

EMPLOYMENT CARD

Comparison of the main employment laws in the Baltics

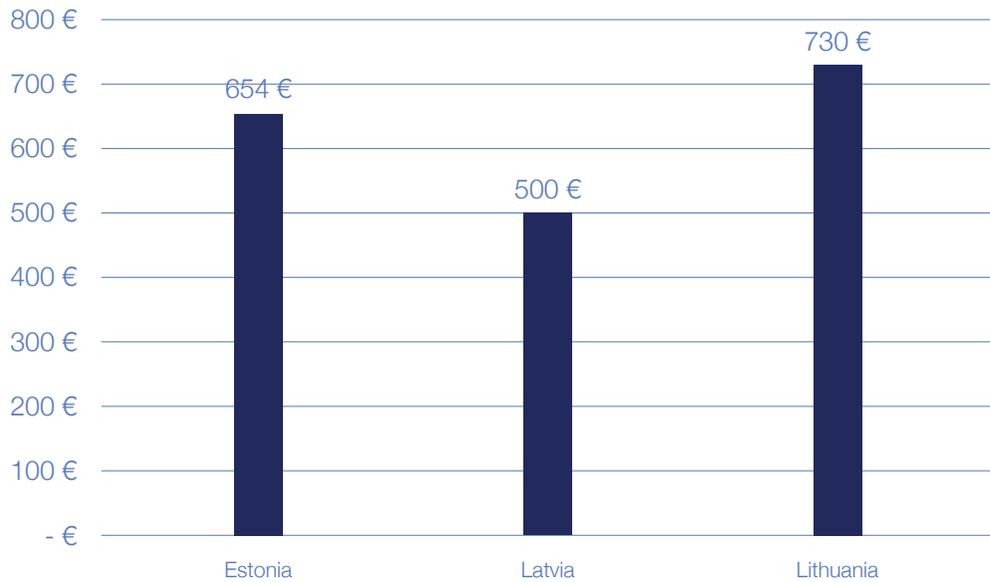
Reflects situation on
1 August 2022

SORAINEN

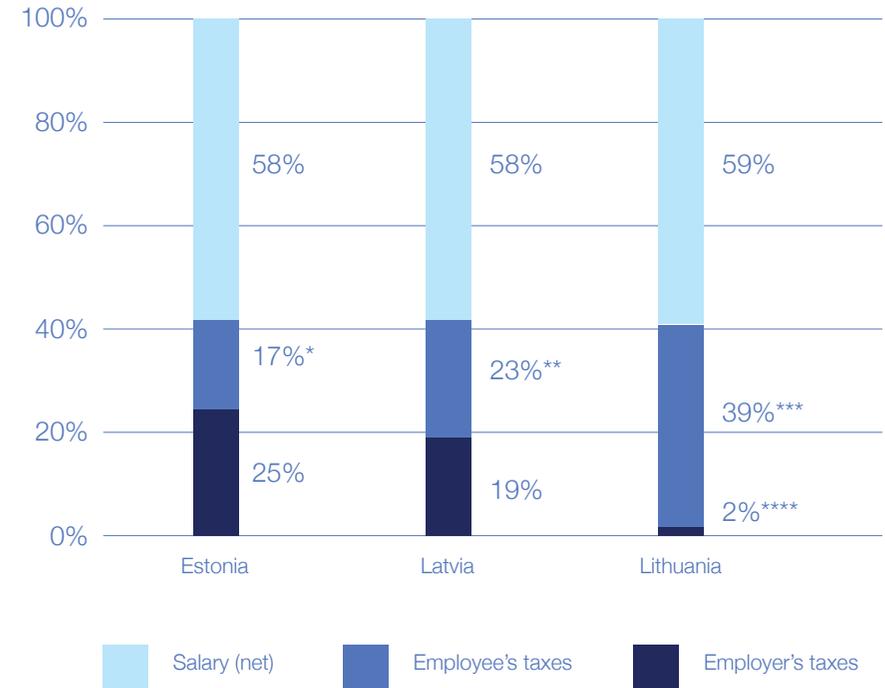


	ESTONIA	LATVIA	LITHUANIA
Form of contract	Employment contracts must be in writing or signed with Qualified Electronic Signatures by both parties.	Employment contracts must be made in writing and signed in wet ink or Qualified Electronic Signatures by both parties.	Employment contracts must be made in writing and signed in wet ink or Qualified Electronic Signatures by both parties.
Term of contract	Mostly permanent. Fixed-term employment contracts are permitted only in limited instances (e.g. due to the temporary nature of the work). Maximum period for fixed-term employment contracts is five years.		Mostly permanent. Fixed-term employment contracts are permitted when the work is of a temporary nature and also for work of a permanent nature (certain restrictions apply for the latter). The maximum period for fixed-term employment contracts is two years (under some limited circumstances, five years).
Trial period	Maximum four months.	Maximum three months.	Maximum three months.
	During the trial period both parties can terminate the employment with 15 days' notice.	During the trial period both parties can terminate the employment with three days' notice.	During the trial period both parties can terminate the employment with three working days' notice.
Business secrets	During the course of employment, an employee must keep confidential information which they have been notified that the employer considers business secrets.		
	After termination of employment, the employee's confidentiality obligation remains valid to the extent needed to protect the employer's legitimate interests, unless the parties agree upon a specific post-termination confidentiality period.	Although it can be inferred from law that after termination of employment, the employee's confidentiality obligation remains valid to the extent needed to protect the employer's legitimate interests, it is highly recommended to conclude a separate agreement regarding such a post-contractual obligation.	After termination of employment, the employee's confidentiality obligation with respect to commercial secrets remains valid for one year unless the agreement with the employee specifies another term. For full protection of the company's confidential information, the employment contract should have a proper confidentiality clause, or the parties should conclude a separate confidentiality agreement.
Non-compete undertaking	The employer and the employee can conclude a non-compete agreement, which can include a post-employment restriction.		
	Maximum period for post-employment non-compete restrictions is one year.	Maximum period for post-employment non-compete restrictions is two years.	
	Employer must pay reasonable monthly compensation for complying with post-employment non-compete restriction. Non-compete compensation is paid during the restrictive period and not in advance as part of the employee's regular salary.		Employer must pay non-compete compensation of at least 40% of the employee's average monthly remuneration. Compensation cannot be part of regular salary and is paid during the applicable non-compete period.

