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**Inclusive employment guidelines for 2015-2020**

Riga, 2015

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Meaning of the Abbreviations and Terms Used

**Abbreviations used:**

ALMP Active labour market policy

CSB Central Statistical Bureau

EC European Commission

ME Ministry of Economics

ERDF European Regional Development Fund

CEUCouncil of the European Union

EU European Union

ESF European Social Fund

EURES Network of European Employment Services

Eurostat Statistical office of the European Union

MF Ministry of Finance

GMI Guaranteed minimum income level

GDP Gross domestic product

PIT Personal income tax

IE Guidelines Draft of Inclusive Employment Guidelines for 2014 –2020

MES Ministry of Education and Science

MW Ministry of Welfare

Cabinet Cabinet of Ministers

NRP National reform programme of Latvia for implementing strategy *EU 2020*

SEA State Employment Agency

OECD Organisation for Economic Co-operation and Development

WB World Bank

ILO International Labour Organisation

SRS State Revenue Service

SLI State Labour Inspectorate

SSIA State Social Insurance Agency

SSIMP State social insurance mandatory contributions

**Terms used:**

**Unemployment rate** – a share of unemployed persons (of working age) registered at the State Employment Agency in the total economically active population of working age, percentage.

**Profiling of unemployed persons** – a method for working with clients that provides support in identifying the needs characteristic for the client and the risk of the long-term unemployment, and possible roadmaps for the elimination of such a risk. The profiling method intends dividing of clients into definite functional groups, each group having the range of successive services and cooperation provisions.

**Job seekers** – persons (unemployed persons), who have not been working during the reporting week and have not been temporary absent from work, have actively searched for a job within the previous four weeks and in case of finding a job are ready to start working within the next two weeks (also such persons are taking into account who have already found a job and are going to start working within the time period of three months). Such a term definition is used in the random Labour Force Survey of Latvia that has internationally comparable statistical information.

**Share of job seekers** – a share of job seekers in the total economically active population of a specific age group, percentage.

**European Semester** – the EU policy building timetable that ensures clearer provisions, better alignment of the guidelines of the States during a year, regular follow-up and faster sanctions for violation of provisions, and that facilitates compliance of the budget and reforms of EU Member States.

**Registered unemployed persons** – persons that, in compliance with the Support for Unemployed Persons and Persons Seeking Employment Law, are registered at SEA as unemployed persons and are entitled to receive SEA services.

**Labour demand** – the number of workers needed for the national economy that is determined by the total number of filled vacancies and vacancies.

**Economic activity rate** – a share of the economically active population (total number of employed and unemployed population) in the total population of a specific age group that shows the readiness of society to be immediately engaged in the development of the national economy at a definite time period.

**Economically active population** – employed persons and job seekers who are actively searching for a job, including both registered at SEA and unregistered.

**Economically inactive population** – persons regardless of age, including persons below working age, who cannot be considered employed or job seekers (housewives, jobless persons with disability, pupils and students of educational institutions of working age who do not work and do not search for a job, jobless pensioners, persons who have lost hope of finding a job, persons who cannot work due to family circumstances, etc.).

**Part-time employed persons** – persons who have been employed (employees) for part -time or who usually work less than 40 hours per week.

**Employment rate** – a share of the employed population in the total population of a specific age group. This indicator shows which part of the working -age population is actually employed in the national economy at a definite time period. When calculating an employment rate, not only employees are taking into account, but also employers and self-employed persons.

**Employed population** – all the persons who at least for one hour perform any work paid in money or in goods or services during the reporting week, also self-employed persons, employers, and persons working for gaining products for own consumption.

**Persons employed for regular (full) working time** – persons who have been employed (employees) for regular (full) working time or who usually work (employers, self-employed) at least 40 hours per week, as well as workers of such categories for which shortened working time, has been set (teachers, doctors, etc.), but who consider themselves to be employed for regular working time.

**Occupations of lower qualification** – occupations that comply with Group 7-9 of occupations in the Classification of Occupations (simple occupations – workers of this major group carry out simple and repetitive work or mechanical work operations using hand tools and often involving physical efforts). Qualifications and definitions for occupations of high/average and low qualification are various – for example, there can be occupations of various qualifications in one major group of occupations (for example, in Major Group 4 *Servants* can be occupations comprising requirements of both average (secretaries) and low qualifications (client information workers)). However, in Major Group 7-9 of occupations, the share of occupations of lower qualification is more prominent than in other groups of occupations.

# Introduction

According to the strategy *EU 2020* proposed by EC, States are united by one common target - smart, sustainable and inclusive growth. This target has been put forward in order to reduce the consequences of the economic crisis and to promote the competitiveness of the whole EU in the long term. As concerns inclusive growth, the main targets are connected with a high employment rate, as well as social and territorial cohesion. In order to approach these targets, promote employment and growth in Latvia, NRP has been approved by the Cabinet on 26 April 2011 (minutes No.27 §34). As concerns employment within the framework of NRP, a quantitative target has been put forward – to reach by 2020 the employment rate 73%, while the EU common target is to reach the employment rate 75%.

Every year, within the framework of the European Semester, CEU approves specific recommendations of the States that are developed, discussed and assessed within the framework of the European Employment Strategy, including – creating access of all EU Member States to specific fields of employment policy in the process of multilateral supervision. These recommendations play a crucial role in the development and introduction of employment policy since within the framework thereof the most fundamental challenges are addressed. Therefore, the development and implementation of employment policy until 2020 will be influenced by the specific recommendations of CEU for Latvia. For the time period from 2013 to 2014, they are aimed at reducing long-term and youth unemployment, improving ALMP efficiency, creating comprehensive occupational guidance, and improving availability and quality of apprenticeship. Moreover, the recommendations emphasize a suggestion that social services shall be perfected, by ensuring the efficiency thereof, especially as concerns poverty indicators.

Concurrently, in response to the economic crisis influence, in April 2012 the EC published the Employment Package, the primary target of which is to facilitate the creation of new workplaces. The most crucial proposals for the achievement of this target are related to enhancing the labour demand, by reducing labour taxes, promoting entrepreneurial activity and self-employment, including social entrepreneurship, as well as by stimulating the transformation of undeclared work into declared employment, concurrently ensuring the compliance of the work remuneration with the productivity.

The Social Investment Package, in its turn, contains recommendations for more effective and efficient solution of social policy problems. The risk of poverty caused by financial problems and social exclusion risk, as well as the high unemployment rate, are emphasized as the most crucial problems. For improving the situation in the long term, the EC proposes that an appropriate social security system shall be ensured, which would meet the needs of the population at all critical life stages. Special attention is paid to policy fields affecting children and the youth. Investments into childcare, education and health care are considered to be the primary aspects allowing for termination of poverty succession from generation to generation.

The goal of the National Development Plan of Latvia for 2014-2020 for strengthening resilience is [215] “To create a strong middle class and ensure demographic growth in Latvia: a country where everyone is empowered to secure his or her own development and the development of his or her family and the country”. IE Guidelines conform to the second objective of NDP2020 chapter *Decent Work* [241] to increase employment in the 20 to 64 age group from 67% in 2011 to 73% in 2020. The implementation of IE Guidelines will contribute to the implementation of tasks contained in NDP2020:

[245] Decrease the burden of workforce taxes, giving priority to people with low income.

[246] Implementation of pre-emptive changes in the labour market and the development of an employment barometer.

[247] Promotion of registered employment and socially responsible business, including elimination of hidden forms of employment, improvements in the workplace by strengthening the capacity of the Labour Inspectorate and the monitoring system, social dialogue, awareness-raising campaigns and support for the training of businesses and employees, including on various types of employment, matters relating to age diversity and workplace suitability. Involvement of the public in addressing social issues by facilitating the establishment and operation of social enterprises.

[248] Promotion of youth employment, including (a) a careers education system, (b) integration of young people into the labour market following the completion of vocational or higher education, including business start-ups, (c) support measures for unemployed youth to obtain first work experience, (d) improvement of the infrastructure and facilities of vocational education institutions.

[249] Promotion of competitiveness and access to the labour market for residents subject to the risk of social exclusion and unemployed persons by providing access to current motivational, skill improvement, competency building, educational and social support services (including temporary employment opportunities).

Employment policy is also developed reflecting the „roadmap”[[1]](#footnote-2), which has been adopted by the OECD Council, within the framework of which Latvia has undertaken to develop employment policy in accordance with the employment strategy of OECD.

When defining strategic objectives and measures of IE Guidelines, also the core measures emphasized in the WB scientific research *Latvia: Who is Unemployed, Inactive or Needy? Assessing Post-Crisis Policy Options* were taken into consideration:

1) to define more precisely the target groups that need support in order to return to the labour market;

2) to increase the motivation of people, who are out of the labour market, to engage in employment;

3) to improve the introduction of appropriate active employment measures, in order that the services offered would reduce the number of unemployed persons, concurrently increasing the employment rate.

Therefore, the **goal** of IE Guidelines is to facilitate the formation of the inclusive labour market by fully utilising the human resources potential of the residents of Latvia, inter alia, by reducing social consequences of unemployment, supporting the return of jobless people to the labour market and retaining representatives of the groups subject to the risk of social exclusion on the labour market as long as possible, as well as by improving workplace quality.

The aspects of inclusion and sustainability are crucial for maintaining the growth; every person must have an opportunity to get involved in employment, training, as well as to receive support from the social security system when needed. The inclusive labour market encourages all people of working age to participate in paid work and provides a framework for their development[[2]](#footnote-3).

At the time when people more and more seldom work at one and the same job over the whole working life and workplace shifting has become a constituent part of nearly every employee’s career, the goals of employment policy are the facilitation of participation in the labour market and the provision of support, ensuring safe shifting from one workplace to the next one, which, inter alia, comprises adequate financial support and opportunities for adult education. IE Guidelines are aimed at the perfection of tools of the active labour market policy, enhancing the support provided to unemployed persons within the scope of the active labour market policy measures. According to the research results, support in job searching ensures more active initiative of unemployed persons and improves the results of the labour market demand and supply adjustment[[3]](#footnote-4). Taking into account the abovementioned, IE Guidelines are aimed at promoting participation of inhabitants in the labour market, concurrently reducing the risk of possibility that the shift stage from one workplace to another can linger on. As concerns the groups of inhabitants experiencing difficulties with inclusion in the labour market, the Guidelines provide for the implementation of specific support measures for them, taking into consideration the individual needs of each group.

Therefore, it is exactly the long-term unemployment that serves as an indicator showing how inclusive the labour market is. In 2013 the share of long-term unemployed persons among the economically active population in Latvia was 5.8%[[4]](#footnote-5) (in 2003 – 4.8%, the average rate in EU – 5.1%). In the first quarter of 2014, the share of long-term unemployed persons was 48.7%[[5]](#footnote-6), in June 2014 35%[[6]](#footnote-7) of all unemployed persons registered at SEA had been registered there for the time period exceeding 12 months.

The goal of IE is to ensure that by 2020 and in the long term the rate of long-term unemployment does not exceed 15% of all unemployed persons and 2.5% of the economically active population.

The integration of groups of inhabitants, who experience difficulties with inclusion in the labour market or face the risk of social exclusion and unemployment, into the labour market is of particular importance, taking into consideration the marked ageing tendencies of the society. In the long term, this situation can lead to the excessively big demographic load. Therefore, it is necessary to pay attention to the development of a sustainable social system and the maximum possible employment of the population in due time. In this aspect, sufficiently big attention must be paid also to the groups of inhabitants who experience difficulties with inclusion in the labour market, but who could positively impact on the labour market supply. Moreover, the integration of such population groups into the society by utilising employment opportunities is of equal importance.

In order to achieve the goal put forward, IE Guidelines have been developed on the basis of the following **fundamental principles**:

1. **information access** – to ensure free access information related to the labour market situation, most required occupations, vacancies, services available for unemployed persons, job seekers and persons subject to the risk of unemployment;
2. **equal opportunities** – to promote equal opportunities at the labour market for all persons regardless of age, sex or presence of disability;
3. **improvement of employment opportunities** for insufficiently represented groups of inhabitants (for example, less-skilled, young, female, older inhabitants), as well as promote the transformation of informal employment into declared employment;
4. **participation** – to ensure cooperation for the development and implementation of the employment policy between State and self-government institutions, non-governmental organisations, government social partners and experts;
5. **the principle** **of** **succession of activities and coordination** – to develop and implement the employment policy according to the policy planning documents in force;
6. **the principle of developing evidence-based policy** – to develop and implement an effective employment policy on the basis of regularly performed monitoring and surveys;
7. **ensuring of the financially and socially sustainable policy**, by promoting social integration and cohesion, comprising the pension policy, support for families with children, measures for unemployed persons and other groups subject to the risk of poverty and unemployment;
8. **ensuring the effective management of the labour market and social security systems**, comprising the policy implementation monitoring, analysis and assessment of results;
9. **implementation of the policy in compliance with labour rights**;
10. **formation of the policy that promotes the development of the labour market and the social integration of immigrants and their children**, as well as the policy within the framework of which the skills of immigrants would be used for the promotion of economic growth.

Primarily, within the framework of IE Guidelines, the present situation is addressed, and such problems are evaluated, which hinder the optimal functioning of the labour market and the inclusive growth. The strategic objectives and the definite measures for the solution of the present problems have been developed according to the goal. Within the framework of IE Guidelines attention is also paid to preventive measures, identifying the potential problems that can hinder the development of the labour market in future.

In order to make a closer link between the employment policy and the needs of the national economy, to ensure a complex approach to the solution of the problem of considerably low employment and high unemployment, as well as to perfect the policy planning documents developed in the field of employment, MW has developed IE Guidelines in cooperation with MES and ME, and has also taken into account the proposals of other ministries. IE Guidelines supplement the goals and strategic objectives specified and put forward in other planning documents, including the Regional Policy Guidelines for 2013-2019, the Education Development Guidelines for 2014-2020 and the National Industrial Policy Guidelines for 2014-2020. The main obstacles in the development of IE Guidelines are related to considerable differences among the groups of persons, who face constant difficulties with inclusion in the labour market. As it has been illustrated by the WB scientific research *Latvia: Who is Unemployed, Inactive or Needy? Assessing Post-Crisis Policy Options*, the obstacles hindering the involvement of persons in the labour market are varied, and the groups of persons are considerably different. Also the change of the whole labour force structure as concerns the level of education is a time-consuming process that does not allow for achieving fundamental changes in a mid-term.

# Description of the Situation

Employment opportunities are closely related to the general economic situation and the development of entrepreneurship in the State, the goal of IE Guidelines in this field is to form the employment policy appropriate for the economic situation, by effectively reacting to changes and promoting economic growth.

When developing IE Guidelines, the economic situation development tendencies have been taken into account (detailed description in Annex 2).The economic growth of 2011-2014 has been mainly promoted by the export growth; nevertheless, notwithstanding the positive GDP growth trends and forecasts, the rapid growth of vacancies is not expected. Enterprises develop mainly by optimizing processes and maximizing labour productivity. Opposite to the pre-crisis period, the work remuneration increase is mirrored in the labour productivity increase as well. The competitiveness of Latvia has been to a great extent favoured by a comparatively cheap labour force and low general costs; nevertheless, in conditions of free labour mobility it is impossible to continuously maintain low wage level, and the competitiveness must be based on the labour productivity increase.

Economy renews when enterprises optimise processes and maximise labour productivity. Increase in the number of workplaces is not rapid. Entrepreneurs’ projections regarding the short-term changes in the demand for goods and services of their enterprise are cautious. At the same time, the number of economically active merchants and commercial companies per 1000 inhabitants has sufficiently increased. The improvement of the indicators has been promoted by the perfection of the entrepreneurial activity regulation and improvement of the State administration services.

The employers’ projections attest to rather great uncertainty about the future.Entrepreneurs’ projections regarding the short-term changes in the demand for goods and services of their enterprise are cautious. Among the factors hindering the development of production entrepreneurs more often have mentioned the demand for goods and services, not the potential shortfall of the labour force in addition to geopolitical challenges as well.

General mid-term macroeconomic objectives are specified in the **Convergence Programme of the Republic of Latvia 2013-2016**, while the objectives and definite strategic objectives for the development of business environment and improvement of the economic situation in the State, in general, are specified in such policy planning documents like **the Action Plan for Business Environment Improvement for 2014-2015, the Guidelines for Export Promotion of Latvian Goods and Services and Attraction of Foreign Investment in 2013-2019, and the National Industrial Policy Guidelines for 2010-2016**.

The planned solutions provided for in IE Guidelines have been determined by taking into consideration the points specified in *Europe 2020: A Strategy for Smart, Sustainable and Inclusive Growth* and in NDP, i.e. the planned measures have an immediate effect on the achievement of the quantitative target – to reach by 2020 the employment rate 73%.

