



# CONNECTING PEOPLE WITH JOBS: LATVIA

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## *Outline of the presentation*

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- OECD work on active labour market policies
- *Connecting People with Jobs: Latvia*
  - Context and objectives of the review
  - Timeline
  - Expected outcomes
- Some preliminary findings: recent labour market developments
- Challenges and opportunities
- Forthcoming in-depth evaluation of selected activation measures



## *A long expertise of the OECD on activation*

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- A long series of activation policies reviews. Most recent country reviews in the series *Connecting People with Jobs*:
  - Australia, Slovenia, United Kingdom, Korea and Italy (in progress)
- Customised reviews to address specific questions and challenges most relevant for OECD countries. Very positive feedback from countries. Support with reforms, ex-ante or ex-post. Peer learning and lessons learned from other OECD countries.
- Technical workshops on specific topics, i.e. profiling, regional cooperation, cooperation with employers and service providers, etc.
- Labour Market Policy Database (joint work with the EU)



# THE REVIEW: CONTEXT, OBJECTIVES AND TIMELINE



## *Context of the review*

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- Latvia is the most recent member of the OECD
- This project is a natural follow-up of:
  - a number of OECD reviews: Investing in Youth (2015), ELS accession review (2016)
  - the 2013 World Bank report (2013) on unemployment, inactivity and poverty
- The results of this project will inform the mid-term review of the “Inclusive Employment Strategy 2015-2020”



## *Objectives of the review*

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- Do ALMPs contribute to an inclusive labour market?
- What is their effect on the long-term unemployed and other vulnerable groups?
- What are the outcomes of new programmes introduced following the economic crisis?

Use of detailed linked administrative data to:

- Estimate both short-term and long-term effects
- Assess whether the effect varies for different population groups and over the economic cycle

Draw from practices and lessons in other OECD countries



## How we work?

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Fact-finding mission (Sept. 2017) and collection of relevant information

Policy questionnaire sent to the authorities (*thank you for your inputs!*)

Use of a variety of data sources:

- ✓ EU LFS and national LFS micro data
- ✓ Other survey data, such as the Gallup World Poll
- ✓ OECD data bases on employment, social expenditure and benefits: how does Latvia fare in comparison with other OECD countries?
- ✓ Aggregate administrative data provided by the authorities
- ✓ **Linked administrative micro data**

Combine descriptive analysis and more-in-depth econometric analysis

Work with a local expert who has experience in this kind of work

Frequent exchanges with the Ministry of Welfare and other institutions



# Possible structure of the review

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Completed

Phase I

*Chapter 1:* Trends and challenges in the Latvian labour market (with a focus on long-term unemployment)

*Chapter 2:* Design and delivery of Latvia's labour market policies

February-September 2018

Phase II

*Chapter 3:* Latvian labour market policies for skills and employability (includes the evaluation of training programmes)

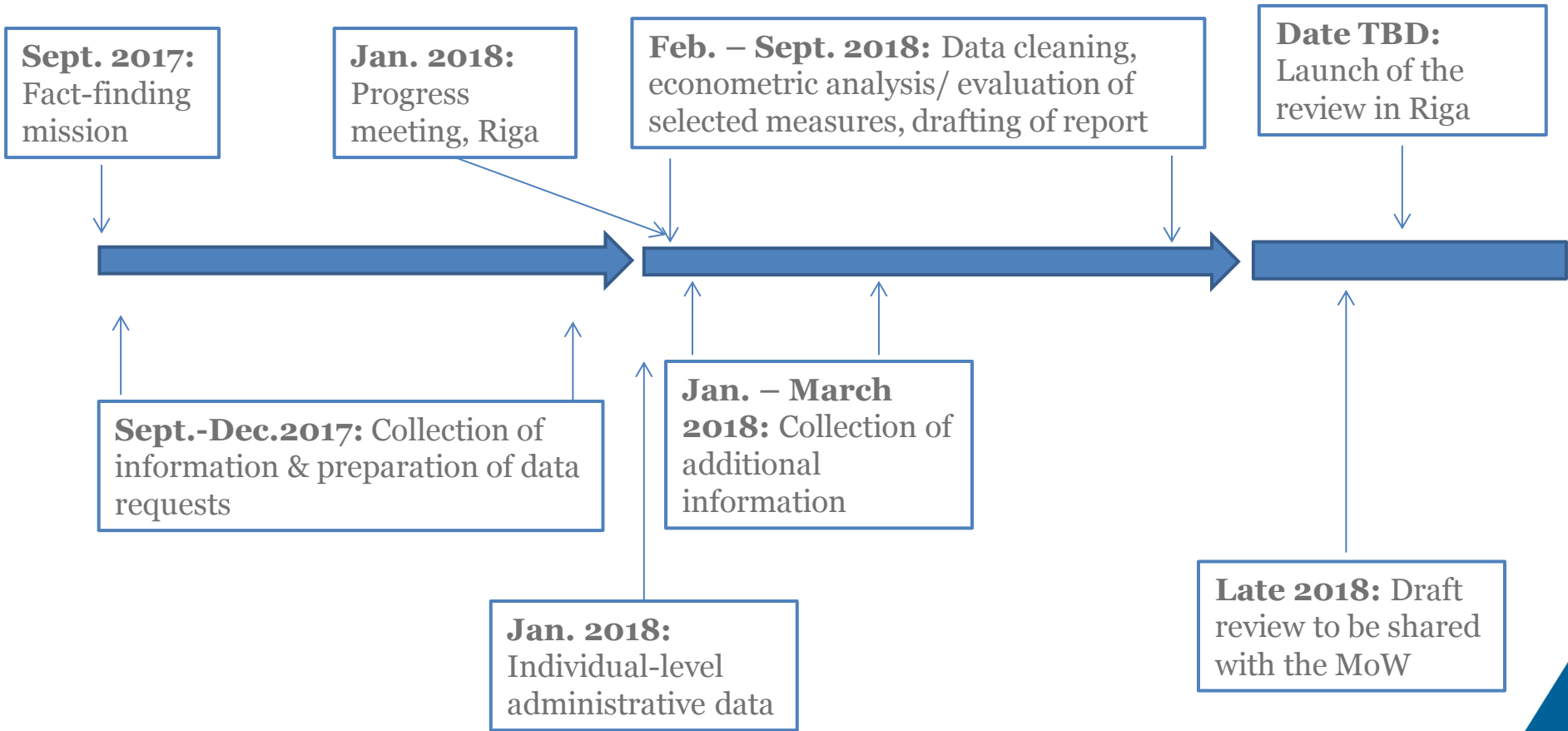
*Chapter 4:* Targeted subsidies and stepping stones: activating Latvia's most vulnerable groups (includes the evaluation of job subsidies)