Minimum gross monthly salary as of January 2022



Payroll tax rates at gross salary of EUR 2,000



* Progressive PIT rates, depending on whether the employee has joined the second pillar funded pension scheme.

** Depending on gross annual income plus State Social Contributions of 10.5%.

*** Progressive PIT rates, depending on the annual employment-related income amount exceeding the established threshold, but at the same time subject to capped social insurance contributions.

The tax rates are provided with the assumption that the employee is not eligible for any untaxable income amount and that the employee does not participate in an additional pension accrual program.

**** May vary depending on which insurance group of accidents at work and occupational diseases the employer belongs to; an additional 0.72% applies if a fixed-term employment contract is concluded.

	ESTONIA	LATVIA	LITHUANIA
Payroll taxes	<p>Employee payroll tax:</p> <ul style="list-style-type: none"> · income tax of 20%; · pension insurance of 2% if the employee has joined a funded pension scheme; · unemployment insurance tax of 1.6%. <p>Employer payroll tax:</p> <ul style="list-style-type: none"> · social tax of 33%; · unemployment insurance tax of 0.8%. 	<p>Employee payroll tax:</p> <ul style="list-style-type: none"> · progressive income tax of: <ul style="list-style-type: none"> - 20% on annual income of less than EUR 20,004; - 23% on annual income between EUR 20,004 to EUR 78,100; - 31% on annual income exceeding EUR 78,100. · social insurance contribution of 10.5% (social insurance contribution is capped when annual gross salary reaches EUR 78,100); · annual salary exceeding EUR 78,100 is subject to solidarity tax (25%). <p>Employer payroll tax:</p> <ul style="list-style-type: none"> · social insurance contribution of 23.59% (social insurance contribution is capped when annual gross salary reaches EUR 78,100). 	<p>Employee payroll tax:</p> <ul style="list-style-type: none"> · progressive income tax of: <ul style="list-style-type: none"> - 20% on the annual total of employment-related income up to the threshold of 60 times the annually reviewed and established state average monthly salary (SAMS) (in 2022 60 SAMS are equal to EUR 90,246); - 32% on the part of annual income in excess of the 60 SAMS threshold (i.e. EUR 90,246 for 2022). · social insurance contributions of 12.52%–15.52% (depending on whether the employee has chosen to participate in additional pension accrual), which are capped at the same threshold at which the higher 32% income tax rate becomes applicable (i.e. EUR 90,246 in 2022); · health insurance contributions of 6.98%; no “cap” applies. <p>Employer payroll tax:</p> <ul style="list-style-type: none"> · general social insurance contributions of 1.61% (up to 2.87% depending on which insurance group of accidents at work and occupational diseases the employer belongs to), and an additional 0.16% for employers with a corporate presence in Lithuania; · an additional 0.72% is payable for fixed-term employment contracts; · the employer’s payroll tax is calculated and paid on top of the employee’s gross salary (i.e. at the expense of the employer); and on an amount of no less than the minimum gross monthly salary (unless any exemptions apply).
Fringe benefits	Fringe benefits may be subject to further taxation.		