The measures included in IE Guidelines will also contribute to the further introduction of the Country-specific Recommendations of the European Union, including to:

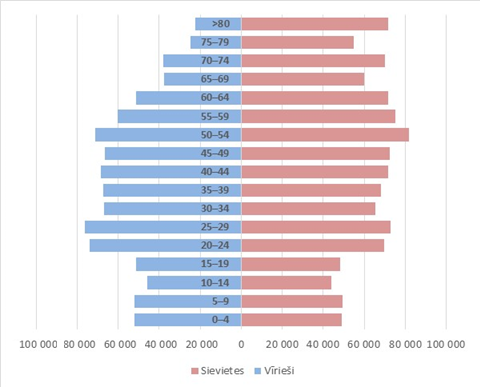
1. Tackle[[7]](#footnote-8) long-term and youth unemployment by increasing coverage and effectiveness of active labour-market policies and targeted social services. Improve the employability of young people, for example through a Youth Guarantee.
2. Provide[[8]](#footnote-9) career guidance at all education levels, improve the quality of vocational education and training, including by strengthening apprenticeship, and make progress as regards the employability of young people including by putting in place outreach measures for non-registered youth not in employment, education or training. Take steps for a more integrated and comprehensive research system also by concentrating financing towards internationally competitive research institutions.
3. Reform[[9]](#footnote-10) social assistance and its financing further to ensure better coverage, adequacy of benefits, strengthen activation and targeted social services. Increase the coverage of active labour market policies.

## Demographic Trends and Active Ageing

The demographic and development tendencies of the State impact on the labour market situation. During a rather long period of time, Latvia has been experiencing the population decline due to the low birth rate and migration. Consequently, the number of the working-age population reduces and the demographic load increases.

According to CSB data, during the time period from 2000 to 2010, the population of the State has declined by 12.9% or 307 thousand people – by 192 thousand due to migration and by 115 thousand due to the negative natural population increase. The most rapid population decline took place in 2009 and 2010 when the population declined by 42 thousand and 46 thousand respectively, which was mainly caused by the negative migration balance. In 2011 the population declined by 30 thousand or 1.4%, while in 2012 – by 21 thousand or 1%. In 2013 the population declined by 22 thousand or 1.1%. Despite the fact that during the last few years the rate of the migrated population has declined, as well as the fact that there is a slight birth growth, the immigration has declined as well, and in 2013 the decline in population due to migration was larger than in 2012 (in 2012 by 12 thousand, while in 2013 – by 14 thousand). Moreover, the general situation as concerns the negative natural growth is influenced by a numerically comparatively large cohort of people over 70.

Figure 1: Age structure of men and women, 2013



|  |  |
| --- | --- |
| Sievietes | Women |
| Vīrieši | Men |

Source: CSB

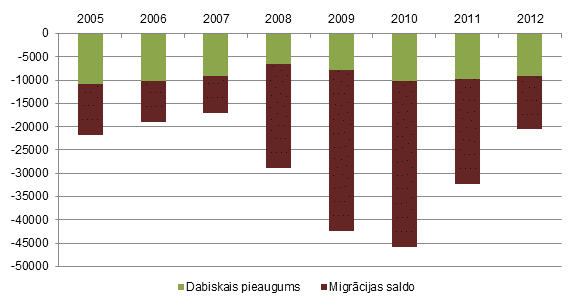
As illustrated by the gender-age structure of the population, the proportion of women in the total population is larger, at the beginning of 2014 – 54%. When comparing the number of women and men in different age groups, the number of women is larger in the age groups starting from 35. A considerable difference can be seen among older people that can be explained by a longer average lifespan of women.

At present, the largest cohorts of inhabitants are in the age groups 20-24 and 25-29. At this age inhabitants actively engage in the labour market, as well as plan and start a family, what creates the potential for the improvement of employment and the demographic situation. Younger groups of inhabitants are considerably smaller numerically, what indicates that in the coming years such possibilities as concerns employment and the demographic situation will be comparatively smaller.

The number of job seekers who have contacted SEA in order to receive EURES consultations also attests to the inhabitants’ interest as concerns work opportunities in other countries. In 2013 EURES clients were mainly interested in work opportunities in Great Britain (27%), Germany (20%), Norway (12%), Latvia (7%), Finland (7%) and Sweden (6%). The occupations SEA clients were interested in for working abroad in 2012 – manufacturing industry 20%, agriculture, forestry and fish industry 17%, accommodation and food services 14%, construction 11%, transport and storage 9%, health and social care 7%.

According to CSB data, during the time period from 2000 to 2013, there were 259 thousand people who migrated from Latvia and have not returned.

Figure 2: Changes in the population (in thousands)



|  |  |
| --- | --- |
| **Dabiskais pieaugums** | Natural growth |
| **Migrācijas saldo** | Migration balance |

Source: CSB

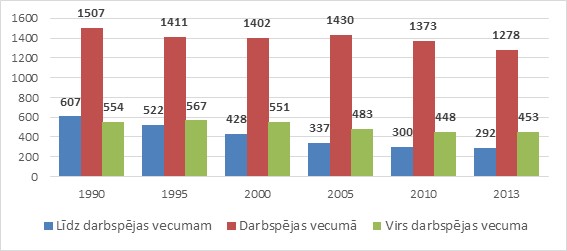
In order to reduce the population outflow, the Ministry of Economics has developed the **Re-emigration Support Plan for 2013-2016**. The framework of this plan also covers the promotion of information access as concerns the labour market situation in Latvia. Within the framework of IE Guidelines, the measures promoting re-emigration will not be viewed individually.

As it is illustrated by the negative migration balance, the number of immigrants in Latvia is smaller than the number of emigrants. However, the immigration indicators have increased since their lowest point in 2009 (the number of immigrants was 3731). In 2010 there was a slight increase in the number of immigrants in Latvia, 4 011 immigrants came from other countries to live in Latvia. In 2011 there were 10 234 immigrants who arrived in Latvia, while in 2012 – 13 303, but in 2013 the immigration decreased and only 8 299 people arrived.

The working-age population decreases more rapidly than the total population, what is basically the result of a great decline in the age group from 15 to 24 years, which is connected with a low birth rate in the 1990s and high emigration indicators during the last years for the inhabitants under the age of 35.

Figure 3: Changes in the population below working age,

of working age and over working age (in thousand)



|  |  |
| --- | --- |
| Līdz darbspējas vecumam | Below working age |
| Darbspējas vecumā | Of working age |
| Virs darbspējas vecuma | Over working age |

Source: CSB

The population below working age has declined by one third (32%) since 2000 or 136 thousand people. The working-age population has declined by 9% or 124 thousand during that period, while the population over the working age has declined by 18% or 98 thousand people.

In 2010 the share of children and teenagers declined in all 27 EU States. Nevertheless, the decline in Latvia was the third largest. As concerns the population over 65, there was the fourth largest increase in Latvia.[[10]](#footnote-11) Moreover, the demographic load is caused also by the increasing lifespan. The average life expectancy at birth increases – for men born in 2013 it is 69.5 years. The life expectancy at birth for women born in 2013, in its turn, is 79.0 years. In 2001 the average life expectancy at birth was respectively 75.7 for women and 64.5 for men.

According to Eurostat data concerning the healthy life years, since 2007 the situation in EU has not changed substantially, and in 2011 the healthy life years for men were 61.8 years (in Latvia – 53.7), while for women – 62.2 years (in Latvia – 56.7 years). Despite the fact that the indicator of healthy life years in Latvia is lower than the average indicator in EU, since 2007 a positive tendency has been observed and the number of healthy years in Latvia is constantly increasing.

In a breakdown by region, Rīga is the dominating economic activity centre in Latvia. At the beginning of 2014, 50% of the total population of Latvia or 1 010 406 inhabitants lived in Rīga planning region (Rīga and Pierīga regions). In other regions the number of inhabitants does not differ so drastically: there are 201 915 inhabitants living in Vidzeme region, 244 875 inhabitants in Zemgale region, 258 034 inhabitants in Kurzeme region and 286 238 inhabitants in Latgale region.

A mid-term projection - scenario of the Ministry of Economics[[11]](#footnote-12) - anticipates the population decline due to the natural mobility by 86.2 thousand until 2020 (in comparison with 2012). Within this time period,[[12]](#footnote-13) substantial changes in the age structure of the population are anticipated, in favour of the highest age cohorts the proportion of the working-age population will continue to reduce from 67% in 2012 to 64% in 2030 that will impact on the availability of human resources in future.

The demographic projections developed by Eurostat for the EU Member States for the time period until 2060 contain crucial society ageing challenges. For Latvia they anticipate the population reduction to 1.4 million in 2060, forming a 34% reduction in comparison with 2010 that is the second largest reduction forecasted for the EU Member States.[[13]](#footnote-14)

|  |
| --- |
| **The main challenges:**   1. Due to the negative natural mobility and, especially, due to emigration, there has been a substantial population decline during the last decade. The amount of the population decline reduces mainly due to the decline in the migration outflow, while the natural growth has remained almost unchanged during the last years. 2. Due to the society ageing, the proportion of the working-age population in the total structure increases and the demographic load grows. It is anticipated that the proportion of the working-age population will continue to reduce. 3. The working-age population decreases more rapidly than the total population, what is basically the result of a great decline in the age group from 15 to 24 years, which is connected with a low birth rate in the 1990s and high emigration indicators during the last years for the inhabitants under the age of 35. 4. A mid-term forecast anticipates the population decline due to the natural mobility by 123.1 thousand until 2020 (in comparison with 2011). Within this time period, substantial changes in the age structure of the population are anticipated, in favour of the highest age cohorts the proportion of the working-age population will continue to reduce that will impact on the availability of human resources in future. 5. The demographic projections developed by Eurostat for the EU Member States for the time period until 2060 contain crucial society ageing challenges, anticipating for Latvia the second largest decline projection among the EU Member States. |

## Labour Supply and Demand

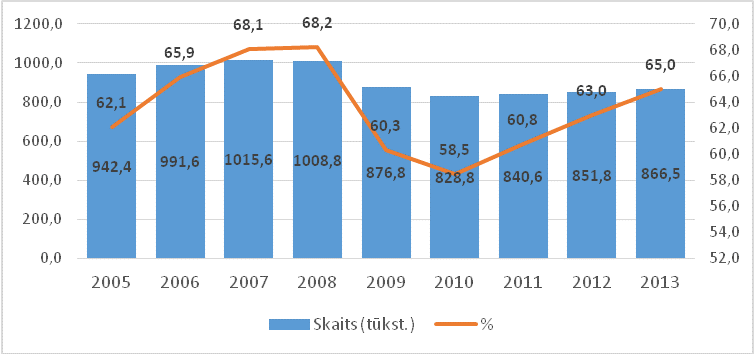
The labour market situation depends on the whole economic situation in the State. Despite the economic growth and improvements in the labour market indicators, in the post-crisis period, the unemployment rate in 2013 is rather high, especially among the groups of unemployed persons subject to the risk of social exclusion.

### Labour Demand

The economic crisis has substantially influenced the labour demand. The reduction of the share of the employed population and the increase in the rate of job seekers was caused by the substantial reduction of vacancies. The employed population share in the total population in 2009 reduced by 7.9 percentage points and in 2010 it reached 58.5%.

Figure 4: Employed population number and share

in the total population in the age group 15–64



|  |  |
| --- | --- |
| Skaits (tūkst.) | Number (thous.) |

Source: CSB

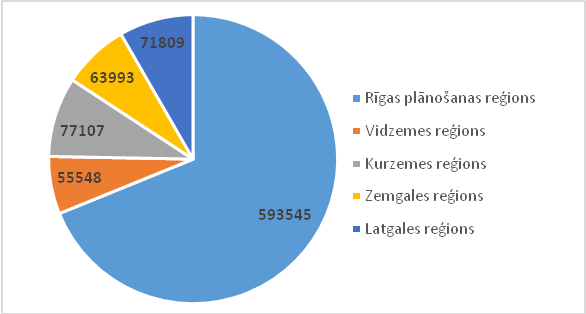
At the end of the third quarter of 2007, 1 040.9 vacancies were filled. During the following quarters the number reduced slightly, but in 2009 and 2010 a substantial decline followed, resulting in 778.3 vacancies at the end of the fourth quarter of 2010. Starting from 2011 this indicator increased and in the fourth quarter of 2013 the number reduced to 862.0 thousand.

According to the results of the random CSB Labour Force Survey of Latvia, in 2013 90.6% (792.9 thous.) of all employed persons were employed for normal working hours, 9.4% (82.2 thous.) had part-time work. In general, part-time employment is not the choice of the employed persons themselves – the main reasons for it were the inability to find a full-time job (41.1% of all part-time employed persons), unwillingness to work full time (14.2%), and personal or family circumstances (11.6%).

In a breakdown by gender, the difference between the working hours of employed persons remains unchanged. In 2013 men in average worked 39.1 hours per week, while women – 37.6 hours.

The regional differences in the number of workplaces are substantial – in the fourth quarter of 2013, there were 593.5 filled vacancies in Rīga planning region (Rīga and Pierīga regions), while in other regions the number of filled vacancies was smaller. Despite the fact that the decline in the number of workplaces due to the economic crisis reasons is characteristic for the whole State, the decline differences by regions were not substantial.

Figure 5: Filled vacancies by regions at the end of the fourth quarter of 2013



|  |  |
| --- | --- |
| Rīgas plānošanas reģions | Rīga planning region |
| Vidzemes reģions | Vidzeme region |
| Kurzemes reģions | Kurzeme region |
| Zemgales reģions | Zemgale region |
| Latgales reģions | Latgale region |

Source: CSB

According to CSB data, the greatest number of employed persons in 2013 was in the following economic activity types – wholesale trade and retail trade; repairing of automobiles and motorcycles; accommodation and food services (G;I), where 159.9 thousand inhabitants were employed (17.9%), manufacturing and extractive industry and other manufacturing sectors (B-E) (146.3 thousand employed persons or 16.4%), financing, insurance, scientific, administrative services and transactions with real estate (K-N) (102.7 thousand or 11.5%), and transport, storage, information and communication services (H;J) (101.7 thousand or 11.4%). Since 2008 the division of employed persons by the types of economic activity has not changed substantially.

In breakdown by gender the greatest changes in the structure of employed persons are observed in the construction sector (in 2013 7.9% of employed are women), as well as in the health and social care sector (the proportion of men is 14%) and in the education sector (21.0% of men).

In Rīga and Pierīga regions the most part of the population in the fourth quarter of 2013 was employed in the wholesale and retail trade sector (17.8% and 19.7% respectively), while in the manufacturing industry – 8.8% and 17.2% respectively. In other regions the largest proportion of employed persons is in the manufacturing industry: Vidzeme region – 19.7%, Kurzeme region – 20.8%, Zemgale region – 19.9%, Latgale region – 17.5%; while in the wholesale and retail trade sector there are 13.5% of employed persons in the Vidzeme region, 11.6% – in the Kurzeme region, 14.2% – in Zemgale region, 15.5% – in Latgale region.

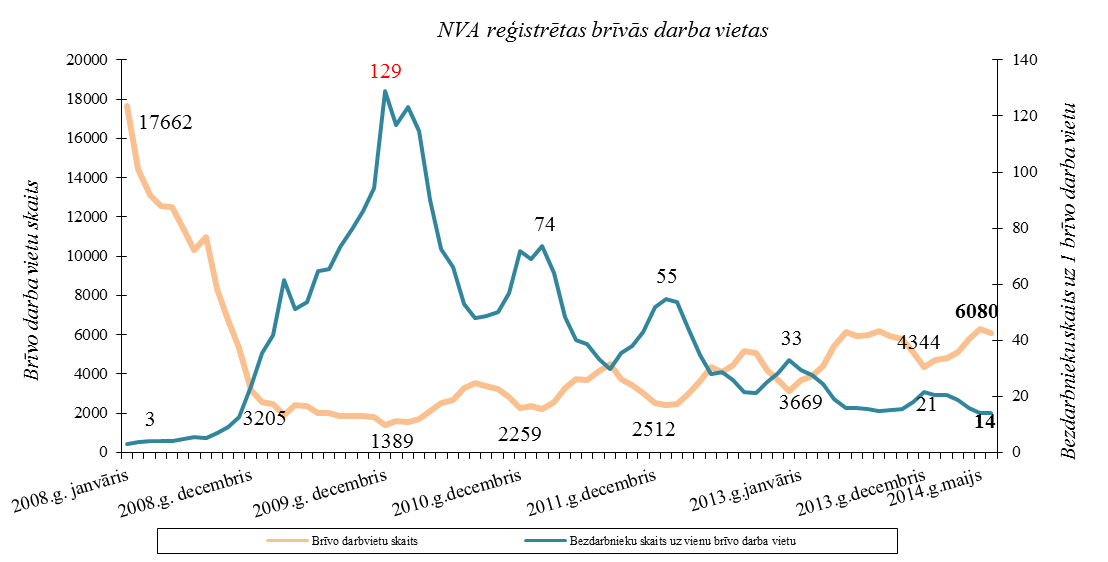
The situation in the national economy sector is mirrored also in the number of vacancies. During the pre-crisis period, the number of vacancies increased substantially, in 2007 reaching 20.2 thous. vacancies on average per year, what was followed by the decline to 10.6 thous. in 2008, 2.4 thous. in 2009 and 2.0 thous. in 2010. In comparison to 2012, in 2013 a slight increase in the number of vacancies was observed from 3.4 thous. to 3.9 thous.