*Chapter 5:* Encouraging mobility and entrepreneurship in Latvia's regions (includes possible evaluation of regional mobility programme and some descriptive analysis of the start-up scheme)





# Timeline and expected outcomes



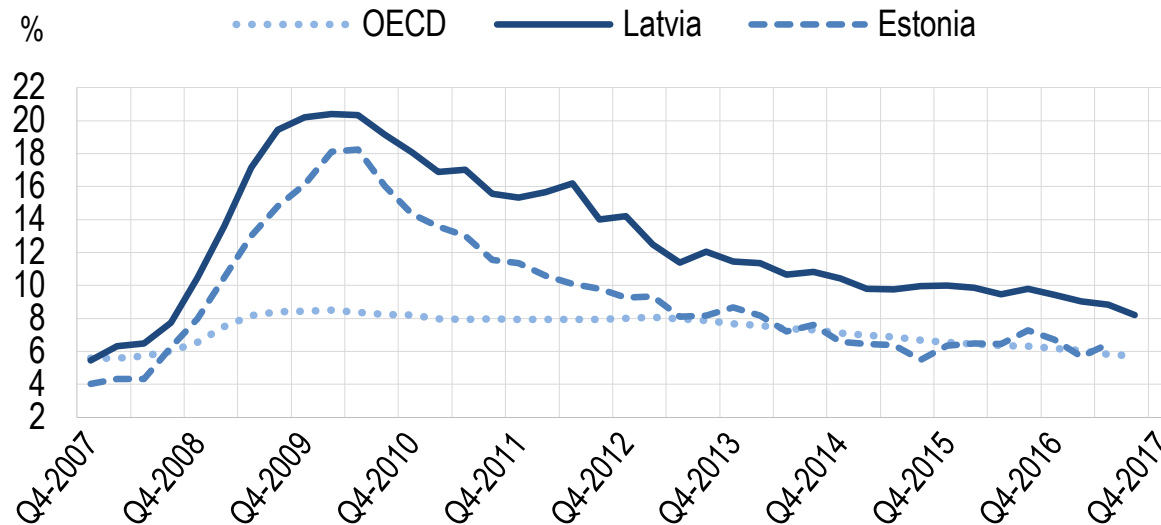


# MAIN RECENT LABOUR MARKET DEVELOPMENTS



# *Unemployment has halved in recent years but remains above pre-crisis levels*

Harmonised unemployment rate (seasonally adjusted), 2007-2017



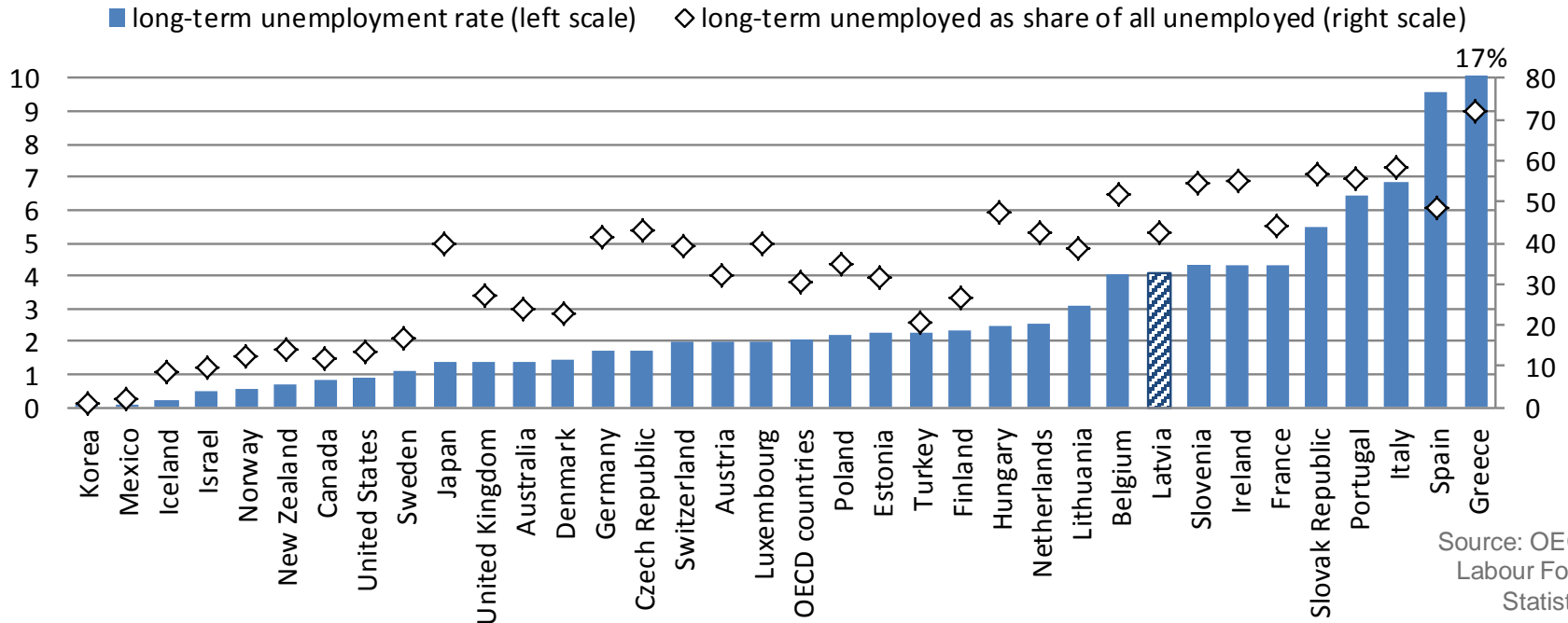
Source: OECD  
Labour Force  
Statistics

- Latvia experienced a boom up to 2008, and correction coincided with the economic crisis
- Very large output decline (-25%), drop in the employment rate (-12%), unemployment reached 20% and nominal wages fell
- Strong recovery from 2011 led to steady fall of unemployment