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Termination by employee	The employee can terminate the employment contract any time by notifying the employer:		
	30 days in advance, unless the employment contract is fixed-term, in which case termination without cause is not allowed.	1 month in advance.	20 calendar days in advance (unless the employer agrees to a shorter notice period).
	In the case of a serious breach of an employment contract by the employer, the employee may terminate the employment with immediate effect and claim compensation of three average monthly salaries in total (the court can increase or decrease this amount if good reason is shown for it).	An employee who has good reason (i.e., a condition that, based on considerations of morality and fairness, does not allow the continuation of an employment relationship) may terminate the employment with immediate effect and claim payment of statutory severance pay. Statutory severance pay depends on the length of service with the employer and may vary from one to four monthly average earnings.	In the case of breach of an employment contract by the employer, long-term downtime, employee health issues, the need to care for an ill family member, or for other important reasons, an employee may terminate employment with five working days' notice. In such a case the employee is entitled to severance pay of two average monthly salaries (if the employee has worked for the company for less than a year, the employee is entitled to half of the average monthly salary).
Hours of work	Normal full-time work is eight hours daily and 40 hours weekly.		
	Overtime work only occurs by mutual agreement between the parties or in the case of emergency.		
	<ul style="list-style-type: none"> · Overtime work cannot exceed an average of eight hours (under certain conditions and a specific agreement with the employee, 12 hours) within a seven-day period, which is calculated in an accounting period of up to four months. · Overtime is compensated by time off or financially (1.5 times normal salary). · Night work (i.e. working time between 22:00 until 06:00) is compensated financially (at 1.25 times the normal salary) or by time off. Alternatively, relevant compensation can be included in the base salary of the employee, unless the base salary is the statutory minimum salary. · Working during a national holiday is compensated financially (at twice the normal salary) or by time off. 	<ul style="list-style-type: none"> · Overtime work cannot exceed an average of eight hours within a seven-day period, which is calculated in an accounting period of up to four months. · Overtime and work on a national holiday is compensated financially (at twice the normal salary) or (if specifically agreed) by paid time off. · Night work (i.e. working time between 22:00 until 06:00) is compensated financially (at 1.5 times the normal salary). 	<ul style="list-style-type: none"> · Overtime cannot exceed eight hours in any week (with the employee's consent, 12 hours in a week) and 180 hours in a year (a higher yearly limit may be applied if a collective bargaining agreement so allows). · Overtime is compensated financially (1.5 times normal salary for regular overtime). For overtime work on a day off that was not required by the work schedule, or for overtime work at night, overtime pay is twice the normal salary; overtime work on a public holiday is 2.5 times normal salary. · Night work (i.e. working time between 22:00 and 6:00) is paid at 1.5 times the normal salary. · Work on scheduled days off and public holidays is paid at twice the normal salary. · Employees may ask, instead of receiving financial compensation, to be compensated for overtime work, work on days off or public holidays by adding this time to their annual leave (after multiplying this time by 1.5, 2, or 2.5).