The decline in the number of vacancies registered at SEA was observed already in 2008, when the number of registered vacancies reduced more than fivefold from January until December (from 17.6 thous. to 3.2 thous.). At the end of 2009, the number of vacancies decreased to 1 389 workplaces.

Despite the fact that the number of vacancies is unstable and is affected by seasons, since the end of 2009 the number of vacancies registered at SEA increased gradually, reaching 4 344 vacancies in December 2013 (the largest number of vacancies registered: in the manufacturing industry – 1 681, transport and storage – 579, wholesale and retail trade; repairing of automobiles and motorcycles – 458). Concurrently, the number of unemployed persons per one vacancy reduced. In December 2009 there were 129 registered unemployed persons applying for one vacancy, in December 2013 – 21. At the end of June 2014, there were 6 080 vacancies registered. In June 2014 there were 14 unemployed persons applying for each vacancy.

Figure 6: Number of vacancies and unemployed persons

per one vacancy



|  |  |
| --- | --- |
| NVA reģistrētas brīvas darba vietas | Vacancies registered at SEA |
| Brīvo darba vietu skaits | Number of vacancies |
| Bezdarbnieku skaits uz 1 brīvo darba vietu | Number of unemployed persons per 1 vacancy |
| 2008. g. janvāris | January 2008 |
| 2008. g. decembris | December 2008 |
| 2009. g. decembris | December 2009 |
| 2010. g. decembris | December 2010 |
| 2011. g. decembris | December 2011 |
| 2013. g. janvāris | January 2013 |
| 2013. g. decembris | December 2013 |
| 2014. g. maijs | May 2014 |
| Brīvo darbvietu skaits | Number of vacancies |
| Bezdarbnieku skaits uz vienu brīvo darba vietu | Number of unemployed persons per 1 vacancy |

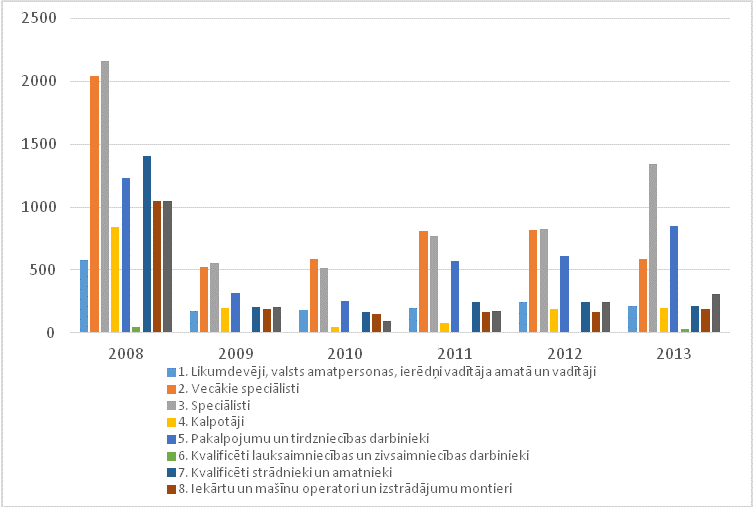
Source: SEA

The largest proportion of vacancies is in the following main groups of occupations: senior specialists, specialists, and service and trade employees. During the pre-crisis years there was a considerably larger demand for qualified workers and craftsmen, during the crisis and post-crisis period the demand for the representatives of this main group has reduced more rapidly than in other main groups.

On the labour market, the largest demand is in the main groups of occupations (specialists, senior specialists, and service and trade employees), where the education level higher than the secondary education is usually required for the fulfilment of duties. As concerns the occupations of lower qualification, there is a rather big rotation caused by the low remuneration and comparatively worse working conditions.

The vacancies registered at SEA as at the end of June 2014 in division by sectors (the greatest number): Manufacturing Industry (C) – 1 781, Wholesale and Retail Trade; Repairing of Automobiles and Motorcycles (G) – 1 004, Transport and Storage (H) – 764, Accommodation and Food Services (I) – 375, Agriculture, Forestry and Fish Industry (A) – 297, Operation of Administrative and Service-providing Services (N) – 268, Construction (F) – 261. The largest number of vacancies is for qualified workers and craftsmen.

Figure 7: Vacancies by occupation groups average per year



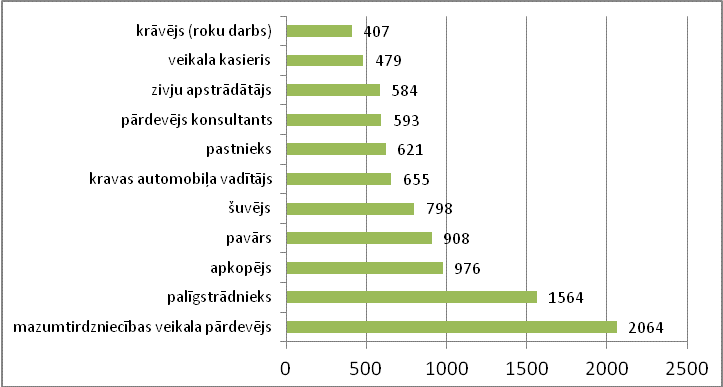
|  |  |
| --- | --- |
| **1. Likumdevēji, valsts amatpersonas, ierēdņi vadītāja amatā un vadītāji** | **1.** Legislators, State officials, civil servants in leading positions and chiefs |
| **2. Vecākie speciālisti** | **2.** Senior specialists |
| **3. Speciālisti** | **3.** Specialists |
| **4. Kalpotāji** | **4.** Servants |
| **5. Pakalpojumu un tirdzniecības darbinieki** | **5.** Service and trade workers |
| **6. Kvalificēti lauksaimniecības un zivsaimniecības darbinieki** | **6.** Qualified agriculture and fish farm workers |
| **7. Kvalificēti strādnieki un amatnieki** | **7.** Qualified workers and craftsmen |
| **8. Iekārtu un mašīnu operatori un izstrādājumu montieri** | **8.** Operators of equipment and machines, and fitters |

Source: CSB

The largest proportion of unemployed persons was previously employed in simple occupations, where the level of education does not play a decisive role. In order to raise the competitiveness of such unemployed persons, it is necessary to promote the raising of the level of education and qualification, as well as the acquisition of new skills both among unemployed and employed persons. Moreover, it must be taken into account that there are additional requirements that are requested also for the simpler occupations, what is caused by the development of technological processes.

A part of the ten mostly vacant occupations registered at SEA during the last three years is formed by lower qualification occupations – a loader, fish processing worker, cleaner and auxiliary worker.

Figure 8: Occupations mostly demanded by employers in 2013



|  |  |
| --- | --- |
| **Krāvējs (roku darbs)** | Loader (manual work) |
| **Veikala kasieris** | Shop cashier |
| **Zivju apstrādātājs** | Fish processing worker |
| **Pārdevējs konsultants** | Shop assistant |
| **Pastnieks** | Postman |
| **Kravas automobiļa vadītājs** | Truck driver |
| **Šuvējs** | Sewer |
| **Pavārs** | Cook |
| **Apkopējs** | Cleaner |
| **Palīgstrādnieks** | Auxiliary worker |
| **Mazumtirdzniecības veikala pārdevējs** | Seller at a retail shop |

Source: SEA

According to the results of the research „Strukturāls vai ciklisks? Bezdarbs Latvijā kopš 2008.–2009. gada krīzes”[[14]](#footnote-15) [Structural or Cyclic? Unemployment in Latvia since the Crisis of 2008-2009], the number of vacancy-filling days has reduced substantially in the post-crisis period. In 2008, 25% of all vacancies remained active for 19 days, while 75% of all vacancies remained active for 73 days, but in 2012 – for 11 days and 39 days respectively. Such a situation attests to the fact that the number of vacancies is still insufficient and, therefore, they are filled very quickly.

Table 1: The pace of vacancy filling in days

|  |  |  |  |
| --- | --- | --- | --- |
| **Publishing year** | **25% of all vacancies remain active for … days** | **50% of all vacancies remain active for … days** | **75% of all vacancies remain active for … days** |
| **2008** | 19 | 41 | 73 |
| **2009** | 7 | 19 | 43 |
| **2010** | 10 | 25 | 48 |
| **2011** | 14 | 29 | 51 |
| **2012** | 11 | 22 | 39 |

Source: Calculation of Mihails Hazans un Alfs Vanags[[15]](#footnote-16) according to SEA data

The labour market short-term projections implemented by SEA reflect the evaluation of entrepreneurs concerning the changes in demand of goods and services during the following six months. The projections of entrepreneurs regarding the second half of 2013 turned out to be more optimistic than the actual assessment of this period[[16]](#footnote-17). The projection[[17]](#footnote-18) for the first half of 2014 testifies that in the first half of 2013 the most cautious evaluation of changes in the demand for goods and services during the following six months was expressed by the employers in Latgale region, where the largest proportion of employers had an opinion that the demand for goods and services would stay at the same level or reduce, or could not give an answer to this question.

The goal of IE Guidelines within the framework of the regional policy is to minimise the consequences caused by the regional imbalance in the field of employment, by supporting the inhabitants in approaching workplaces. The broader range of the regional policy problems is, in its turn, addressed within the framework of the **Regional Policy Guidelines for 2013-2019**, where the economic stimulation and the improvement of the business environment at the local and regional level are stressed, what is crucial for the employment promotion.

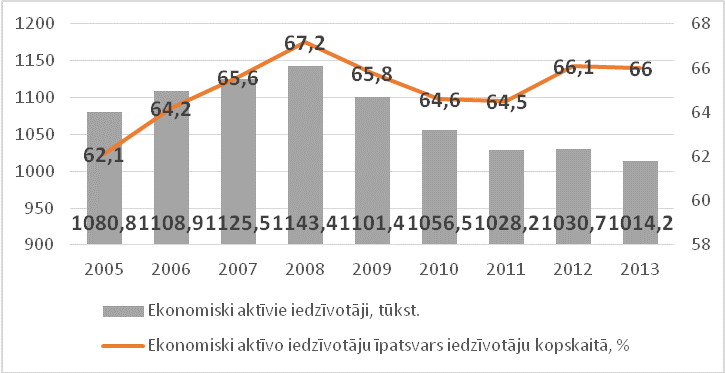
### Labour Supply

Together with the decline in the economic capacity and the number of workplaces also the employment level and the economic activity indicators have reduced. During the pre-crisis time period from 2005 to 2008, there was seen considerably rapid growth in the proportion of the age group 15-74 years of the economically active population in the total population, reaching 67.2% in 2008. From 2009 to 2011 the economic activity indicators declined as a result of the decline in both the number and the share of the economically active population.

The maximum share (employment level) of employed persons (15-74) in the population structure in 2008 (62%) was followed by the decline to 52.0% in 2010. The share of job seekers in the total economically active population in the age group 15-64 rose from 6.2 in 2007 to 19.8 in 2010. The employment rate in this age group, in its turn, reached the highest point in 2008 – 68.2%, which was followed by the decline to 58.5% in 2010.

Figure 9: Economically active population share in the total population

by age and the number in the age group 15-74 years



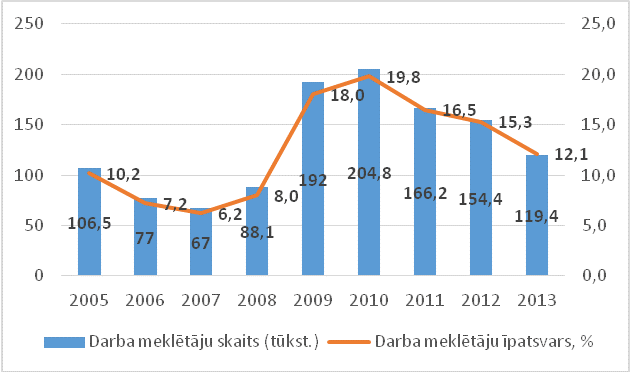
|  |  |
| --- | --- |
| Ekonomiski aktīvie iedzīvotāji, tūkst. | Economically active population, thous. |
| Ekonomiski aktīvo iedzīvotāju īpatsvars iedzīvotāju kopskaitā, % | Economically active population share in the total population number, % |

Source: CSB

Also, the registered unemployment gradually reduces since its highest point during the labour market crisis period in March 2010, when the unemployment rate was 17.3%. The average registered unemployment rate in 2010 was 15.6%, in 2011 this indicator reduced to 12.8%, while in 2012 already to 11.4%. In 2013 the positive tendency continued and at the end of December 2013, the indicator reduced to 9.5%. It is projected that the registered unemployment rate in 2015 will be 7.3%.

Figure 10: Number of job seekers and the share

in the total population in the age group 15–64 years



|  |  |
| --- | --- |
| Darba meklētāju skaits (tūkst.) | Number of job seekers (thous.) |
| Darba meklētāju īpatsvars, % | Share of job seekers, % |

Source: CSB

Part of the inhabitants, who have lost their job during the crisis, could not find a new workplace for a long period of time and ceased to search for a job actively, becoming economically inactive after being the economically active job seekers. In 2010 the economically inactive population share reached 35.4% in contrast to 32.8% in 2008.

However, among economically inactive population special attention must be paid to persons who are potential job seekers, but who have lost hope of finding a job. The results of CSB Labour Force Survey testify that during the economic crisis period the number of such inhabitants has substantially increased, reaching the highest point in 2010 – 8.3% of all economically inactive inhabitants. This proportion has reduced during the last years, but it still exceeds the pre-crisis level.

The research carried out at the request of SEA demonstrates different reasons for not working[[18]](#footnote-19). The main reason for not working for 77.9% of economically inactive and job -seeking young people is training or studies. 8.2% do not work due to family circumstances. 7.1% of young people cannot find an appropriate job, while 4.3% cannot find a job at all, and 0.6% do not work due to the lack of necessity or a wish. As concerns the pre-retirement age group from 50 to 64 years, the largest number of respondents, almost one third (28.2%), simply feel that they are too old for working, and one fourth (23.9%) of pre-retirement age persons surveyed do not work due to health problems, while 5.80% does not work due to the lack of necessity or a wish, and 4.2% do not work due to family circumstances. 12.9% cannot find a job at all, but the largest number (21.4%) of unemployed pre-retirement age persons cannot find a job that would seem appropriate for them. Among the respondents with a disability as the main reason for not working – 58.9% – is the health condition, but 11.1% feel they are too old, while 1.9% do not work due to training, and 1.7% due to family circumstances.

In 2011 the situation on the labour market started to improve gradually – employment and the economic activity of population increased, also the share of job seekers was reducing slowly. The number of employed inhabitants increased by 1.3% (861.6 thous. employed inhabitants) in 2011 in comparison to the previous year, and by 1.6% in 2012 in comparison to 2011, and it increased by 2.1% in 2013, reaching 893.9 thous. It is projected that the positive trends will continue also in future, and the objective to reach the unemployment rate of 73% in 2020 has been put forward.

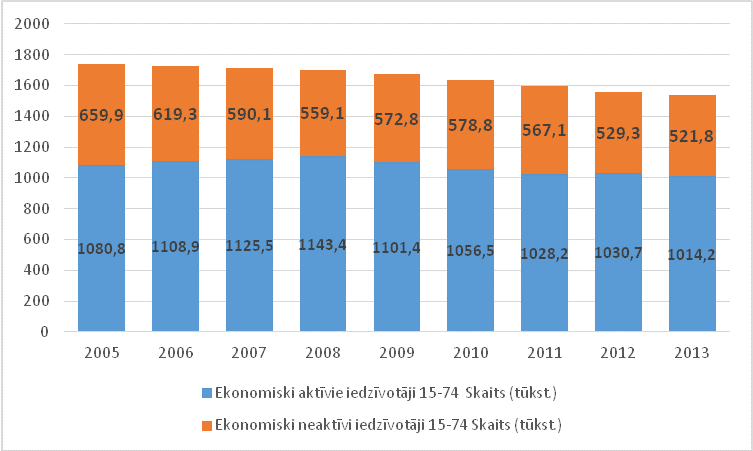
Also, the share of job seekers has reduced, in 2011 (15-64 years) it declined by 3.3 percentage points reaching 16.5% (166.2 thous. job seekers) and in 2012 by 1.2 percentage point more reaching 15.3% (154.4 thous. job seekers). Also in 2013 the share of job seekers continued to decline (by 3.2 percentage points) and reached 12.1%, while the number of job seekers reduced to 119.4 thous. Despite the fact that the share of job seekers is still considerably higher than in the pre-crisis period, a positive trend is observed.