# Two-fifths of unemployment are long-term

## Long-term unemployment in OECD countries and Lithuania, 2016

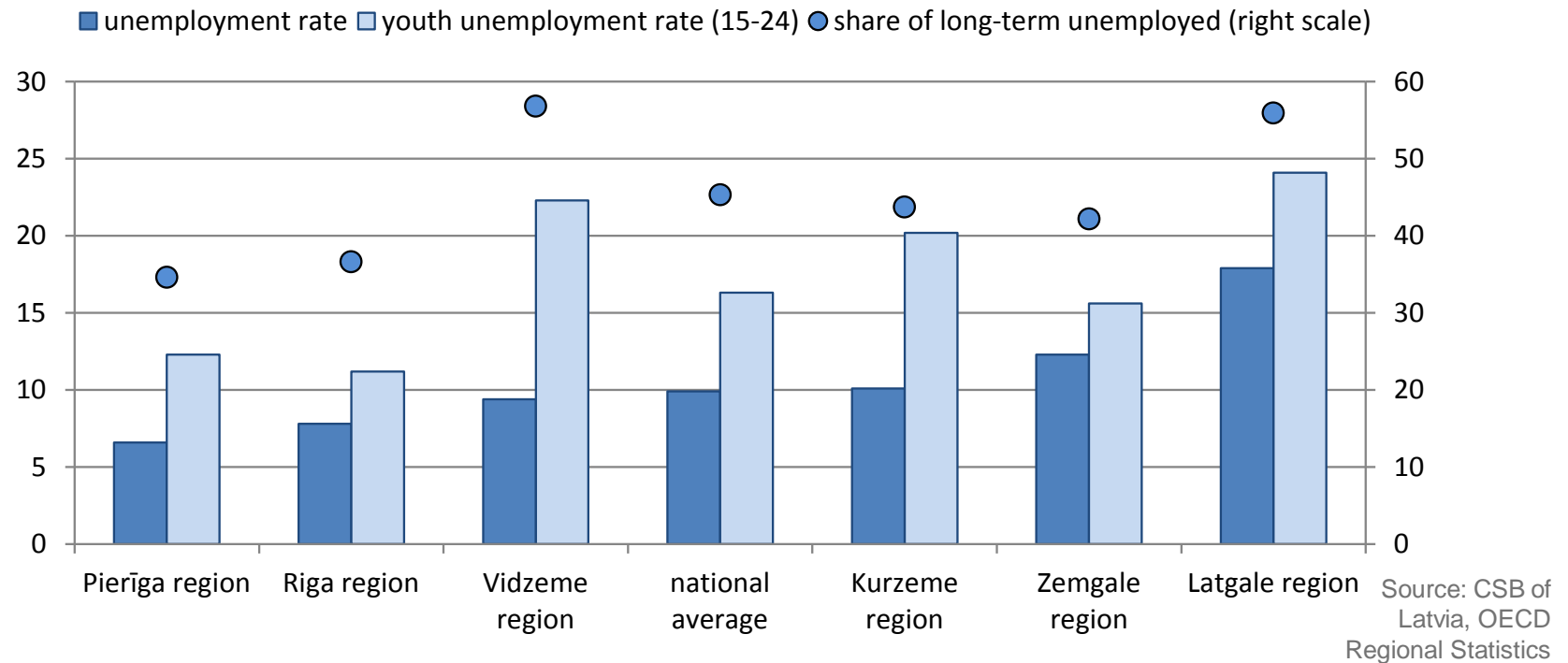


- Youth, older men and those without work experience have particular difficulties on Latvia's labour market
- 5% of the non-employed are discouraged workers: one of the highest values in the EU, and 80% of them are long-term jobless
- 90% of unemployed convinced in 2014/15 that it is a bad time to find a job



# Differences between regions are large

Unemployment in Latvian regions, 2015/2016

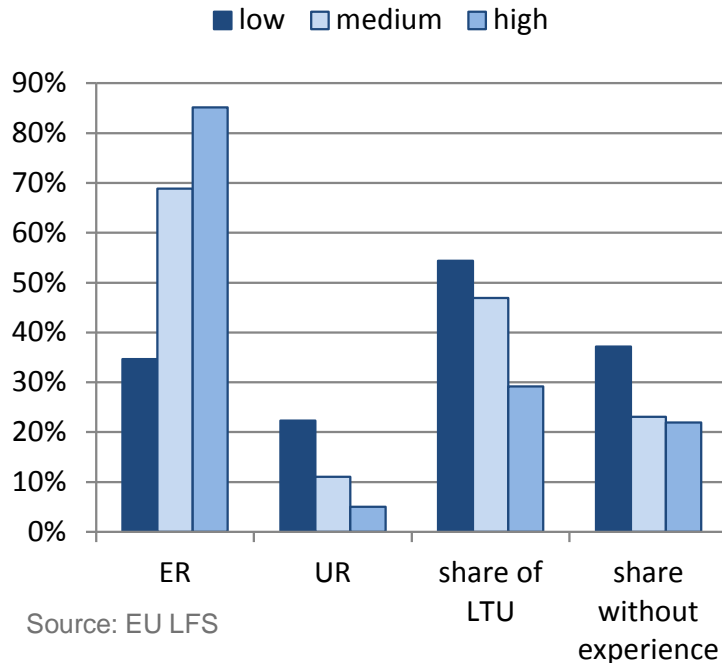


