



Tax&Legal Highlights

Lithuania

New Labour Code in Lithuania

What to expect?

On 6 June 2017 the Lithuanian Parliament adopted amendments to the new Labour Code and thus finally clarified the content of the Code. Please find below an overview of the novelties introduced by the new Labour Code, which enters into force on 1 July 2017.

1. Employment termination

1.1. Termination on the initiative of an employer without the fault of an employee

As of 1 July 2017, employers will be able to terminate employment agreements without employees' fault due to the following reasons:

1. employee's work function is no longer required;
2. employee fails to reach the agreed results of work;
3. employee does not agree to change the terms of his/her employment agreement, place of work or working regime;
4. employee does not agree to continue employment after business transfer or a part thereof; and
5. employer ceases its activities.

In case of employment termination on the initiative of an employer without the fault of an employee, standard notice is 1 month. When employment continues for less than 1 year, 2 weeks' notice is required.

The above-mentioned notice periods are increased three times for:

1. employees raising a child (also adopted) under 14 years of age;
2. employees raising a disabled child under 18 years of age;
3. disabled employees;
4. employees who will be entitled to the retirement pension in 2 years.

Notice periods are doubled for employees who will be entitled to the retirement pension in 5 years.

Dismissed employee has to be paid a severance pay of his 2 average monthly salaries. If employment relationship lasted less than one year, dismissed employee has to be paid 0,5 of his average monthly salary.

Additionally, dismissed employee receives a severance pay from a special state fund, amount of which depends on the continuous length of employment.

1.2. Termination based on employer's will

If employer wants to terminate employment agreement due to other reasons, not listed in paragraph 1.1. above, employee may be served with a 3 business days' prior written notice and paid a severance pay of at least 6 average salaries. Pregnant women, employees who are on maternity, paternity or child care leave may not be dismissed on the basis of this ground.

2. Working time, overtime and annual leave

2.1. Working time

Maximum working time, including overtime but excluding agreement on additional work, cannot exceed 48 hours per 7 consecutive days.

Maximum working time, including both overtime and additional work, may not exceed 12 hours per day and 60 hours per 7 consecutive days.

Where employees work under the cumulative working time regime, maximum working time within a period of 7 consecutive days may not exceed 52 hours. This limit does not apply if work is performed under agreement on additional work or during the standby duty.

If employee works at night, average working time on a night shift may not exceed 8 hours per working day (shift) during the reporting period of 3 months.

2.2. Overtime

Employee's overtime work must not exceed 8 hours in 7 consecutive calendar days, unless an employee gives written consent to work up to 12 overtime hours per week.

Maximum overtime might not exceed 180 hours per year, unless longer term is established under collective agreement.

2.3. Annual leave

Employees have to be granted with annual leave not shorter than 20 business days (or not shorter than 24 business days, if an employee works 6 days per week).

One instalment of annual leave may not be:

- (i) shorter than 10 business days;
- (ii) shorter than 12 business days (if an employee works 6 days per week).

3. New types of employment contracts

3.1. Project-based employment contract

A project-based employment contract is a fixed-term contract whereby an employee undertakes to carry out his job functions for the particular project. To achieve the above-mentioned result an employee may determine working time regime by himself and work either at or outside the workplace. The maximum permitted duration of the contract is 2 years for new employees and 5 years for the replacement of the existing employment contracts.

3.2. Job-sharing employment contract

Under a job-sharing employment contract, two employees agree with an employer to share one job position. Job-sharing contracts may contain details regarding the type of the contract, identity of the other employee, number of working hours per week, etc.

3.3. Employment contract for several employers

Under an employment contract for several employers, an employee can work for two or more employers by performing the same job function. When this type of contract contains a provision that working time of an employee is not divided among employers, information regarding the remuneration for the working time by each employer has to be determined.

3.4. Apprenticeship employment contract

An apprenticeship employment contract is a fixed-term contract, which is concluded when a person is employed for the purpose of either acquiring qualification and skills or gaining competences required for the profession. The maximum duration of this contract is 6 months with some applicable exceptions.

4. Other amendments

4.1. Fixed-term employment contract

From 1 January July 2017 a fixed-term employment contracts may be concluded for work of a permanent nature. Fixed-term employment contracts may not exceed 20% of the total number of employment contracts concluded in the company.

4.2. Obligation to form works council

When the average number of employees is 20 or more, the workplace is required to have a works council, unless the workplace has a trade union which operates at the level of the employer and at least 1/3 of all

employees belong to the union. In the latter case the trade union will have all powers of the works council and perform all functions assigned to it. Employers are obliged to form a works council election committee by 1 January 2018.

In smaller companies, employees may be represented by an employee trustee elected by the employees.

4.3. Obligation to approve systems of remuneration

Forms of remuneration, wage rates, grounds and procedures for additional payment, wage indexation arrangements will have to be listed in the remuneration system in accordance with the category of employees' positions and qualifications.

Remuneration system should be determined in the collective agreement. When a collective agreement is not concluded and the average number of employees is twenty or more, remuneration system has to be approved by the employer and made available to all the employees.

4.4. Ensuring employees' equal opportunities and protection of personal data

Employer with the average number of more than 50 employees has to approve a policy for protection of employees' personal data as well as to approve measures to implement the policy of employees' equal rights and its monitoring principals. Policy and measures have to be published in ways that are normally used for publishing in the workplace.

4.5. Minimum salary

According to new Labour Code, minimum salary may only be paid for unqualified work. Unqualified work is defined as work not requiring any special or professional skills.

5. Recommendations for the employers

Please find below a summary of our recommendations that might be helpful in preparing for the new Labour Code:

- 5.1. Consider the changes in the calculation of overtime rules and make sure that recording of overtime is in accordance with the new Labor Code.
- 5.2. Recalculate employees' annual leave. Annual leave, which was acquired prior to 1 July 2017, has to be converted into business days. Every 7 calendar days of annual leave has to be converted to 5 business days of annual leave (if employee works 5 days a week) or 6 business days (if employee works 6 days a week).
- 5.3. The new Labour Code introduced new types of employment agreements and brought flexibility to labor relations. We recommend checking the possibility to establish different types of employment contracts or change the existing ones in a way, most consistent with the nature of employee's work.
- 5.4. Take all necessary steps to form works council election committee by 1 January 2018, if the average number of employees is 20 and more.
- 5.5. Prepare job descriptions and confirm systems of work remuneration in accordance with the descriptions, if the average number of employees is 20 or more.

- 5.6. Prepare the implementation and enforcement measures for policy of employee's equal rights, if the average number of employees exceeds 50.
- 5.7. Prepare employees' personal data protection policy and measures for its implementation, if the average number of employees exceeds 50.
- 5.8. Make sure that the minimum wage is paid only to unskilled employees.

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