Despite the fact that during the crisis period the number of economically inactive population increased, in general since 2005 the number of the economically inactive population has reduced by more than 20%, in 2013 there were 521.8 thousand economically inactive inhabitants.

Despite the improvement in the economic situation in the State, the level of economic activity in 2011 reduced by 0.1 percentage point. In 2012, in comparison to the preceding year, the share of the economically active population increased by 1.6 percentage points, reaching 66.1% or 1 030.7 thous. economically active inhabitants.

In 2013, in the age group from 15 to 74 years there were 1 014.2 thous. (66.0% of all population) economically active inhabitants, what was formed by 893.9 thous. employed persons (88.1% of economically active) and 120.4 thous. job seekers (11.9% of economically active).

Figure 11: Number of inhabitants (15-74) by economic activity



|  |  |
| --- | --- |
| Ekonomiski aktīvie iedzīvotāji 15-74 Skaits (tūkst.) | Economically active population 15-74 Number (thous.) |
| Ekonomiski neaktīvie iedzīvotāji 15-74 Skaits (tūkst.) | Economically inactive population 15-74 Number (thous.) |

Source: CSB

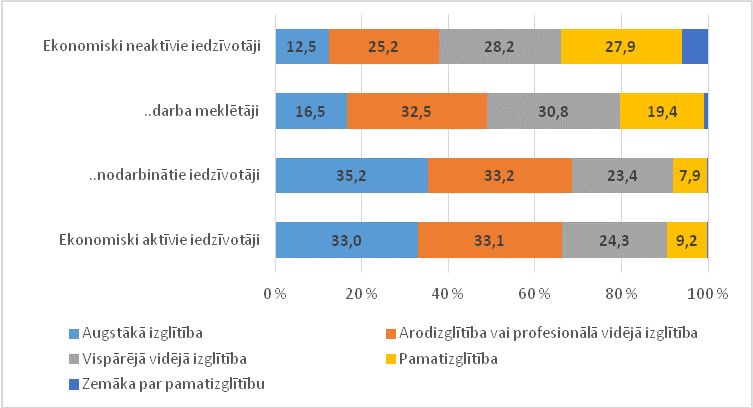
The greatest economic activity is observed in Rīga region, what is confirmed also by the economic activity and employment indicators. The economic activity level (15-74) in Rīga region in 2013 reached 70.2%, while the lowest level was in Vidzeme region – 63.1%, and in Latgale region – 62.1%. The regional differences in the employment rate (15-64) are also similar: 69.5% in Rīga region, 66.7% in Pierīga region, the lowest is in the Vidzeme region – 61.1%. The share of job seekers (15-64) in Latgale region was 17.3%, in Zemgale region – 15.4%, while the lowest was in Pierīga region (6.8%), in Kurzeme region (10.4%). The registered unemployment rate in Rīga region is considerably lower than in other regions. In December 2013: in Rīga region – 6.0%, in Latgale region – 18.8%, in Kurzeme region – 11.5%, in Vidzeme region – 11.2% and in Zemgale region – 9.8%. The rate of registered unemployed persons in regions is mainly influenced by the situation in region cities, where the largest part of workplaces is concentrated. In the republic cities the registered unemployment rate in December 2013 was: in Rīga – 5.6%, in Valmiera – 6.7%, in Jelgava – 7.0%, in Jūrmala – 8.1%, in Ventspils – 8.2%, in Daugavpils – 9.7%, in Jēkabpils – 10.4%, in Liepāja – 13.0%, in Rēzekne – 16.6%.

In 2013 the job seekers (15-64) were 53% of men and 47% of women. In the total number of unemployed persons (93 321) at the end of December 2013 there were 56% (52 295) of women and 44% (41 026) of men.

A crucial indicator characterising the labour force is the education level, especially taking into consideration the mutual interrelation between the education level and employment opportunities.

According to CSB data, in 2013 33% of all economically active population had higher education, 33.1% had the vocational basic education or vocational secondary education, 24.3% had general secondary education, while 9.2% had basic education. Such an education level division does not differ substantially from the other EU States.

Figure 12: Inhabitants by economic activity and education (2013)



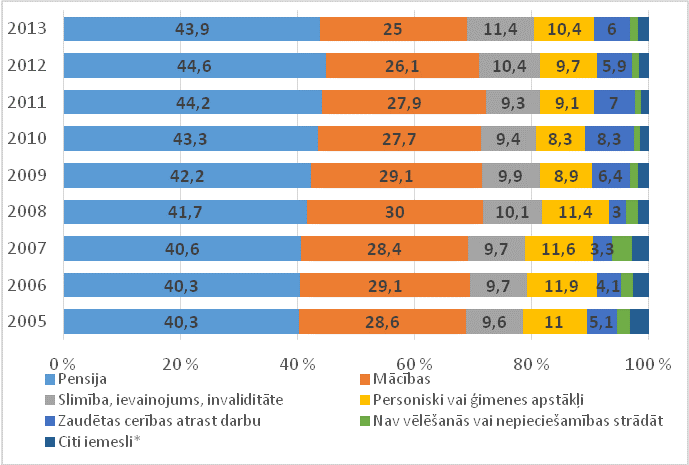
|  |  |
| --- | --- |
| Ekonomiski neaktīvie iedzīvotāji | Economically inactive population |
| ..darba meklētāji | ..job seekers |
| ..nodarbinātie iedzīvotāji | ..employed population |
| Ekonomiski aktīvie iedzīvotāji | Economically inactive population |
| Augstākā izglītība | Higher education |
| Vispārējā vidējā izglītība | General secondary education |
| Zemāka par pamatizglītību | Lower than basic education |
| Arodizglītība vai profesionālā vidējā izglītība | Vocational education or vocational secondary education |
| Pamatizglītība | Basic education |

Source: CSB

In 2013 36.5% of economically active men and 29.7% of economically active women had the vocational basic education or vocational secondary education. The indicators of higher education, in their turn, differed substantially, higher education had 41.4% of economically active women and only 24.4% of men. 12.7% of men and 5.8% of women had a basic education. Even though the labour force education level, in general, is not to be evaluated as low, its ability to comply with the labour market demand is crucial, especially, taking into consideration the present widespread trend of substituting manual work with various technological solutions. CSB data for 2013 show that the share of economically active population having higher education has slightly increased and, consequently, the share of inhabitants having a lower education level has decreased (33.0% of all economically active population had higher education, 33.1% had vocational basic education or vocational secondary education, 24.3% had general secondary education, while 9.2% had basic education).

The most part of registered unemployed persons had the acquired vocational education – 37.3% (34 831), general secondary education – 26.6% (24 833), basic education – 19.2% (17 887), higher education – 14.0% (13 088), education lower than basic – 2.8% (2 582). The share of the population having higher and vocational education is larger among both economically active population and employed population. At the same time, a lower level of education is the most important reason for both economic inactivity and inability to find a job. The share of inhabitants having basic education or education lower than basic is larger in the structure of the economically inactive population (34.0%) and job seekers (20.3%).

Figure 13: Economically inactive population by the reason for not searching for a job in 2013 (%)



|  |  |
| --- | --- |
| Pensija | Pension |
| Slimība, ievainojums, invaliditāte | Illness, injury, disability |
| Zaudētas cerības atrast darbu | Lost hope of finding a job |
| Citi iemesli\* | Other reasons\* |
| Mācības | Training |
| Personiski vai ģimenes apstākļi | Personal or family circumstances |
| Nav vēlēšanās vai nepieciešamības strādāt | Lack of a wish or necessity to work |

Source: CSB

Inhabitants having a lower education level together with the higher unemployment risk are subject to the higher risk of poverty. According to CSB data of 2012, at-risk-of-poverty rate (in the age group 18-64) for inhabitants with a primary education level or a lower education level is 33.3%, it is considerably larger than the at-risk-of-poverty rate for persons having secondary or vocational secondary education (19.8%). The lowest at-risk-poverty rate have people with higher education – 6.4%. Within the context of labour demand, the potential groups of labour in reserve are the present job seekers[[19]](#footnote-20) and part of the economically inactive population. According to CSB Labour Force Survey, economically inactive inhabitants are economically inactive pensioners, pupils, students, house husbands/housewives, persons with disability, inhabitants continuously lacking the capacity to work, persons who have lost hope of finding a job, persons who carry out care duties in the family, etc. The economically inactive population is considered to be a substantial part of the population, in which the potential labour force is to be searched. Four out of ten economically inactive inhabitants are pensioners; every fourth is a full-time pupil or a full-time student who does not work during the reporting week, every tenth does not work due to continuous illness or disability. In 2013, 10.4% of all economically inactive population is formed by persons who do not work due to personal or family circumstances, what could mean that a person has undertaken care duties in respect of one of the family members and, therefore, cannot work.

### Adjustment of Labour Supply and Demand

In order to react effectively to unstable labour market requirements and to ensure an appropriate labour market policy, short-term, mid-term and long-term labour market projections are performed in Latvia:

1. ME annually develops mid-term and long-term projections that allow forecasting in good time inappropriateness of the labour market formation in future. **The Informative Report Regarding the Labour Market Mid-term and Long-term Projections**[[20]](#footnote-21) contains a description of the present labour market situation, as well as mid-term labour market projections for the time period until 2020 and long-term labour market projections until 2030. The aforementioned projections have been used as the basis for these Guidelines.
2. Within the framework of the short-term projection model the **surveys** **Labour Market Short-time Projections** are conducted, the aim of which is to explore the unemployed persons’ vocational and informal training needs, inter alia, by evaluating the range of training opportunities offered by SEA at present, to develop recommendations for creation of the list of SEA training measures for the following six months. The projections are based on inquiries and interviews of employers, sectoral associations and social partners. MW annually prepares a report *On the Labour Market Short-term Projections and the Priority Training Directions for Unemployed Persons and Job Seekers*, within the framework of which the priority training directions for unemployed persons and job seekers are determined, in which the unemployed persons and job seekers are offered training programmes. In order to determine priority directions, the situation analysis of the labour market, SEA data analysis are carried out, the EU and ME projections regarding the further development of the Latvian labour market are taken into consideration, the experts’ recommendations are taking into account as well.

According to the ME mid-term projections[[21]](#footnote-22) (until 2020), in the mid-term (until 2020) the demand for and supply of the labour force of higher and average qualification will gradually reach a balanced condition. Concurrently, the proportion of labour demand and labour supply will not be equally similar in all sub-segments of education – more marked insufficiency will be observed for labour with vocational education (both secondary and higher).

If the present training intensity remains unchanged, the most significant labour surplus in the higher education group is expected among inhabitants having education in the humanities and in the service sector. Even though the demand for specialists with appropriate qualification in mid-term and long-term can increase, it is not expected that the increase in new vacancies in future will be as large as it would accumulate at least half of new specialists with appropriate qualification entering the labour market. The surplus of labour with education in the humanities, as well as in the service sector, in 2020 could reach even 20%.

The significant excess of labour supply over the labour demand will be observed also in the group of social, commercial and legal sciences, as well as in the group of pedagogical education programmes. In 2020 approximately 10% of new specialists with appropriate qualification will have a job not associated with their education. Moreover, if emphases in the education offer remain unchanged, the aforementioned disproportions will increase in long-term. As concerns other fields of education, it is possible that there will be the shortfall of necessary specialists. First of all, it could be observed in the group of natural sciences, mathematics and information technologies. If the education structure remains unchanged, it is possible that by 2020 there will be the shortfall of specialists with higher education in engineering sciences, manufacturing and construction, agriculture, as well as healthcare and social welfare. It is expected that at the level of secondary education, like in the situation with higher education, a relatively larger labour surplus will be formed in the group of inhabitants with education related to the humanities and art, as well as to commercial and legal sciences. Moreover, the work opportunities in the field related to the education acquired will reduce even more due to the increased competition with the specialists having higher education in the relevant field. Concurrently, insufficient supply is projected in the thematic groups of engineering sciences, manufacturing and construction (mainly in the fields of mechanical engineering and woodworking), natural sciences, mathematics and information technologies, as well as services (mainly in the fields of hotel and restaurant services, transport services and personal and property security). In these groups, the previous labour training structure being preserved, the supply can reduce.

According to the labour market mid-term and long-term projections, the present labour training structure being preserved, four main labour market disproportions are identified:

* the imbalance between the higher education supply and the labour market demand. During the following years, the surplus of specialists in the fields of the humanities and social sciences will increase (in 2020 the surplus ~20 thous.),
* concurrently, the shortfall of specialists in natural sciences, IT and engineering sciences could be formed (in 2020 the shortfall ~20 thous.);
* the shortfall of labour force having a vocational secondary education. During the previous 10 years the number of economically active inhabitants with vocational secondary education declined fivefold, a similar pace of the decline will be observed in future as well;
* a large proportion of young people entering the labour market without any definite profession and skills. Approximately 30% of persons who have acquired general secondary education do not continue studies at the higher education level, while the demand for such labour force reduces;
* a large proportion of low-qualified labour force. In 2013 approximately 10% of the economically active population had basic education or a lower education level. Moreover, it is not expected that this proportion would decline in the nearest future.

A significant role in ensuring the balance between the labour market supply and demand plays the education (especially vocational and higher education) on offer and the education quality. In **Education Development Guidelines for 2014-2020,** the overarching goal of the education development policy has been put forward – the qualitative and inclusive education for the development of identity, human welfare and sustainable growth of the State. Education Development Guidelines for 2014-2020 contain measures[[22]](#footnote-23), which are aimed at improving the balance between the vocational education and training system and the labour market requirements, as well as at promoting the implementation of education measures in close cooperation with employers, including the establishment of mechanisms for ensuring the balance between the education contents and the unstable demand for skills, and strengthening of the importance of training based in the working environment. Concurrently, it is planned in the aforementioned guidelines to restructure the State support for the subject fields of higher education sciences (study courses) according to the mid-term labour market projections, by increasing the number of budget places in the programmes of science, technology, engineering sciences and mathematics.

Adjustment of the labour market demand and supply at SEA:

1. it carries out the labour market short-term projections (in the planning period 2007-2013, within the framework of the ESF project *Development of the State Employment Agency System for the Labour Market Projections and Monitoring* implemented within the framework of the Operational Programme *Human Resources and Employment*, sub-activity 1.3.1.7. *Development of the System for the Short-term and Long-term Labour Market Demand Projections and Monitoring* the development of a methodology for the labour market analysis (see http://www.nva.gov.lv/index.php?cid=6&mid=465) and the data acquisition had been conducted, as well as surveys had been prepared (http://www.nva.gov.lv/index.php?cid=6&mid=95).
2. it registers vacancies, unemployed persons and job seekers; ensures information exchange between unemployed persons and employers; within the framework of the ESF project *Perfection of the State Employment Agency Capacity* (December 2008-2014) 8 Vacancy trade fairs took place in all the regions of Latvia,
3. it maintains the publicly-accessible database of CVs/vacancies, which provides an opportunity for unemployed persons and job seekers to register CV, and for employers – a vacancy,
4. it organises meetings of employers and unemployed persons (job interviews) – in 2013 there were 12 874 persons who found a job after the meeting with employers,
5. taking into consideration the situation of each unemployed person, and according to the individual needs, it provides services and, if necessary, involves persons in active employment measures (in a training or employment measure).

Shortcomings of the present system for projecting future changes in the labour market:

* limited opportunities for spreading the labour market projections and lack of information channels, and, consequently, insufficient awareness of the society as concerns the expected labour market changes;
* insufficient overall public discussions regarding the future trends and needs of the labour market;
* weak institutional cooperation and dispersal of information among the parties involved in the system, limiting the taking of targeted decisions regarding the creation of supply appropriate for the needs of the labour market;
* lack of awareness and capacity of the involved institutions;
* problems in interpreting the projections and a complicated cohesion with the education offer instruments.

For the improvement of the labour market demand and supply it is planned[[23]](#footnote-24) to establish a mechanism and a cooperation framework, where all the parties involved would jointly give the future careful consideration, what would result in the taking of substantiated decisions regarding the necessary policy measures, especially in the field of education, in order to ensure a balanced development of the labour market in long-term. The aim of the planned measure *Introduction of the Labour Market Forecasting System* is to establish an organisational system and the technical infrastructure subordinate to it, which would ensure a timely and coordinated mutual cooperation between the State institutions and non-governmental organisations in forecasting labour market changes and introducing necessary transformations.