- One of the largest urban-rural divides in the OECD
- Mobility undermined by lack of transport links, high housing costs in Riga, language abilities and the option of emigration abroad

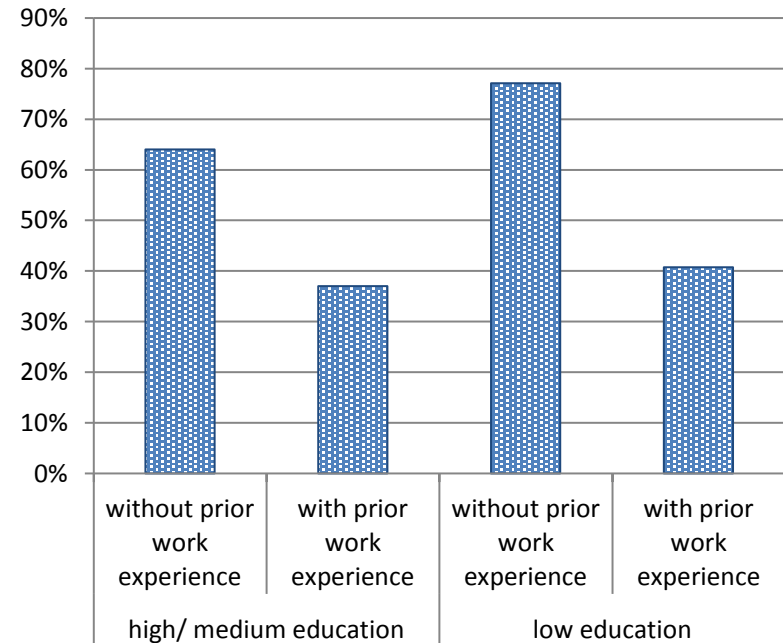


# Low education is compounded by lack of work experience

Unemployment and prior work experience by education, 2015



Shares of long-term unemployed by education, 2015



- A low education level is associated with a substantially higher risk of unemployment and long-term unemployment
- Lack of prior work experience is especially wide-spread among unemployed with low education levels