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Vacation	The statutory minimum annual vacation is 28 calendar days.		<p>The statutory minimum annual vacation is 20 working days (24 working days for employees working six days a week).</p> <p>25 working days (in the case of a five-day working week) and 30 working days (in the case of a six-day working week) of annual leave are granted to employees under 18 years old, single parents raising a child under the age of 14 or a disabled child under the age of 18, and disabled employees.</p> <p>Certain employee groups (e.g. those raising young children) may be entitled to additional paid time off.</p>
Illness	<p>Day 1 of illness is unpaid.</p> <p>On days 2–5, compensation is paid by the employer at a rate of 70% of the employee's average salary.*</p> <p>From day 6, the employee is compensated by the Health Insurance Fund at the rate of 70% of the employee's average income.*</p>	<p>Day 1 of illness is unpaid.</p> <p>On days 2–9, compensation is paid by the employer.</p> <p>On days 2–3 at a rate of 75% of the employee's average salary and on days 4-9 at a rate of 80% of the employee's average salary.</p> <p>Thereafter the absent employee is compensated by the State Social Insurance Agency at a rate of 80% of the employee's average social insurance contribution salary.</p>	<p>On days 1–2 compensation is paid by the employer at a rate of 62.06%-100% of the employee's average remuneration.</p> <p>Thereafter the absent employee is compensated by the State Social Insurance Fund (assuming the employee has a sufficient social insurance record). From the third day of illness the employee is paid up to 62.06% of average remuneration (certain caps apply).</p>
Prior notice periods	Length of employment	Notice period	<p>The notice period is one month (two weeks if the duration of employment is less than one year).</p> <p>Notice periods are doubled (i.e. two months or four weeks) for employees who have less than five years remaining until retirement age.</p> <p>Notice periods are tripled (i.e. three months or six weeks) for some employees, e.g. those with children under 14 years old, who are disabled, who are suffering from a severe illness, or have less than two years left until retirement age.</p>
	Less than 1 year	15 days	
	From 1 to 5 years	30 days	
	From 5 to 10 years	60 days	
	10 years and over	90 days	
		<p>The notice period is one month (or two months if the employment contract is terminated with a disabled person).</p>	

* The temporary COVID-era regime, which offers better compensation than usual, will remain in force until the end of 2022.

	ESTONIA	LATVIA	LITHUANIA			
Severance	The employer must pay severance of one month's average salary in total. Employees are entitled to additional severance pay from the Unemployment Fund, as follows:	Severance pay is paid by the employer and depends on the length of service with the employer, as follows:	Severance pay is paid by the employer and by the state and depends on the length of service with the employer, as follows:			
	Length of employment	Severance pay (number of monthly average salaries)	Length of employment	Severance pay (number of monthly average salaries)	Paid by the employer	
	From 5 to 10 years	1	Less than 5 years	1	Length of employment	Severance pay (number of monthly average salaries)
	10 years and over	2	From 5 to 10 years	2		
			From 10 to 20 years	3	Up to year	0.5
			Over 20 years	4	Over 1 year	2
					Paid by the state	
			Length of employment	Severance pay (number of monthly average salaries)	Length of employment	Severance pay (number of monthly average salaries)
					Up to 5 years	0
					From 5 to 10 years	1
			From 10 to 20 years	2		
			Over 20 years	3		
Disciplinary measures	Estonian employment law does not recognise disciplinary sanctions as such. However, liability is applied for breach of work duties as follows: <ul style="list-style-type: none"> warning regarding possible termination if the employee does not improve their behaviour; termination of employment if prior warning exists or in the case of a material breach without prior warning. 	<ul style="list-style-type: none"> Reproof Reprimand Termination of employment contract due to misconduct committed by the employee is possible, though it is not regarded as a disciplinary sanction. 	Lithuanian employment law does not recognise disciplinary sanctions as such. However, liability is applied for a breach of work duties as follows: <ul style="list-style-type: none"> warning on possible termination if the same misconduct is repeated within the next 12 months; termination without notice for gross or repeated misconduct. 			
	Prior to taking any measures, it is recommended to require the employee to provide an explanation.	Prior to imposing sanctions, the employer must require the employee to provide written explanations.				
	Measures have to be taken within a reasonable time of discovery of the breach.	Sanctions can be imposed within one month of the employer becoming aware of misconduct and within 12 months of the misconduct being committed.	Sanctions can be imposed within one month of the employer becoming aware of misconduct and within six months of the misconduct being committed (in some specific cases, within two years).			