One of the essential elements of a system of anticipation and management of labour market restructuring is a web-based tool, which should provide expanded, reliable, user-friendly and comprehensible information on labour market needs, including analyzing the changes of labour force demand trends in the short, medium and long-term. The web-based tool should provide a unified cross-sectoral mechanism of the forecasts and monitoring of labour force supply and demand, integrating MoES, MoE and MoW (SEA) available indicators of the labour market and education systems. It also should provide comprehensive information to the policy makers and implementers as well as to a wider range of specialists and the general public. The main target users of web-tool should be as follows: (1) decision makers of the fields of education, economics and employment; (2) career service consultants and inspectors who provide services for its clients; (3) broader public (employees who may be interested in career shift, also unemployed, job seekers as well as pupils, students and others). In addition, the developed web-based tool will complement the planned support for career support services in vocational and general education institutions within the specific support objective No 8.3.5. "To improve access to career support for students in general and vocational education institutions".Within the framework of the measure, it is planned to perform the identification and establishment of the organisational framework and the cooperation model of the forecasting system and to introduce the infrastructure support elements – establishment of the IT platform, for ensuring the harmonised and coordinated operation of the labour market forecasting system.

**The main challenges:**

* After the crucial decline in vacancies during the crisis period, the number of workplaces increases concurrently with the economy recovery. However, the economic growth is mirrored in the labour market more slowly than in the microeconomic indicators, and the increase in vacancies is not rapid.
* Among the economically inactive population the proportion of persons who have lost hope of finding a job is substantial. In order to return these persons to the labour market, a wide complex of support measures is needed.
* A significant unemployment and social inactivity, as well as poverty, factor is a low education level. The proportion of inhabitants having basic education or education lower than basic is larger in the structure of economically inactive population and job seekers. The crisis period has proved that these inhabitants are the most vulnerable group – unemployment and economic inactivity indicators increased comparatively more crucially for the inhabitants with a lower education level (general secondary, basic education and lower).
* The most substantial proportion of vacancies is concentrated in Rīga and Pierīga regions, while the number of workplaces in other regions is considerably smaller.
* The labour market mid-term projections illustrate that the education level and the appropriateness of education for the labour market demand will be of even higher importance, especially taking into consideration that already now a big part of registered unemployed persons is formed by persons having an education level insufficient for the labour market.
* Taking into consideration that the conduct of mid-term and long-term projections is a precondition for getting prepared for structural changes in the national economy, the mechanism for the labour market forecasting is to be improved.

## Socially inclusive Labour Market

Some groups of inhabitants were affected by the influence of the economic crisis particularly adversely. Despite the economic recovery, several population groups faced substantial difficulties related to inclusion in the labour market.

Social inclusion[[24]](#footnote-25) , or ensuring of equal rights on the labour market, denotes such measures that ensure equal access to the labour market for all inhabitants. The implementation of such measures for the social groups which are in the most disadvantaged situation, which are subject to a higher unemployment risk, help “to step on the same stair” with other humans, i.e. differences between various social risk groups are taken into consideration. In many cases, additional resources are needed for using equal rights and opportunities, for example, financial resources, time, information, which are not equally available for all people.

Equal rights and opportunities are often connected with direct or indirect discrimination, since, due to the failure to ensure equal rights and opportunities, people are subject to discriminating treatment and behaviour or vice versa – due to a discriminating action, a person is placed in an unequal situation in contrast to other people. Among the discrimination causes, there are prejudices and stereotypes present in society. Equal opportunities in the labour market are the basis for equal competition. Therefore, it is important that equality in the labour market is not just formal rights, but also the real practice. Within the time period from 1 August 2013 to 31 July 2014 the Society Integration Foundation implements *the project “Different people, various experiences, one Latvia” of the Community action programme for employment and social solidarity “PROGRESS 2007-2013”*.Within the framework of the project, an institutional network for the monitoring of anti-discrimination policy is being established with the aim to promote observing of the principle of anti-discrimination and equality in Latvia. In addition to the aforementioned network establishment, the analysis of the comparative judication for the different EU Member States is carried out, training for specialists from different fields in the issues of anti-discrimination and equality, intercultural communication, as well as diversity management is performed, support activities for the integration of inhabitants of Roma nationality, as well as campaigns for informing the public regarding the discrimination elimination issues, are conducted.

The issues of social inclusion and employment policy (inter alia, the efficacy of the previous investments of CP funds) are evaluated within the framework of two surveys[[25]](#footnote-26) implemented by the World Bank:

1. *Latvia: “Who Is Unemployed, Inactive or Needy? Assessing Post-Crisis Policy Options”*;
2. *Has the Public Work Programme of Latvia Eased the Influence of the 2008-2010 crisis?*

### Differences in Productivity, Compensation for Reduced Productivity

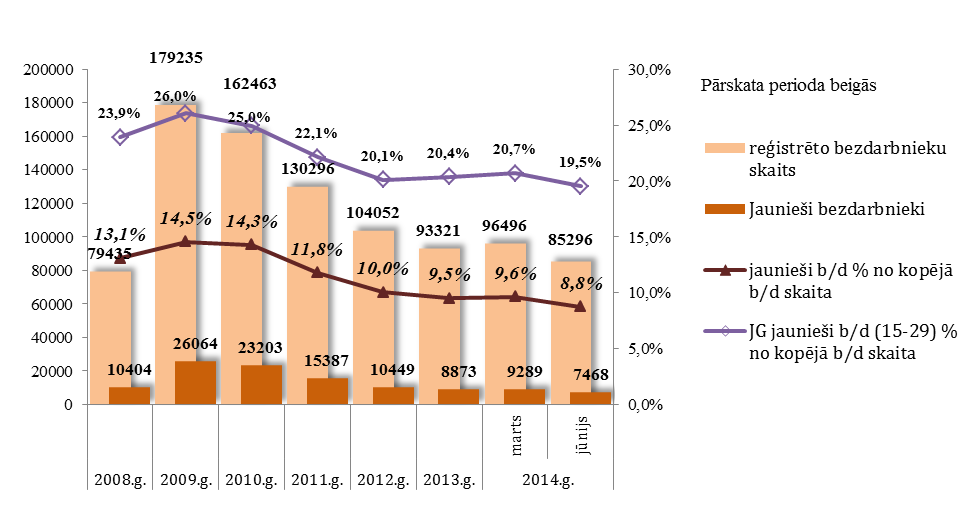
Different population groups that face difficulties with inclusion in the labour market or which are subject to the unemployment and social exclusion risk face different obstacles, which are to be eliminated according to the situation and possibilities. Moreover, the poverty risk is considerably higher (approximately six times) for unemployed persons in comparison to employed persons, the poverty risk staying relatively high during several years – during the pre-crisis, crisis and post-crisis periods.

*Youth unemployment*

The youth unemployment indicators in Latvia have been reducing since 2011. According to EUROSTAT data[[26]](#footnote-27), in 2010 the share of young job seekers was 36.2%, what substantially exceeded the share of young job seekers of EU-28 (21.0%). In 2013 the youth unemployment in Latvia was at the EU-28 level (23.2% and 23.3% respectively). Also, the share of **unemployed youth** in the number of unemployed persons registered at SEA continues to decrease (at the end of 2010 – 14.3%, at the end of 2011 – 11.8%, at the end of 2012 – 10%, at the end of 2013 – 9.5%).

At the end of June 2014, there were 16 639 unemployed persons at the age of 15-29, including 7 468 young unemployed persons (at the age 15-24), what forms 8.8% of the total number of the registered unemployed persons.

Figure 14: Number and share of young job seekers

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| --- | --- |
| Pārskata perioda beigās | At the end of the reporting period |
| Reģistrēto bezdarbnieku skaits | Number of registered unemployed persons |
| Jaunieši bezdarbnieki | Unemployed youth |
| Jaunieši b/d % no kopējā b/d skaita | u/p youth % in the total number of u/p |
| JG jaunieši b/d (15-29) % no kopējā b/d skaita | YG u/p Youth (15-29) % in the total number of u/p |
| 2008.g. | 2008 |
| 2009.g. | 2009 |
| 2010.g. | 2010 |
| 2011.g. | 2011 |
| 2012.g. | 2012 |
| 2013.g. | 2013 |
| Marts | March |
| Jūnijs | June |
| 2014.g. | 2014 |

Source: SEA

On average 70% of the registered unemployed youth have a relatively low education level (education level lower than basic education, basic education or general secondary education). Also in the WB scientific research *Latvia: Who Is Unemployed, Inactive or Needy? Assessing Post-Crisis Policy Options*, among the groups of persons having persistent problems with inclusion in the labour market there were also young (20-29 years) men with a very low education level.

The main obstacle for the integration of youth into the labour market is considered to be the lack of education and work experience, as well as insufficient life skills and competencies. In total, almost 40% of all young people registered at SEA have previous work experience, however, it has been obtained in low qualified occupations – an auxiliary worker, seller at a retail shop, shop assistant, waiter, construction worker, cook, auxiliary worker of road construction, cleaner, worker of a trade hall, cashier, barman.

Within the framework of the planning period 2007-2013 of CP funds, within the framework of the ESF project *Complex Support Measures* implemented by SEA (May 2009-May 2015) 52 852 persons have received support, including:

in the Measure *Work Traineeship for Youth* – support was received by 2 417 unemployed persons at 1 046 employers;

in the Measure *Workplace for a Young Person* – support was received by 1 056 unemployed persons at 527 employers;

in the Measure *Workshops for Youth* – 272 unemployed persons received support in the activity.

By 31 July 2014, 15 260 persons became employees or employers, what is 29% of the persons who had received support.

For the reduction of youth unemployment within the framework of the planning period 2014-2020 of CP funds, starting from 1 January 2014 the initiative *Youth Guarantee* is implemented, within the framework of which young persons are offered, for the time period of four months, a qualitative and appropriate for their needs active labour market policy measure or an opportunity to get involved into vocational education programmes[[27]](#footnote-28), what creates a possibility for acquiring a qualification during a short period of time (1-1.5 years) and for integrating into the labour market. Moreover, at the level of local governments strategic partnerships will be formed, in order to work with young people who do not acquire education, do not work, do not acquire a profession[[28]](#footnote-29) and are not on the list of the State institutions, and to offer different support measures and to motivate young people to involve in education or employment measures, inter alia, in the activities of the *Youth Guarantee*. In Latvia, young people from 15 to 24 years of age have been specified as the main target group of the *Youth Guarantee*. Nevertheless, separate measures are ensured for a broader youth group from 15 to 29 years of age. Young people at the age of the mandatory education acquisition, who have not completed basic education, will be primarily motivated to return to the education process for the acquisition of basic education.

For a more successful integration of unemployed youth into the labour market, changes are introduced to the measures of the active labour market policy:

- increased cooperation between a career consultant of the SEA and a young person from the NEET group, enhanced information exchange between educational institutions and career consultants of the SEA, as well as determining of a larger number of individual consultations for a young person;

- in the measure *First Work Experience for a Young Person* (previously the measure *Workplace for a Young Person*) the involvement duration has been prolonged from 9 to 12 months, concurrently increasing also the amount of wage subsidies and providing for covering a one-time grant for the purchase of the personal protection equipment;

- in the measure for commencing a commercial activity or self-employment, the training part has been broadened, and the clients will receive consultations (mentoring) within the framework of the measure;

- concurrently, the regional youth mobility will be promoted – in case of necessity, young persons will be able to receive support for regional mobility within the framework of the training, first work experience organised by SEA, the measure *Workshops for Youth* and subsidised employment measures[[29]](#footnote-30) ;

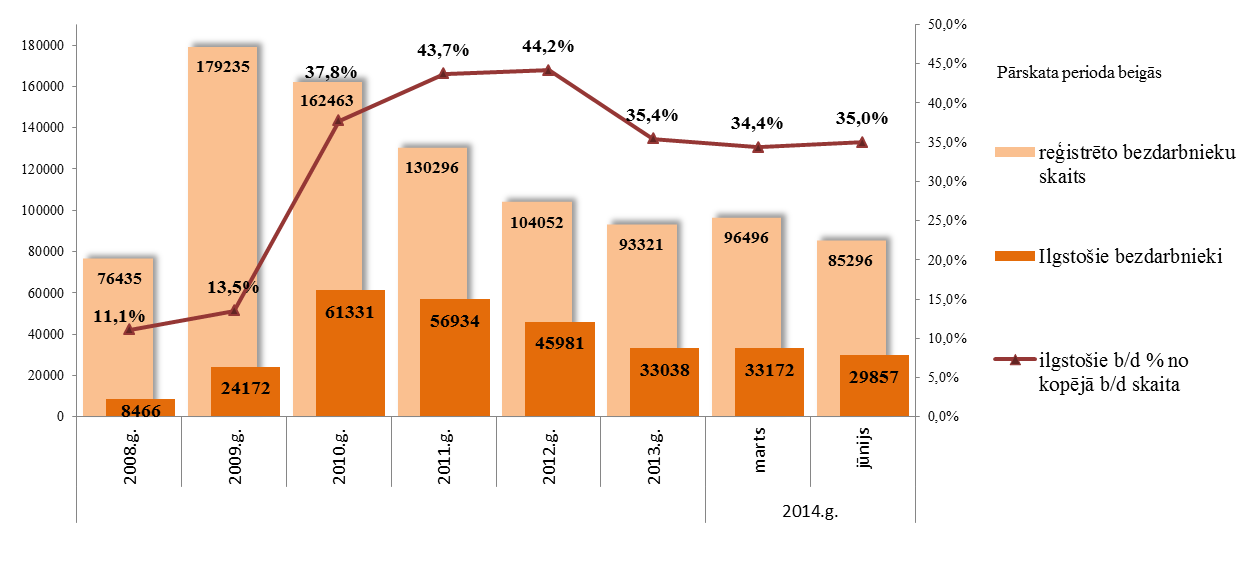
- it is planned to increase the youth age threshold for persons acquiring education within the framework of the implementation of the initial vocational education programmes at the places of imprisonment, by specifying it until 29 years (inclusive).

Concurrently, in order to promote the provision of more targeted support for unemployed youth, by regularly following the labour market trends the intensity of support provided within the framework of a measure shall be reviewed (both for unemployed persons involved and employers). When evaluating support for the transition of youth from the education system to the labour market, OECD[[30]](#footnote-31) has concluded that wage subsidies or other financial initiatives can promote it, but the main target of support utilising must be covering of training expenses or compensating for the initial lower productivity, which is caused by the lack of work experience. Concurrently, OECD puts emphasis on the fact that better results can be achieved in cases when wage subsidies are targeted to specific youth groups, which are in a more unfavourable situation in comparison to others, for example, have a low education level or skills, and the subsidies are ensured for a limited time period. Wage subsidies, which are allocated on the basis of age only, can lead to the replacement of the present workers, the utilisation of wage subsidies even though a young person would have been employed also without any support, as well as employment of youth only for a certain time period during which the financial support is ensured. Moreover, better employment results are to be achieved by joining wage subsidies with other training measures.

*Long-term unemployment*

An important group, the proportion of which in the total number of unemployed persons increased during the crisis years and the reduction of which, the growth having recovered, is insufficient, is **long-term unemployed persons**. In 2010 the number of long-term unemployed persons reached 61.3 thousand (37.8%). In 2011 and 2012 the share of long-term unemployed persons continued to grow. The share decline is observed from the first quarter of 2013. More than half of long-term unemployed persons had an education level inappropriate for the labour market (at the end of December 2013 51.9% of long-term unemployed persons had education lower than basic education, basic education or general secondary education). Moreover, every second person from long-term unemployed persons in December 2013 was older than 50 (48.4%). According to the last occupation, long-term unemployed persons have previously worked mainly in lower qualification occupations, as well as big part of them worked as sellers in retail shops (at the end of December 2013 the largest part of long-term unemployed persons were auxiliary workers, sellers in retail shops and cleaners, according to their last occupation). At the end of June 2014, there were 29 857 long-term unemployed persons registered at SEA, what is 35.0% of the total number of registered unemployed persons.

Figure 15: Number and share of long-term unemployed persons

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| --- | --- |
| Pārskata perioda beigās | At the end of the reporting period |
| Reģistrēto bezdarbnieku skaits | Number of registered unemployed persons |
| Ilgstošie bezdarbnieki | Long-term unemployed persons |
| Ilgstošie b/d % no kopējā b/d skaita | Long-term u/p % in the total number of u/p |
| 2008.g. | 2008 |
| 2009.g. | 2009 |
| 2010.g. | 2010 |
| 2011.g. | 2011 |
| 2012.g. | 2012 |
| 2013.g. | 2013 |
| Marts | March |
| Jūnijs | June |
| 2014.g. | 2014 |

Source: SEA

In a breakdown of long-term unemployed persons by unemployment duration, it is seen that after 2007, the unemployment rate has increased, the number of long-term unemployed persons, who were registered for 1 to 3 years, increased as well. From 2012, a tendency towards reduction of the number of long-term unemployed persons with unemployment duration from 1 to 3 years is observed, however, the number of unemployed persons with unemployment duration of 3 years and more increases. In December 2013, 46.2% (15.3 thous.) of all long-term unemployed persons had unemployment duration of 3 years and more. Such a situation is affected by the fact that it has been impossible to solve the most difficult long-term unemployment reasons for a long time period.