# CHALLENGES AND OPPORTUNITIES



## Latvia's menu of ALMP has expanded...

Participants by type of ALMP, 2012-2016

|                                  | <b>2012</b>  | <b>2013</b>  | <b>2014</b>  | <b>2015</b>  | <b>2016</b>  |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Training                         | 23089        | 30137        | 23131        | 17504        | 23772        |
| Public works                     | 31166        | 32129        | 19225        | 8430         | 10937        |
| Student summer employment        |              |              | 4287         | 3804         | 4239         |
| Support for long-term unemployed | 9            | 146          | 204          | 164          | 3964         |
| Promoting regional mobility      |              | 182          | 537          | 712          | 3582         |
| Subsidized jobs                  | 2184         | 3262         | 2639         | 2635         | 2804         |
| Business start-up support        | 319          | 173          | 198          | 244          | 298          |
| Life-long learning at employer   | 2532         | 6475         | 3101         |              |              |
| <b>Total</b>                     | <b>59299</b> | <b>72504</b> | <b>53322</b> | <b>33493</b> | <b>49596</b> |

Source: SEA

- A move away from public works programmes (maybe a positive step)
- New programmes introduced
- Youth Guarantee (ages 15-29)

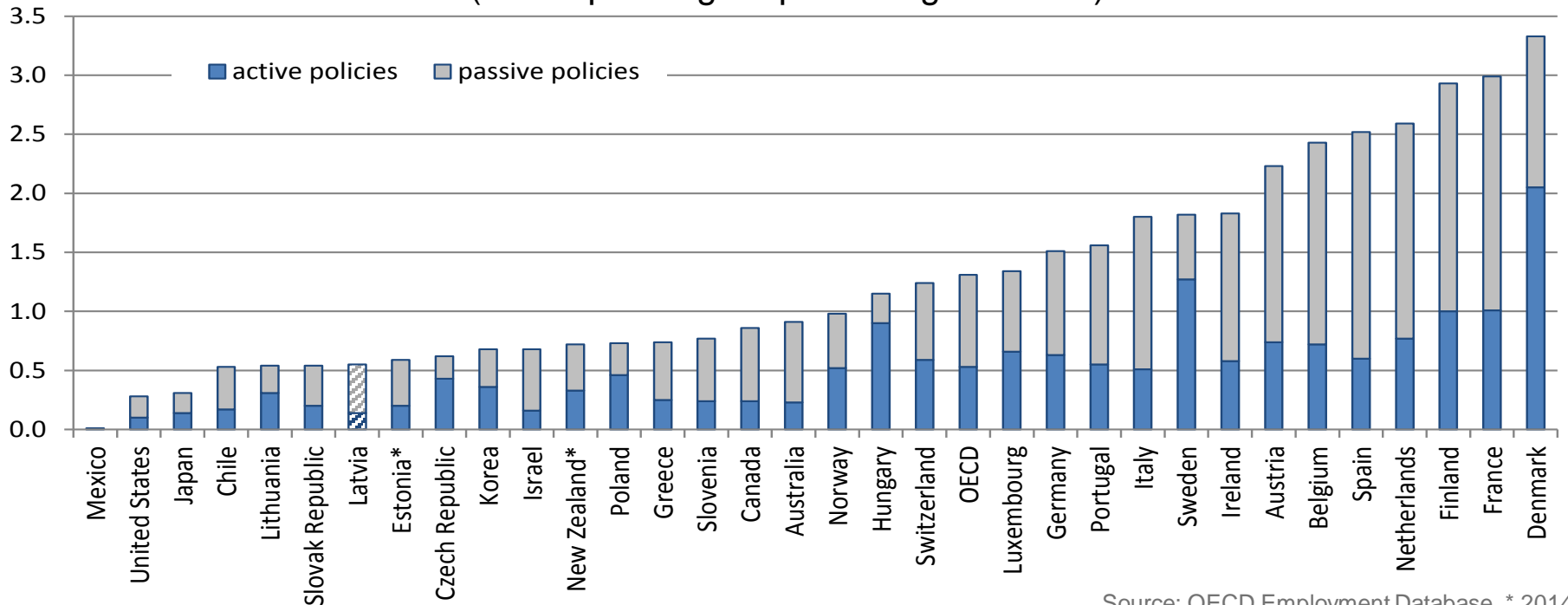




# ...but spending on LMPs is still lower than in many OECD countries...

Public spending on labour market policies in OECD countries, 2015

(Total spending as percentage of GDP)



