes the shadow economy, and in the modern economy, cash should not be set as the primary form of wage payment.

12 PROPOSAL

Amend Article 40 and Article 112' of the Labour Law by creating the possibility to communicate with employees using an officially recognized electronic communication channel—the "e-address."





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