The largest share of long-term unemployed persons is observed in Latgale region (in June 2014 – 54.9%), the smallest – in Rīga region (in June 2014 – 19.9%), in other regions – 39.1% in Vidzeme region, 32.4% in Zemgale region, 28.2% in Kurzeme region. In comparison to the beginning of 2014, there has been a decrease in a share of long-term unemployed persons by 1.5% in Rīga region, 0.3% in Latgale and Vidzeme regions, 0.1% in Kurzeme region, while in Zemgale planning region the increase by 0.2% has been observed.

Lower productivity of long-term unemployed persons is related to the loss of work skills, what is caused by their continuous absence from the labour market. Consequently, the timely sustaining of work skills or returning thereof is essential. When returning to the labour market, long-term unemployed persons need training not just for carrying out particular duties, but also for acquiring social and basic skills. In the long term, the productivity of long-term unemployed persons, as well as of youth, is not to be evaluated as being lower than that of other employees. It has been concluded in the OECD survey[[31]](#footnote-32) that subsidised employment and measures for the acquisition of work experience must be supplemented with training, in order to provide an opportunity for employees to perfect their skills and to strengthen their attachment to work. Taking into consideration that long-term unemployed persons have substantial (and, at the same time, different) obstacles for returning to the labour market, the support mechanism must be formed individually for each client, taking into account a specific nature of each situation and the client’s needs. Within the framework of the planning period 2007-2013 of CP funds SEA implemented several projects aimed at provision of support to long-term unemployed persons:

1) within the framework of the project *Measures for Specific Groups of Persons* (September 2008 – June 2015) 3 304 employers created 4 224 workplaces, employing 5 154 unemployed persons. During the first six months following the termination of the measure a job was found by (1) 544 disabled, unemployed persons, including 423 – at the same employer; (2) 2 311 unemployed persons in a more unfavourable situation, including 1 915 – at the same employer.

2) within the framework of the ESF project *Ensuring of Work Practice Measures in Local Governments for Acquiring and Maintaining Practical Work Skills* (August 2009 – December 2011) support was received by almost 123 thousand unemployed persons. 82 305 work practice places were established, almost 24 thousand unemployed persons were settled in permanent work on completion of the participation in the project.

3) in the ESF project *Temporary Paid Public Work in Local Governments* (January 2012 – December 2014) by 31 July 2014 there were 78 490 unemployed persons who commenced participation in the project; after it 9 390 unemployed persons settled in permanent work.

*Unemployed persons 50+*

At the end of June 2014 there were 32 010 unemployed persons at the age of 50 and older, what is 37.5% of the total number of registered unemployed persons. At the end of June 2014, 46.8% (at the beginning of the year 47.4%) of the registered unemployed persons at the age of 50 and older were long-term unemployed persons.

The average duration of unemployment at the end of June 2014 for unemployed persons at the age of 50 and older – 315 days (~ 10.4 months), what is 21 days less in comparison with the beginning of the year. Notwithstanding a rather high number of registered older unemployed persons, it has reduced since its highest point in 2009 (50.4 thous.). In December 2013, 47.7% of all older unemployed persons were long-term unemployed persons.

At the same time, as concerns rather high unemployment indicators in this age group, it should be noted that at the EU level there is comparatively high economic activity among older inhabitants (Eurostat: in the age group 50-64 in 2013, according to EUROSTAT, in Latvia 69.9% were economically active, while in EU-28 – 64.3%). In 2013 the share of job seekers in this age group was 11.4%, while in EU-28 it was 7.8%. In the first quarter of 2014, this indicator declined in Latvia to 11.5%.

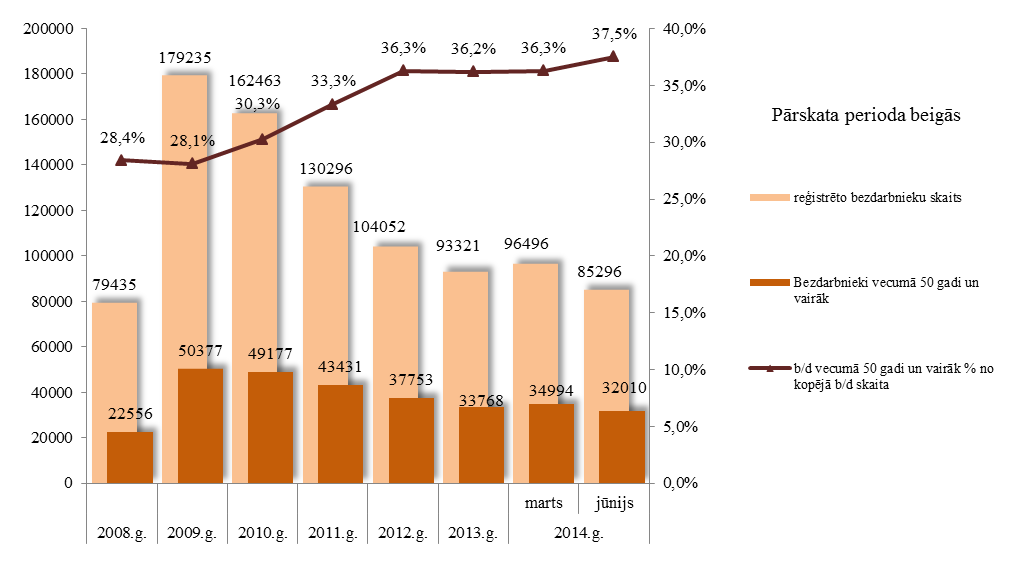
However, at the same time it is essential to emphasize that notwithstanding the considerable decline in the employment rate for persons in the age group from 50 to 64 years during the crisis period from 2008 to 2010 (by 10.8 percentage points), in 2013 the unemployment rate in Latvia in this age group was 62.0%, while in EU-28 the unemployment rate was 59.3%. Moreover, in the first quarter of 2014, this indicator increased to 63.2%.

The nature of older unemployed persons’ education does not differ substantially from the total education level of the registered unemployed persons – in December 2013, 44.1% had general secondary education, basic education or a lower education level, 44.8% had vocational education, and 11.0% had higher education.

Unemployed persons from this age group previously were mainly employed in simple occupations, which do not require a high education level or specific skills and knowledge.

Figure 16: Number and share of older (50 years and older) unemployed persons

in the total number of registered unemployed persons

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|  |  |
| --- | --- |
| Pārskata perioda beigās | At the end of the reporting period |
| Reģistrēto bezdarbnieku skaits | Number of registered unemployed persons |
| Bezdarbnieki vecumā 50 gadi un vairāk | Unemployed persons at the age of 50 and older |
| b/d vecumā 50 gadi un vairāk % no kopējā b/d skaita | u/p at the age of 50 and older % in the total number of u/p |
| 2008.g. | 2008 |
| 2009.g. | 2009 |
| 2010.g. | 2010 |
| 2011.g. | 2011 |
| 2012.g. | 2012 |
| 2013.g. | 2013 |
| Marts | March |
| Jūnijs | June |
| 2014.g. | 2014 |

Source: SEA

Lower productivity of older population is usually being associated with a gradual reduction of the ability to work and with inappropriate for the labour market knowledge and skills. Nevertheless, as concerns this population group, an objective assessment of the situation, by excluding stereotypes that often are not substantiated, shall be of primary importance. At the same time, the older workers’ limited possibilities to work as intensively and actively as younger workers must be taken into account.

Concurrently, wage subsidies may be essential for promoting employment for this age group, because it must be taken into account that employers may be more interested in employing younger workers and investing resources in them.

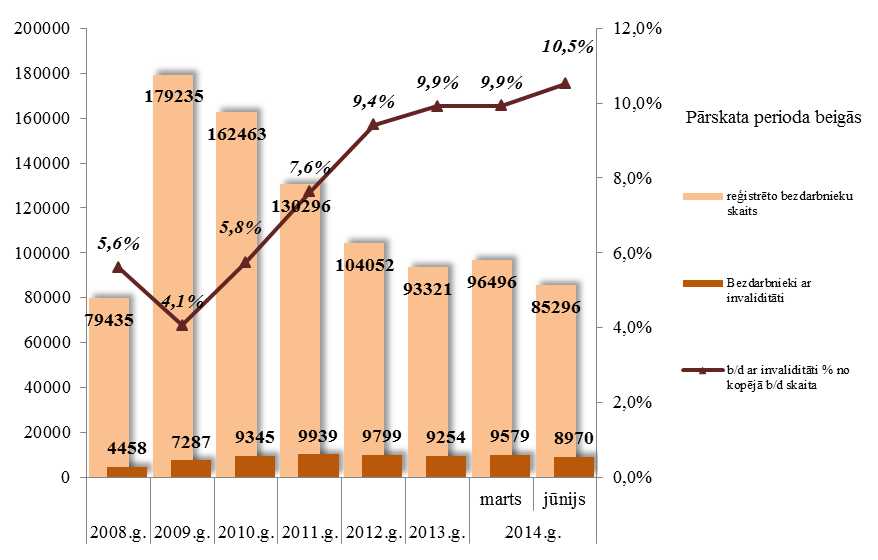
At the same time, it must be noted that the experience of Germany[[32]](#footnote-33) attests to the necessity of combined support for integrating older unemployed persons into the labour market. Such support must comprise not only measures of the active labour market, but also other services, for example, improvement of health.

*Persons with Disability*

The share of persons with disability in the total number of registered unemployed persons has increased – from 5.8% in 2010 to 9.9% at the end of 2013. At the end of June 2014, there were 8 970 unemployed persons with a disability registered, what is 10.5% of the total number of the registered unemployed persons in the State. According to SEA data, at the end of June 2014 more than half (53.6%) of the registered unemployed persons with a disability were long-term unemployed persons.

Figure 17: Number and share of unemployed persons with disability

in the total number of registered unemployed persons

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|  |  |
| --- | --- |
| Pārskata perioda beigās | At the end of the reporting period |
| Reģistrēto bezdarbnieku skaits | Number of registered unemployed persons |
| Bezdarbnieki ar invaliditāti | Unemployed persons with disability |
| b/d ar invaliditāti % no kopējā b/d skaita | u/p with disability % in the total number of u/p |
| 2008.g. | 2008 |
| 2009.g. | 2009 |
| 2010.g. | 2010 |
| 2011.g. | 2011 |
| 2012.g. | 2012 |
| 2013.g. | 2013 |
| Marts | March |
| Jūnijs | June |
| 2014.g. | 2014 |

Source: SEA

The situation of persons with disability attests to difficulties in the inclusion in the labour market independently. Moreover, the restrictions specified in the Labour Law in respect of the notice of termination of an employment contract with an employee, if an employee has been declared a disabled person, may influence employers’ choice not to employ persons with disability. At the same time, it is important to pay attention to the fact that the increase of the registered unemployment rate can also be connected with the increased activity of persons with disability. Due to widely available information, persons with disability, as well as employers, are informed about their opportunities as concerns training and employment services and, therefore, persons with disability are interested in registering at and cooperating with the SEA in measures, which are targeted exactly at this group of unemployed persons. In addition, since 2011 there are benefits available for Group I disabled persons for using an assistant, the procedures for the allocation of which provide for applying for the SEA benefit.

As regards the promotion of employment of persons with disability, the degree of disability severity and, consequently, the amount of loss of ability to work must be taken into account, what can be either a minimum obstacle for getting involved in the labour market or can completely deprive them of possibility to be employed. For persons with Group III disability the loss of ability to work fluctuates within limits from 25% to 59%, for persons with Group II disability – within limits from 60% to 79%, for persons with Group I disability – from 80% to 100%. Therefore, the highest employment among persons with disability is for persons with Group III disability – more than 1/3 part of persons with Group III disability are employees or self-employed persons. However, it shall be stressed that persons with disability (especially of Group III) are unwilling to reveal to an employer their disabled person’s status since in many cases disability is not seen. As concerns the employment rate for persons with Group II disability, it is comparatively lower – 15.5%, while for persons with Group I disability – only 4.1%.

A regards the inclusion in the labour market of persons with mental health problems, a mutual understanding between the employee and the employer is essential. Therefore, in order to ease the initial work start stage, a support service of a support person in work with persons having mental health problems will be introduced. Within the framework, thereof support for successful cooperation establishment will be provided both for the person having mental health disorders and for their employer.

Notwithstanding the fact that statistical data that would prove the discrimination cases due to the person’s disability is not available, according to the research[[33]](#footnote-34) data, where the residents of Latvia have been pooled, 50% of the respondents have an opinion that discrimination due to disability is considered widespread in Latvia. It has been concluded in the *Policy on the Implementation of the UN Convention on Rights of Persons with Disabilities 2014-2020* (approved by the Cabinet on 22 November 2013) that employers are unaware of disability, its consequences and limitations caused by it as concerns the person's with disability life and work possibilities, which, respectively, hinder the effective inclusion of the person with disability into the labour market. The goal of IE guidelines as regards persons with disability is to promote the integration of these persons into the labour market, by concurrently promoting the person’s economic independence and social inclusion. The policy promoting the ensuring of fundamental rights and fundamental freedoms of persons with disability is determined by the **guidelines *Policy on the Implementation of the UN Convention on Rights of Persons with Disabilities 2014-2020***, in which four strategic objectives are specified for the implementation of liabilities specified in the Convention *On Persons with Disability*, including the strategic objective *unemployment*.

The issue of compensating for the persons’ with disability loss of productivity is considerably more complicated since the ability of persons with disability to work is considerably different depending on the group of disability and the type of functional disorders. Moreover, a greater loss of the ability to work, due to which a certain disability group has been determined, does not always mean lower productivity, to a greater extent it is influenced by the appropriateness of the work for the limitations of the person with a disability. Taking into consideration the aforementioned aspects, a model for differentiating support for persons with disability will be developed.

Thus, it can be concluded that support for compensating for lower productivity for youth, long-term unemployed persons, as well as inhabitants having a low education level and skills, is needed only initially when commencing definite work during the training period. Moreover, in order to ensure that supplementing of employees or utilisation of wage subsidies without the aim of permanently employing the workers employed do not interfere with the functioning of the labour market, it is important to adequately limit the time period of the support provided, as well as to reduce it gradually, in order to reduce the risk that after the end of the support the employer dismisses the employee.

Despite the fact that older inhabitants and persons with disability initially need employers’ training, also other aspects must be taken into account in respect of these population groups. Older inhabitants often face prejudice regarding their knowledge and skills, while sometimes there is no practical substantiation for it. However, the initial support in the form of wage subsidies can motivate to employ older inhabitants. As concerns persons with disability, the necessary support depends on the person’s limitations in respect of the performance of definite work. At the same time, attention should be paid to the fact that primarily the efficiency of wage subsidies depends on the employers’ contribution during the period of the State support provision, as well as on the appropriateness of the wage subsidy target and correct formation thereof, in order to avoid any excessive risks of the labour market deformation.

As one of the possible support mechanisms for integration not only of persons of disability but also other social groups subject to the social exclusion risk, the inclusive entrepreneurship should be mentioned, which comprises the social entrepreneurship as well. The main goal thereof is the solving of social problems essential to society by using entrepreneurship methods. The development of such entrepreneurship promotes employment as well, including integration of persons who are in a more disadvantageous situation in the labour market, thus, reducing poverty and social exclusion risks of these persons. At present, one of the main problems related to the inclusive entrepreneurship is lack of recognition and wide support.Work on the development of this form of entrepreneurship is going on both in Latvia and at the EU level.Nevertheless, as concerns promotion of employment of separate groups subject to the social exclusion risk, also various financial initiatives can be used. In Latvia, the employment of groups subject to the risk of social exclusion is promoted with the help of wage subsidies within the framework of the measure *Measure for Specific Groups of Persons*. During the planning period 2007-2013 of CP, within the framework of the ESF project *Measures for Specific Groups of Persons* (September 2008 – June 2015) 3 304 employers created 4 224 workplaces, employing 5 154 unemployed persons. 775 occupational therapist’s services were provided to unemployed persons with disability, 537 workplaces were adapted for them. During the first six months following the termination of the measure a job was found by (1) 544 unemployed persons with disability, including 423 – at the same employer; (2) 2 311 unemployed persons in a more unfavourable situation, including 1 915 – at the same employer.

However, support for different social groups is not differentiated despite the fact that the productivity decrease, including, for example, the seriousness of disability, for these groups is different and the type thereof differs as well – it can be a temporary loss, for example, in the case of long-term unemployment, and when commencing work a person gradually increases their productivity, or gaining of work experience by a young person, or permanent, for example, in case of disability.