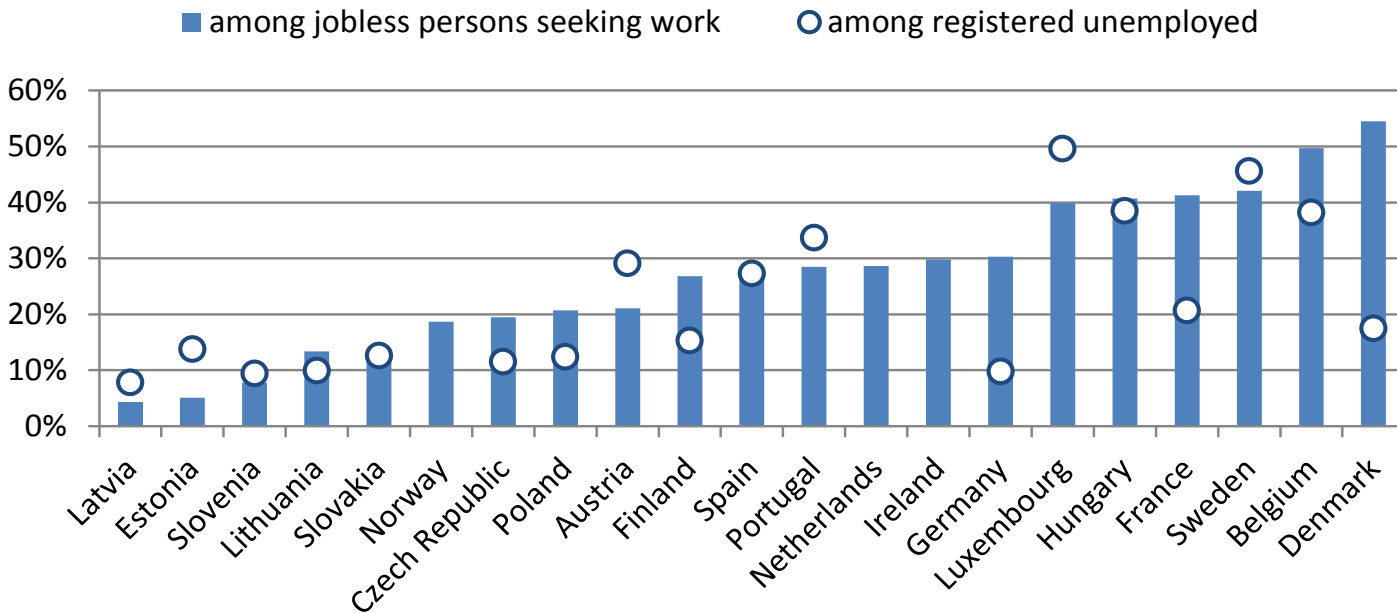
Source: OECD Employment Database. \* 2014

- Latvia spent 0.14% of GDP, compared with an OECD average of 0.53%
- Expenditures on benefits were 3 times the expenditures on ALMP



## ...and coverage is also low relative to other OECD countries

Percentage of persons participating in ALMP, 2015



Source:  
Eurostat  
Labour  
Market  
Statistics

What are the factors driving a low registration rate with the SEA and UB coverage?

- Lack of information? No value of registering after the 9-month duration of UB? Low eligibility/ informal employment? Stigmatisation?
- Is the incentives structure right? (social assistance and job-search)
- What's the usual pathway of UB recipients?
- Are there groups that have lower than average participation?



## *The State Employment Agency has an important role to play...*

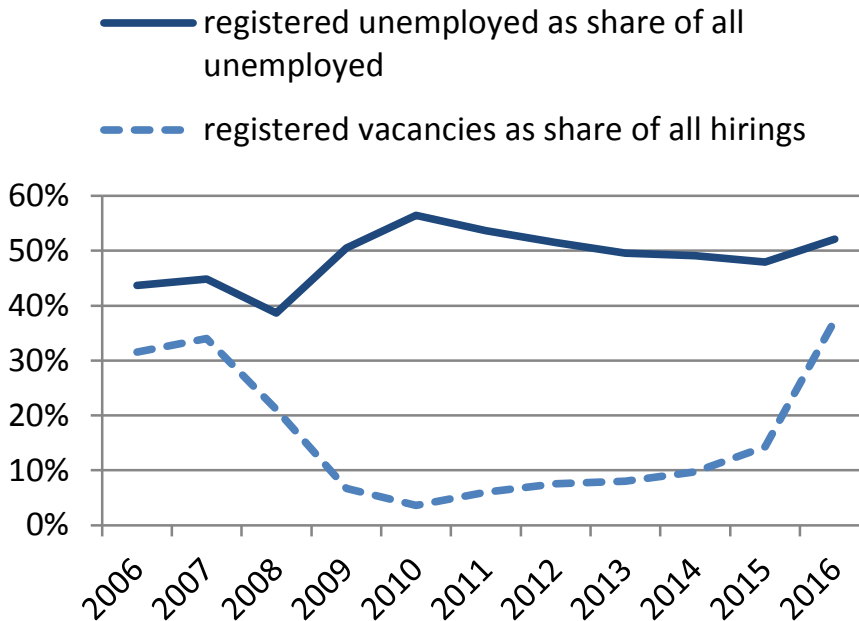
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- Governance structure and cooperation between SEA and municipalities is a key factor of success but is not without challenges: lessons from the pilot programme in 2013
- SEA operation and resource management:
  - Information exchange could be strengthened. An information management system should be developed and performance indicators should be constructed
  - How are resources allocated and how are SEA offices evaluated?
  - Reliance on ESF funds has implications for long-term planning
- Challenges for SEA staff: high caseloads in Riga. Do caseworkers have sufficient information/instructions/incentives to pay special attention to LTU?
- The profiling tool: how are the 39 groups linked to different approaches? How can statistical information e.g. on regions play a stronger role?