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Collective agreements	A collective bargaining agreement (CBA) can be signed at company, industry or territorial level.		
	A CBA applies to those employers and employees who belong to organisations that have entered into a collective agreement, unless the CBA provides otherwise, or it is an industry-level agreement.	By law, in some cases a CBA is binding on all employers in the relevant sector and applies to all employees of those employers.	A company level CBA can be signed only if employees are represented by a trade union. Company-level collective agreements apply to employees who are members of a trade union unless the trade union and the employer agree otherwise and the employees approve this.
Trade unions	Trade union membership is generally low.*		
			Employers with 20 or more employees on average have an obligation to establish a works council (except for employers with at least a third of personnel belonging to a company-level trade union). When there are less than 20 employees, an employee trustee may be elected.
	Special rights apply to trade union members and works council members, e.g.:		
	<ul style="list-style-type: none"> employee representatives have the preferential right to keep their job in case of lay-offs; employment contracts of employee representatives cannot be terminated without consulting with the trade union or the employees who elected the representative; the employer must consult with employee representatives (or in their absence with all employees) prior to taking decisions which could affect employees' interests (e.g. in the case of business transfer or collective redundancy or in any other cases where plans might have a material impact on employment or the terms and conditions thereof). 	<ul style="list-style-type: none"> if a person has been a trade union member for more than six months, an employment contract generally cannot be terminated without the consent of the trade union; if employees have formed a trade union or elected their authorised representatives, the employer must consult with the employee representatives prior to taking a decision which could affect employees' interests. 	<ul style="list-style-type: none"> employment contracts with members of representative bodies of trade unions, members of works councils and the employee trustee can be terminated and their employment terms and conditions can be worsened only with the prior consent of the State Labour Inspectorate; employee representatives have the preferential right to keep their job in case of lay-offs; the employer must inform and consult with employee representatives about major organisational changes such as group redundancy or business transfer, adoption of HR policies, and about other important events affecting the status of employees; in the absence of employee representatives, the employer must inform employees about the above matters directly.

* In Estonia and Latvia, employees may elect representatives even when there is no trade union. Such elected employee representatives enjoy similar rights as trade union representatives in Estonia and more limited rights in Latvia.

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Remote work	<p>Remote work is voluntary and subject to agreement between the employer and employee. Any rules relating to remote work can be communicated with such an agreement.</p> <p>The employer remains liable for the occupational health and safety of employees working remotely. The employer should therefore conduct a risk assessment of the remote workplace and instruct remote employees regarding safe working practices.</p>	<p>Remote work is voluntary and subject to agreement between the employer and employee. Any rules relating to remote work can be communicated with such an agreement, including who and how will cover remote-work-related costs. In case of there being no specific agreement, the general rule is that the employer has to cover all remote-work-related costs.</p> <p>The employer remains liable for the occupational health and safety of employees working remotely. The employer should therefore conduct a risk assessment of the remote workplace and instruct employees working remotely regarding safe working practices.</p>	<p>Remote work may be assigned at the request of the employee or by agreement of the parties.</p> <p>Some employee groups (e.g. raising a child under eight years old, pregnant employees, disabled employees, employees with health issues etc.) have the right to demand remote work (even fully remote work), and the employer must grant such a request unless it can be demonstrated that this would entail unreasonable costs due to production necessity or the specifics of the organisation of work.</p> <p>The employer must compensate additional remote work costs incurred by employees.</p> <p>When assigning remote work, requirements for the workplace (if such exist), the work equipment provided, the procedure for its provision, the rules for using work equipment, and other relevant information shall be established in writing.</p> <p>The employer remains liable for the occupational health and safety of employees working remotely. The employer should therefore conduct a risk assessment of the remote workplace and instruct remote employees regarding safe remote working practices. It is also noteworthy that remote work from abroad may trigger taxation transfer to another state.</p>



Our services

We can help you with:

Collective Employment Relations

- o Information and consultation with different types of employee representative bodies
- o Collective bargaining negotiations and agreements
- o Collective disputes and strikes
- o Collective lay-offs
- o Establishment of and cooperation with European Works Councils
- o Employee participation in cross-border mergers and SEs

Employment Disputes

- o Employment termination disputes
- o Remuneration and bonus disputes
- o Relationships with employee representatives
- o Employment contract reclassification
- o Usage of agency workers
- o Compliance with post-employment covenants (trade secrets, prohibition of competition)
- o Disputes related to material liability by employees
- o Collective relationships

Management & Executive Contracts and Incentives

- o Contracts for resident and non-resident managers
- o Short- and long-term incentive plans
- o Stock option programmes
- o Secondments from and to the Baltic states
- o Recalling board members and terminating board member contracts
- o Benefits and severance packages
- o Restrictive covenants
- o Management rights and obligations, disputes

Migration & Relocation

- o Work permits
- o Residence permits
- o Visas
- o EU Blue Cards
- o Migration formalities
- o Diploma recognition
- o Migration disputes



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