**Annex 1: Programme of the Government of Ireland *Pathways to Work***

In February 2012 the government of Ireland introduced the programme *Pathways to Work* 1, which contains activation measures for unemployed persons, strengthened cooperation with employers and carried our reforms in institutions, in order to improve the quality of services provided to unemployed persons.

The programme *Pathways to Work* has five strands:

* Regular and ongoing engagement with the unemployed;
* Greater targeting of activation places and opportunities;
* Incentivising the take-up of opportunities;
* Incentivising employers to provide more jobs for people who are unemployed;
* Reforming institutions to deliver better services to the unemployed.

The first stage is the client registration for welfare entitlements and employment services. As part of the registration process the client will complete a profile questionnaire to enable the case worker assess their Probability of Exit (PEX) from unemployment and develop a personal progression plan for the client. Depending on the outcome of this assessment, the support measures will be offered to the client. Clients with a high PEX rating will be encouraged and helped to search for employment. Clients with a mid-point PEX rating, and those with a high PEX rating but still on the live register after three months, will be invited to participate in group advisory sessions where they will be provided with guidance on how to improve their job search activities and also on the training and development opportunities available to them to improve their employment prospects. Clients with a low PEX rating and all those still on the live register after 12 months will receive intensive support from an employment services advisor.

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Pathways to Work, Government Policy Statement on Labour Market Activation, <http://www.welfare.ie/en/downloads/pathwaystowork.pdf>

2OECD Economic Surveys IRELAND, <http://www.oecd.org/eco/surveys/economic-survey-ireland.htm>

### Groups of persons with continuous problems to involve in the labour market

Along with the traditional groups of the population who are related to social inclusion risks, within the framework of the WB research "Latvia: Who is Unemployed, Inactive or Needy? Assessing Post Crisis Policy Options" specific groups with individual risk factors related to a high risk of unemployment and unstable employment were distinguished.

Within these groups, persons who are traditionally associated with difficulties of inclusion in the labour market as well as groups who are not usually associated with labour market problems and are not targeted by the employment policy were distinguished. Three of the specific groups are as follows:

* **elderly persons with chronic diseases** (groups 1,7 and 9),
* **among elderly persons (aged 50 and above) who have no health issues that would prevent them from working** (group 3).
* **among the persons aged 20-29 years and 30-39 years with a low education level** (groups 2 and 5).

An uncharacteristic group within the research is women with a comparatively high education level who have children (groups 4 and 8). The risk is quite high among elderly self-employed men (group 6). However, it is considered that the inclusion of this part of the population in the risk groups is to a great extent determined by informal employment.

A large part of the individuals belonging to the defined risk groups have been employed for more than 10 years and have not been continuously unemployed or non-active, which attests that the main cause of the unemployment of these individuals is not the lack of motivation or incapacity to work. Still, these specific groups could be distinguished by a low education level as a major cause behind the high unemployment which is a characteristic feature for six out of nine groups.

Slightly more than 50% of the identified groups of persons are older than 50 years, as well as, in compliance with the data of the SEA, within the registered unemployment in June 50% of the registered unemployed persons are aged above 45 years. The special survey regarding discrimination carried out within the Eurobarometer demonstrates that there is discrimination against the population aged above 55 years. Moreover, during the time period from 2010 to 2011, 19% of the respondents have witnessed age-based discrimination, and 10% have been discriminated. Thus, the improvement of the awareness regarding the forms and manifestation of discrimination is necessary.

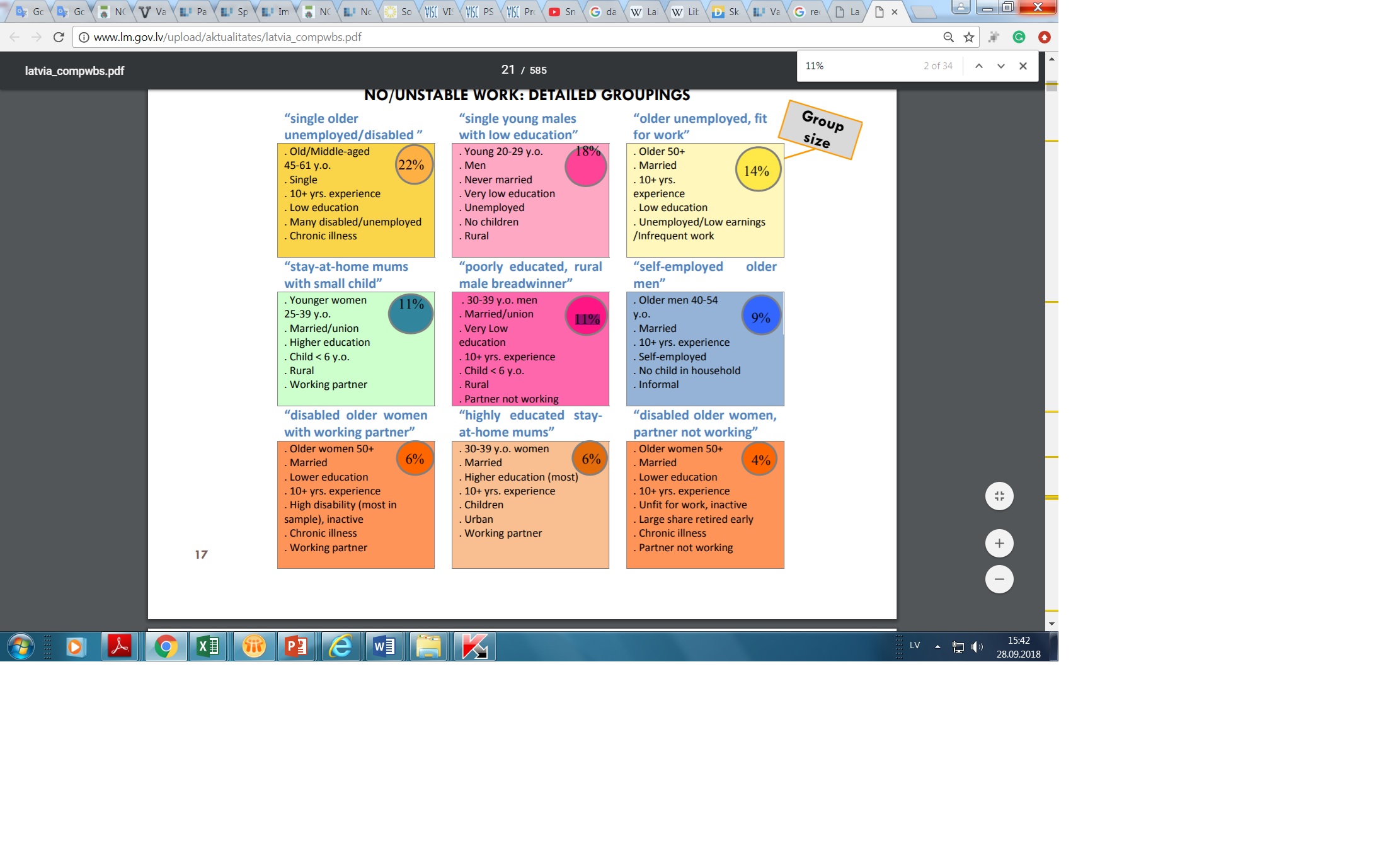
In compliance with the survey of employers carried out within the research of the SEA of the potential of the economic activity of the population at the pre-retirement age, most of the respondents would prefer a younger employee when they had to choose an employee for their company. Only 2.9% of the employers would prefer employees aged 50 and above. The main reasons why employers would not choose older employees included the working conditions, i.e. heavy, intense work (33.5%), the inflexible thinking characteristic for the employees representing this age group and difficulties to accept change and to learn (16.9%), as well as the health condition and related lower working capacity (11.5%). This situation attests that within this age group it is especially important to stay in the labour market because the possibilities to return to the labour market after losing a job are lower compared to other age groups.

Various addictions present an essential problem preventing the return to the labour market by unemployed persons. In compliance with the topical report of the Centre for Disease Prevention and Control "Scope of alcohol use and its consequences in Latvia in 2012"[[34]](#footnote-35), the indicator of the spread of alcohol addiction in 2012 was 20,780 patients or 1026.8 cases per 100,000 people, which corresponds to 1% of the residents of Latvia (1.1% of the residents in 2011). The indicator of the spread of alcohol addiction tended to decrease during the last three years (there were 30,318 patients at the end of 2008).

As regards the psychosis caused by alcohol, during the last seven years the indicators of the spread of the psychosis caused by alcohol have been varying over the range from 89.7 cases per 100,000 people in 2006 up to 109 cases per 100,000 people in 2012. 2206 patients with psychosis caused by alcohol or 109 patients per 100,000 people were registered at the end of 2012. In compliance with the analytical report "Use of substances causing addiction in Latvia 36, 2011", 12.5% of the surveyed people within the age group 15-64 are exposed to the alcohol addiction risk.

Moreover, at the end of 2012 the number of registered patients of the addiction of psychotropic substances (narcotics, psychotropic and toxic substances) in Latvia was 3093 (152.8 per 100 thousand people), which is quite a high number taking into account that a large part of the population with these types of addictions do not turn for medical assistance and are not recorded among these patients.

Figure No. 18: Groups of persons with persistent labour market labour market difficulties



Source: The WB research "Latvia: Who is Unemployed, Inactive

or Needy? Assessing Post-Crisis Policy Options", 2013.

In order to solve the addiction problems and to encourage the involvement of these people in the labour market, support measures for long-term unemployed persons with addiction problems are implemented within the framework of the planning period 2007-2013 of CP funds, with the support of the ESF project *Complex Support Measures* implemented by SEA (May 2009-May 2015). The topicality of this problem is confirmed by the fact that since the beginning of the implementation of this measure in November 2012 until the end of 2013, 152 registered unemployed persons had started the participation in this measure, 23 registered unemployed persons, following the completion of the treatment, had become employees or self-employed persons and 88 had participated in various SEA measures at the end of 2013. This result should be considered as positive because the main goal of the support measures for long-term unemployed persons with addiction problems is to eliminate the addiction problem and to continue the work with the client by offering other SEA services. The diagnosis of almost all the persons involved in the support measures over this period of time has been related to the use of alcohol, and other types of addictions were diagnosed for some clients in addition to that. The age of the persons involved in the measures ranges from 23 to 61 years, and 66% of all the involved persons have been males.

In addition to the above -listed groups, also persons who have been released from prisons should be mentioned (at the and of July 2014 the SEA had registered 304 unemployed persons following the release from prisons). When a person is released from prison, the convicted person's behaviour risks have not been eliminated yet; a longer time is needed for the elimination of the former convict's problems. Moreover, when a person joins the society, the risks related to the stigma of a former convict become topical, i.e. the lack of housing, addiction problems, the lack of legal income, difficulties to find a legal employment, the return to the environment where the relevant crime was committed, criminal friends, the loss of the family support, etc. Therefore, for the purpose of attaining the goal of re-socialisation, including the integration in the labour market, also this group of the population needs support measures for the search for a job.

Social entrepreneurship as one of the approaches to solving social problems belongs to the newest development trends in Europe. Hardships encountered in the national economy and the finance sector have encouraged the civic society and administration authorities to cooperate by searching new ways for solving the problems of unemployment, high -quality jobs, social inclusion, ageing and the inclusion of the society. Along with the changing society and existing social problems, during the last five years, the concept of a social company has also developed and changed. Social companies are no longer just labour integration companies or companies that create jobs for specific groups of persons. Now, the companies which comply with certain criteria are deemed as social companies, and their operational scope and the range of problems to be solved varies.[[35]](#footnote-36)

A social company,[[36]](#footnote-37) irrespective of its legal form, is a company:

a) whose main goal, in compliance with the Regulations, Articles or another legal document based upon which the company was founded, is a measurable, positive social impact instead of providing of profit to owners, shareholders and partners, and which:

i) provides services or goods creating a social benefit, and/ or

ii) applies the method of the production of goods or the provision of services involving its social goal;

b) which first and foremost utilises the profit for attaining its major goal and which has implemented the procedures and rules developed before for the distribution of any profit to shareholders and owners providing that such a distribution of profit does not endanger the major goal of this company; and

c) which is managed in an economic, responsible and transparent way, in particular, by involving employees, customers and other stakeholders involved in its commercial operation.

### Ensuring equal rights of women and men

According to the research, there are certain stereotypes in society regarding the role of men and women in society restricting an individual's freedom of choice. Thus, there is the lack of gender proportionality in various areas.[[37]](#footnote-38) As it is demonstrated by the split of men and women per groups of the types of economic activity, there are female fields and male fields. The highest proportional share of men is in the construction, the proportional share of employed men is also higher in transportation, storage, information and communications services, agriculture, forestry and fishery, as well as industry and energy industries. Women are more represented in the field of education, as well as in the fields of trade, accommodation and catering services and health and social care fields.

In compliance with the EC research[[38]](#footnote-39) regarding the role of men in the gender equality, there is high segregation in the labour market of Latvia from the point of view of the distribution of men and women in various industries and professions. The segregation level in various industries was 24.5 percentage points in 2010 in Latvia, while the mean EU level was 20.3 percentage points. As regards the distribution per profession, the segregation level in Latvia was 28.2 percentage points, while the EU mean indicator was 26.4 percentage points.

Figure No. 19: Employed population distributed per groups of the types of economic activity and per gender in 2013, thousand

Source: CSB

[Agriculture, forestry and...

Industry and energy (B-E)

Construction (F)

Trade, accommodation and catering...

Trasportation, storage, information and ...

Finance, insurance, science, ...

State administration and defence, mandatory ...

Education (P)

Health and social care (Q)

Other types of economic activities (R-U)]

**Plan for the implementation of the gender equality for 2012-2014** (approved by Ordinance No. 35 of the CoM of 17 January 2012) defines the policy implementation of the gender equality and for the reduction of the gender segregation in the labour market. It is one of the tasks to increase the number of male teachers, thus minimising the stereotypes regarding the roles of women and men at an early age.

There are also differences in the wages received by women and by men. The comparison of the mean wage during the period from 2005 to 2012 reveals that the mean wage received by women has always been 17 lower varying over the range of 15%-19%, and this also impacts the social situation of women, in particular, women are more exposed to the poverty risk than men. Moreover, it has to be taken into account that this situation also impacts future pensions. In compliance with the results of the EC research regarding the differences in pensions between women and men in Europe, at present, the pension received by women in Latvia is by 9% lower than that of men. This result is considerably better than the EU mean indicator which is 39%.[[39]](#footnote-40) Thus, retired women more often than retired men face the poverty threshold. However, the differences between the mean wages of women and men are not always determined by a different pay for the job of equal value. This difference is also impacted by the fact that men are more employed in better -paid sectors of the labour market and more often have managing positions in companies and institutions than women. Moreover, women work fewer hours, more often work part-time and more often suspend their professional life due to family duties (care of children, parents, other relatives).[[40]](#footnote-41) The situation that women more assume care for children is confirmed by the fact that among the women who have children aged up to 12 years the employment level decreases by 12.4 percentage points, and the employment level of men increases by 7.3 percentage points.

Figure No. 20: The increase of the mean wage of women and men, gross, in the first quarter, EUR

Source: CSB

The involvement of women in the labour market is encouraged by the development of child-care services. Child-care services are mainly provided in municipal pre-schools at present. Still, there is a problem that children aged from 1.5 to 4 years do not have enough places in pre-schools and there are waiting lists. This problem is especially pronounced in the biggest cities of Latvia, in particular in Riga. The waiting lists have shortened lately, and this is ensured due to the construction of new private educational establishments, the formation of new groups or rearranging of groups in the existing educational establishments, and in some regions, the problem is being solved by providing the services of babysitters. Many municipalities also provide co-financing for children who are placed in private educational establishments. On 16 July 2013, the CoM adopted Regulations No. 403 "Procedure of calculating and granting the state support for children aged above one and a half years until the moment when the mandatory preparation for mastering the basic education is started if the child receives the service from a private service provider". From 1 January 2014: Regulations of the CoM No. 1462 of 10.12.2013 "Procedure of calculating and granting the state support for children aged above one and a half years until the moment when the mandatory preparation for mastering the basic education is started if the child receives the service from a private service provider" and Regulations of CoM No. 1523 of 17.12.2013 "Procedure according to which the municipality covers the costs of the preschool education program to a private educational establishment according to the mean costs set by it" have come into force. As from September 2013 monthly state support is provided to the children for whom a place in municipal pre-schools is not provided and who receive this service in private pre-schools or from a provider of child-care services. The problem of the provision of the child-care services could decrease in future because the number of the population at the reproduction age attests that the cohort who needs the child-care services could decrease.