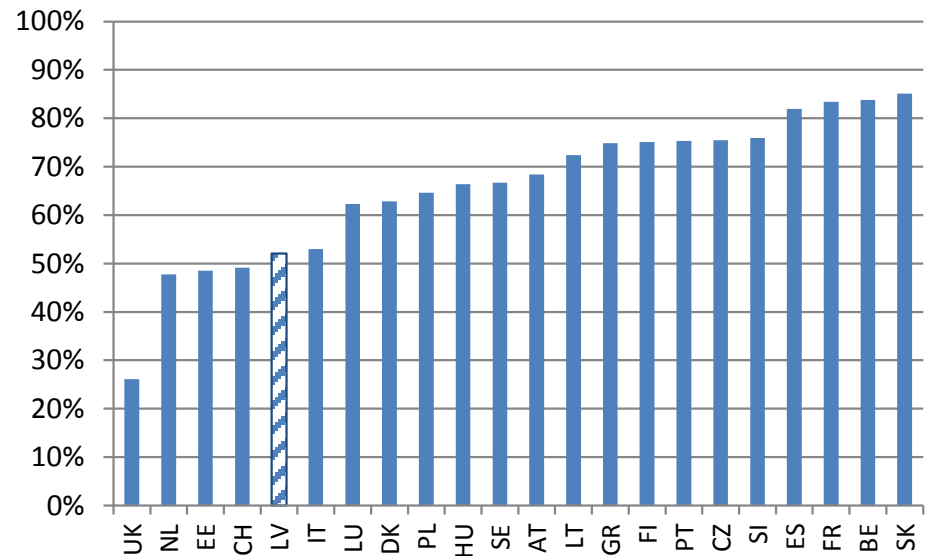


# ...but contact with employers is limited and many unemployed are not registered

Registered parts of vacancies and unemployed in Latvia, 2006-2016



Registered share of unemployed in European OECD countries, 2016



Source: EU LFS, CSB

- Comparing vacancies to hiring suggests that less than 40% of vacancies are registered, and comparatively few unemployed (52%)
- An engagement strategy with employers should be developed, as links with the demand side are currently underdeveloped



# FORTHCOMING PROGRAMME EVALUATION



# *Thorough impact evaluation of selected ALMPs*

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An in-depth evaluation of 3-4 selected programmes will be based on linked administrative data:

- Public employment service (ALMP participation, characteristics)
- Social Insurance Agency (employment history, wages and benefits)
- Population registry (citizenship, place of residence and household information)
- (Almost) all municipalities (social assistance receipt)
  
- Build on previous evaluation of training, public works and entrepreneurship programmes
- Selection of programmes most likely to be evaluated: training, regional mobility, job subsidies

**!!** Special focus on: vulnerable groups, LTU and evaluation of Youth Guarantee, medium to longer-term effects



## *Training likely has positive effects, but intake and conditions have changed*

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- Training is the largest ALMP in Latvia in terms of participants: they represent close to half of all participants in ALMP measures
- Latest evaluation (World Bank, 2013) finds positive short-run effects of most training programmes
- Propensity score matching used in the WB (2013) study to estimate the effect of training programmes.
- Given the size and heterogeneity of the programme, propensity score matching may be the only feasible evaluation method and would ensure comparability with the WB (2013) study
- The new evaluation could focus on groups such as long-term unemployed

In addition, cover the following important issues:

- Implementation challenges
- Regional differences. In rural areas, only few training options may be available
- How can competition between training providers be created and training quality be monitored?



## *Regional mobility programme could help reduce unemployment in regions*

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- Programmes that support regional mobility are in place in several OECD countries, but few evaluations so far
- Low participant numbers (in 2016 mostly for training in another region) pose a challenge for evaluation in Latvia
- Possible methodological approaches:
  - Has interregional mobility (flows of persons) increased following the introduction of the programme? (Differences in Differences)
  - Is take-up of distant jobs higher among unemployed who meet the waiting time required for the programme? (Regression Discontinuity Design)
  - Explore whether one can use the fact that moves to Riga are not supported





# *Subsidised employment targets the most vulnerable groups of job seekers*

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Targeted to the most disadvantaged jobseekers who otherwise experience difficulties in entering the labour market, such as LTU and persons with long-term disabilities

But concerns both for employers (due to protective legislation and substantial bureaucratic burden) and participants (e.g. high workload for people with ADL and mobility limitations)

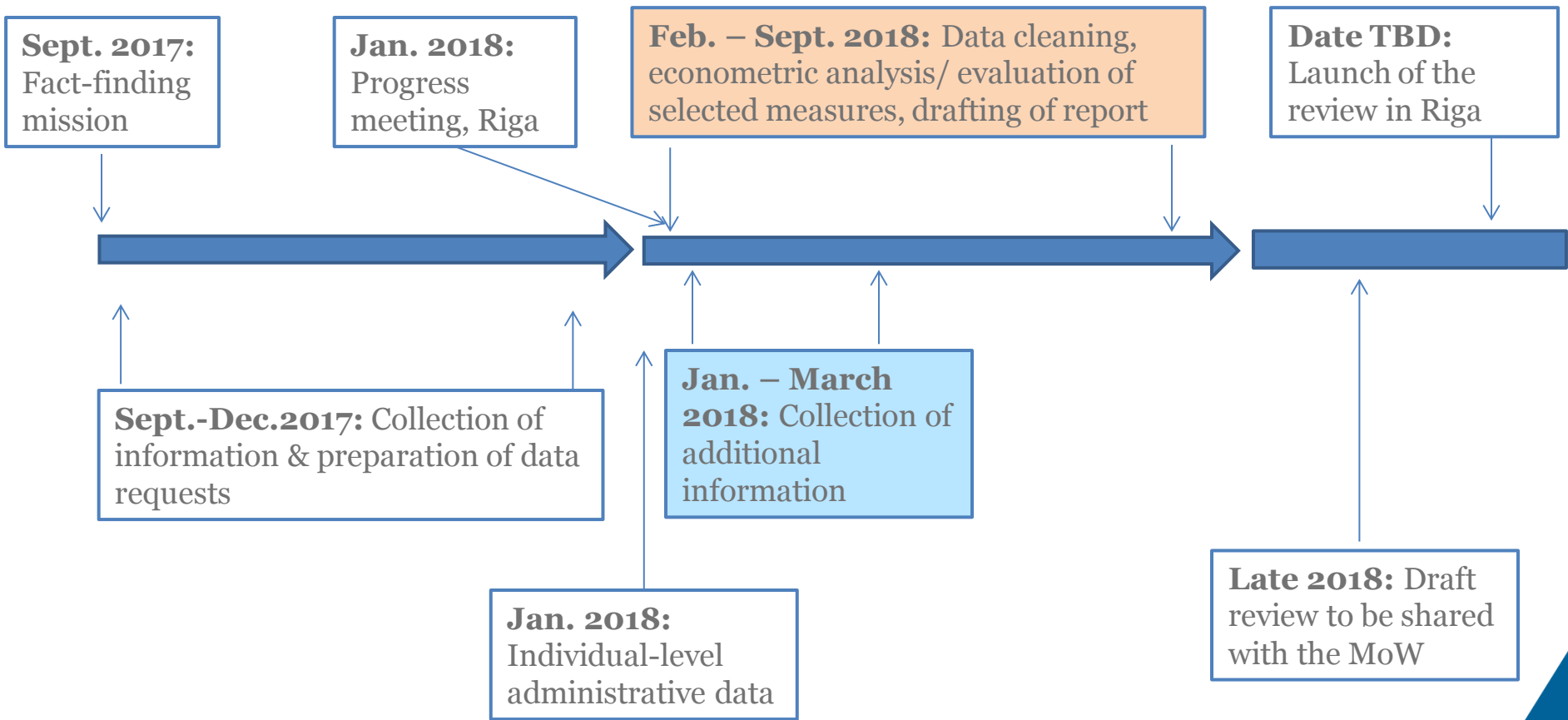
➡ need to improve targeting for the disabled, avoid substitution effects and facilitate its use by employers

Methodological approaches could exploit:

- LTU eligibility only (compare unemployed of similar duration who are above/below the long-term unemployment threshold - use a Regression Discontinuity Design)
- The limitation to 55+ (compare unemployed of just above/below the cutoff age - use a Regression Discontinuity Design)
- The change in maximum duration (outcomes between 12 and 24 months before and after change - use Differences in Differences)



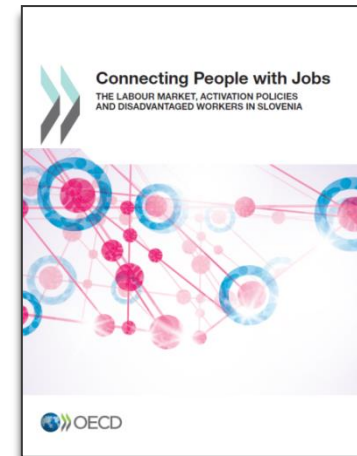
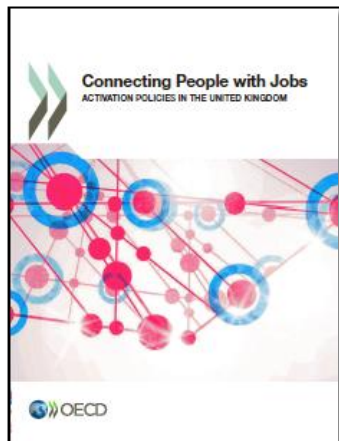
# Timeline and expected outcomes (again!)





# Thank you!

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## For further information:

Active labour market policies and activation strategies:

<http://www.oecd.org/els/emp/activation.htm>

OECD Directorate for Employment, Labour and Social Affairs: [www.oecd.org/els](http://www.oecd.org/els)