The principle of the equality of parents defining that equal possibilities to be involved in the child care and to implement the professional abilities are provided to both parents is also emphasised in the **State family policy guidelines for 2011 - 2017**, where major challenges related to the development of the state family policy are described broader.

**Main challenges:**

* The main obstacles for the integration of young people in the labour market are the lack of education and working experience. The working experience of unemployed young people has mainly been obtained in professions of low qualification.
* The lower productivity of long-term unemployed persons is related to the losing of working skills. Timely maintenance and renewal of working skills is important. Upon returning to the labour market training is required not only for the performance of the relevant duties, but also for mastering social and basic skills. Support mechanisms for returning long-term unemployed persons to the labour market should be developed as tailor-made, taking into account the specific situation of each client.
* The lower productivity of elderly people is related to the gradual deterioration of the working ability and the knowledge and the skills not compliant with the demands of the labour market.
* The situation of the persons with disability confirms the difficulties to get involved in the labour market by themselves. The working abilities of the persons with disability considerably differ depending on the disability group and the type of functional disorders. In the course of the planning of support measures, the degree of disability and hence the scope of the loss of the working ability which could both be a minimum obstacle for the involvement in the labour market or prevent a possibility of being employed should be taken into account.
* Along with the traditional groups of people which are related to the risks of social inclusion, also specific groups whose proportional share in the total number of unemployed persons is considerable should be noted: elderly persons with chronic diseases; elderly persons (aged 50 and above) with no health issues preventing the employment; persons aged from 20 to 39 years with a low education level.
* Social entrepreneurship should be developed as one of the eventual support mechanisms for the integration of not only disabled persons, but also other groups exposed to the social exclusion risk.
* In the labour market there is considerable gender segregation as regards both the balance of men and women in various industries and also professions. Differences between men and women can also be seen in relation to the wage which is to a great extent impacted by the fact that on average there are more men in better paid sectors of the labour market and positions and women undertake family duties more often.

## Measures of the active labour market policy

### Preventive measures

In order to ensure the efficient functioning of the labour market, preventive measures which help to stay in the labour market and to maintain one's job play an important role, in particular, for the groups of the population facing difficulties of the integration in the labour market. The knowledge and the skills compliant with the demand of the labour market is a major precondition for staying in the labour market. Not only the initial education and the choice of the profession is important, but also the life-long improvement of knowledge and skills is essential. Thus, an important aspect of promoting and maintaining competitiveness is the response to the changes in the labour market by obtaining new skills.

Taking into account that education considerably impacts a person's competitiveness in the labour market, the career development support which is a continuous process allowing the people of all ages to understand their abilities, skills and interests in order to make decisions in the area of education and employment in compliance with the demand of the future labour market is an important initial step in the choice of education and the development of one's career. The career development support is important starting from an early age for ensuring that the choice of education and the profession is based on a conscious decision and targeted direction instead of the principle of a chance.

In order to help young people to become aware of further career possibilities, the career education is implemented at educational establishments and forms a component of the general education content irrespective of the age group. The issues of the career education are included in the content of the standards of study subjects, for example, the goal of the study subject "Social sciences for grades 1-9" is to encourage the understanding of social processes and the preparedness of a student to make and to implement socially responsible decisions in the personal, professional and public life within a democratic society. According to the mandatory content of the study subject, after finishing it, a student should be aware of the value of work and the possibilities of selecting the area for further professional activity. A student should understand the developments of an individual and the society and their rules: a student should be aware of the importance of a job and a career. Since 10 May 2011 educational establishments can employ a teacher-career consultant to students, in the result of which in total 82 teachers-career consultants have started working a part -time job in 76 general education schools as from 1 September 2014. Taking into account the gender segregation regarding the choice of education, the role of these experts at educational establishments is important since an early age of children.[[41]](#footnote-42)

Figure No. 21: Support system for selection of a profession for the population

**Elementary school**

**Information regarding the functions and the structure of the labour market**

**Suitability tests**

**Support for the selection of the education level and profession**

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**Secondary school**

**Information regarding the structure of the labour market and alternatives**

**Suitability tests**

**Support for the selection of the education level and profession**

**Support for starting a career**

**University**

**Information regarding the alternatives of the labour market**

**Support for the selection of an industry and an organisation**

**Support for starting a career**

**Career growth**

**Information regarding the alternatives of the labour market**

**Support for the selection of an organisation**

**Change of the profession**

**Information regarding the alternatives of the labour market**

**Suitability tests**  **Training alternatives**

**Support for the selection of an industry and an organisation**

Source: MoW

Source: MoW

The SEA who provides the services of the career consultations plays an important role in the career support. This is one of the support services offered to unemployed persons, job seekers and the persons exposed to the unemployment risk in order to help them to solve the issues of professional suitability, career planning and re-qualification. Several types of consultations are offered - individual career consultations, individual diagnostics consultations, group career consultations, group career information consultations and electronic career consultations. The focus is on individual consultations (89% of individual consultations and 11% of group consultations in 2013) because an individual approach encourages a person to return to the labour market faster. Within these consultations, the self-study, the understanding of one's professional direction, the in-depth understanding of education and possibilities in the labour market is promoted. Also, the professional direction which complies best with the individual personality, values and goals is identified. 44,118 persons received career consultations in 2013 and out of this number 38,448 were unemployed persons or job seekers.

The labour market situation is also considerably impacted by the education system in the country. Taking into account the medium and long -term forecasts by the MoE, the shortage of labour with vocational education can be expected. Therefore, it is important to develop vocational education, which, according to the example of Austrian and Finnish education systems (see Appendices No. 2 and No. 3), provides positive results in the labour market, allowing to respond efficiently to the labour market requirements and thus determines the competitiveness of these countries. However, in order to get closer to the results of Austria and Finland in the field of vocational education, the offer of the vocational education needs to be quite broad by providing education possibilities to both students with a low level of knowledge and also more capable students, thus improving the overall prestige of the vocational education. The professional direction implemented at universities, like it is in Finland, should also receive a positive evaluation and there are possibilities to strengthen this aspect in the Latvian education system. At the same time, it should be taken into account that for the purpose of providing vocational education, close cooperation with companies and their involvement in providing internships is required, and considering the small number of big and medium companies in Latvia, this could be difficult.

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| **Appendix No. 2: The education system in Austria**  Austria is among few European countries where, according to the data of Eurostat, the youth unemployment level is below 10% (8.6% in Austria and 19.7% in Latvia in the 2nd quarter of 2013). The highly developed vocational education system of different levels is deemed to be an important reason behind the comparatively low unemployment level, although it should also be emphasised that the overall economic situation of Austria is comparatively favourable. Approximately 80% of each age cohort continue studies in vocational educational establishments after completing the mandatory education. 59% of all the population within the age group 25-34 years have vocational education, which is the third highest percentage among the OECD countries.2  Vocational education programs in Austria are suitable for various levels of the knowledge and needs of students by both offering suitable solutions for students with comparatively low academic achievement and providing high -level programs in technical fields. Socially more vulnerable students and also students with weak academic achievement can obtain an education in integrating vocational training programs within which it is possible to extend the training period or complete a part of the training program. More capable students are offered a possibility to study two professions at once, and there are possibilities to continue studies at universities.3  An important part of the vocational education is the dual vocational education system which means that the theoretical training is implemented at vocational educational establishments and the practical training which accounts for the biggest part of the training process, is implemented at companies. In this way, the obtaining of the vocational education is provided by both vocational educational establishments and by employers ensuring the compliance of the education to the requirements of the labour market.4  In order to ensure a certain quality of the vocational education, companies (the trainers working there) who provide practical training need to obtain a licence from an institution with the national certification; there are also uniform exams upon the completion of training. The companies which are too small or whose specialisation is deemed to be too narrow for providing training can form associations of companies, which, in turn, form training firms that do not compete on the market and are made close to the actual conditions. In order to provide a possibility to undertake practical training within the programs of the vocational education system to all schoolchildren, the state has established specialised training centres which undertake the role of companies within the framework of the education system. The goal of these training centres is to provide the possibilities of training at work to schoolchildren if a student does not succeed in finding a stable internship with a company.5  At the same time it should be taken into account that this type of the vocational education system requires considerable financial resources, its regulation has developed over a number of years and it is also facing difficulties related to providing practical training at small companies, including the consideration of the quality aspects6 The expenditure of the Austrian public sector for education exceeds the mean expenditure of the OECD countries from the point of view of both expenditure per student per year and the ratio of the expenditure to the GDP 7. Contrary to Germany where the state almost does not participate in the financing of this system, in Austria, the state provides certain financial incentives for ensuring the operation of the system by linking a part of these incentives to the quality result.8  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Kathrin Hoeckel, Learning for Jobs OECD Reviews of Vocational Education and Training: Austria, June 2010, <http://www.oecd.org/edu/45407970.pdf>  2 Austria – Country Note – Education at a Glance 2013: OECD Indicators, <http://www.oecd.org/edu/Austria_EAG2013%20Country%20Note.pdf>  3 Kathrin Hoeckel, Learning for Jobs OECD Reviews of Vocational Education and Training: Austria, June 2010, <http://www.oecd.org/edu/45407970.pdf>  4 European Commission, Work-Based Learning in Europe: Practices and Policy Pointers, <http://ec.europa.eu/education/lifelong-learning-policy/doc/work-based-learning-in-europe_en.pdf>  **Appendix No. 3: The education system in Finland**  The education level in Finland is among the highest, 84% of all the population within the age group from 25 to 64 years have at least the upper secondary education (the mean index of the OECD countries is 75%) and 39% of the population in this age group have higher education (the mean index of the OECD countries is 32%). The obtained education level has had a considerable impact on the employment indices during the economic crisis period. The unemployment among the population with higher education in the age group of 25-64 years was growing at a considerably slower pace than among the population with a lower education level.  Following the completion of the elementary education, more than half of students continue studies at the general secondary schools, and approximately 40% of students continue their studies at vocational educational establishments. Vocational educational establishments are suitable both for young people as initial education and also for adults for the purpose of re-qualification or improvement of qualifications. In order to make the obtaining of vocational education easier for adults, a possibility to take a qualification exam without completing the training within the education system is offered.2  In Finland, there is quite a high difference between the proportional share of students who graduate from the educational establishments that provide the entitlement to continue studies at universities (85%) and the proportional share of students aged up to 25 who continue studies at universities (51%). However, this situation can be explained by the fact that in Finland there is a limited number of places at universities, which means that it is not always possible to continue studies after completing the secondary education.3  Higher education is provided by the universities which operations are focused on scientific research and polytechnical higher educational establishments which are schools with a vocational direction.4 This situation confirms that the vocational education is promoted within the framework of both secondary and higher education.  It is deemed that a developed vocational education system provides positive results on the labour market among graduates. In the countries where the focus is on practical training within the education systems, the youth unemployment level is lower and the period of searching for a job after graduating from an educational establishment is shorter.5  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Finland – Country Note – Education at a Glance 2013: OECD Indicators, <http://www.oecd.org/edu/Finland_EAG2013%20Country%20Note.pdf>  2 Ministry of education and Culture, <http://www.minedu.fi/OPM/Koulutus/ammatillinen_koulutus/?lang=en>  3 Finland – Country Note – Education at a Glance 2013: OECD Indicators, <http://www.oecd.org/edu/Finland_EAG2013%20Country%20Note.pdf>  4 Ministry of education and Culture, <http://www.minedu.fi/OPM/Koulutus/ammatillinen_koulutus/?lang=en>  5 European Commission, Work-Based Learning in Europe: Practices and Policy Pointers, <http://ec.europa.eu/education/lifelong-learning-policy/doc/work-based-learning-in-europe_en.pdf> |

As regards the changes in the labour qualification, it should be taken into account that the restructuring of the education system is time -consuming, which means that within the time period till 2020 defined in the IE guidelines no considerable changes in the structure of the labour as regards education can be expected. Therefore, it is necessary to focus mainly on the improvement of the current knowledge and skills in compliance with the requirements of the labour market by focusing special attention to the risk groups of registered unemployed persons for whom insufficient education may present the major obstacle for the participation in the labour market.

It is possible to receive additional training and to improve the knowledge and the skills required for employment within the lifelong learning. Lifelong learning includes formal and non-formal training as well as the daily (non-formal) training.

The Education and Development Guidelines for 2014-2020 define the goal of involving at least 15% of the adults aged from 25 to 64 years in lifelong learning by 2020. The mean percentage of EU28 in 2012 was 10.5%, 6.5% in Latvia, 5.7% in Lithuania and 12.6% in Estonia.

Figure No. 22: Involvement in adult training measures

within the age group of 25-64 years

Source: Eurostat

90.6% of all the participants of the adult training programs in Latvia belong to the age group of 25-54 years, 8.9% belong to the age group of 55-64 years, and just 0.5% are older than 65 years. Women are the most active participants in training accounting for 75% of all the participants. As regards the education level, mostly persons with higher education participate in these programs accounting for 64% of all the participants. 2% have the primary or the elementary school education, 30% have the secondary school education, and 4% have the post-secondary school education which is not higher education. Therefore, it is important to ensure that adult education measures target more the population with a lower education level and to encourage the participation by men. It is also important to ensure that the persons aged above 50 years participate more in adult education measures because this age group is exposed to the unemployment risk to a greater extent than younger employed persons, and this age group has less opportunities to return to the labour market upon losing a job. Within the CP planning period of 2007-2013 within the framework of the ESF project "Lifelong learning measures for employed persons" (July 2010 - December 2014), the possibility of supplementing and improving the skills and the knowledge required for the work was used (the vouchers were received) by 27,819 persons (as on 05.09.2014); the participation was completed by 25,342. An electronic registration tool was established on the SEA website in 2013. The highest number of persons chose to improve their knowledge of languages. 9,585 persons or 51.7% of all the persons involved in non-formal training improved their knowledge of languages during the time period from 2010 to 2012. Self-initiative and business, improvement of digital skills and the learning of the official language are also popular modules.

The most popular branches where the persons, who participated in lifelong learning measures, work are the state administration and defence, the mandatory social insurance, the wholesale and the retail sale, repair of cars and motorcycles, education.

At the same time, attention should be paid to the fact that employers should be responsible for the compliance of the employees' skills and knowledge with the employer's needs. By investing resources in the development of employees, the employer invests in the company in general because the productivity of the company depends on the employees' skills and knowledge to a large extent. Accordingly, under the current labour market circumstances characterised by the technological progress, an increasing emphasis on the human capital in the manufacturing processes and rapid changes, attention should be paid to the corresponding investment by employers in their current and new employees.

In Europe alone, an estimated 70 million adults lack adequate reading and writing skills, and even more have poor numeracy and digital skills. This puts them at risk of unemployment, poverty and social exclusion – particularly in a world where job losses resulting from digitalisation and globalisation are likely to be concentrated disproportionately among the low-skilled. However, OECD within its surveys has stated[[42]](#footnote-43) that there are certain groups which face more barriers than others with regards to skills investments and these groups also tend to be those most affected by changing skills demands. Such groups include: low-skilled and low-wage workers, migrants, minorities, people with disabilities, young and older workers, the long-term unemployed, as well as some parents. Given that many advantaged groups are likely to invest in their own skills (including companies which tend to invest in training of the more qualified workforce) without the help of public subsidies, governments can reduce deadweight losses of incentives programmes by targeting such schemes at those who need them most. Also, OECD has identified low adults participation in both formal and non-formal forms of education and training in Latvia, thus recommended to encourage lifelong learning and training by improving information about training opportunities and adult learning while ensuring the portability of skills[[43]](#footnote-44).

MoES developed “Adult education governance model implementation plan for 2016 – 2020” includes the development of legislative acts and efficient management of available resources. Within ESF specific objective (hereinafter - SO) No. 8.4.1. “To develop professional competencies of employees” the support of improvement of professional competence of employed persons and comprehension of non-formal education programs will be provided, including acquisition of work necessary contemporary skills (i.e. digital/ e-skills, IC) support to career consulting services to eliminate non-compliance of the workers' qualification to the labour market demand in a timely manner, to encourage the workers' competitiveness and increase in labour efficiency in compliance with the labour market requirements, including support mechanism for involvement and training people at risk of social exclusion (providing additional support measures, such as child care, transportation costs, required support staff). The training will be ensured regardless of gender, age (from 25 taking into account demarcation with other SOs), invalidity or ethnicity, measures for a decrease of gender stereotypes). SO will be implemented in collaboration with the planning regions, municipalities, the Employers' Confederation of Latvia and Latvian Chamber of Commerce and Industry. **Indicative target group**: employed from age 25, incl. with low basic skills, education in a speciality where labour shortage is observed or education in speciality, where labour offer exceeds the demand. The supported target group includes the persons who are not covered by the support provided for by 3.2 investment priority “To support SME capacity to achieve growth on regional, state and international markets and involve in innovative processes” SO No. 3.2.1. “To increase the proportion of exported high added value products and services”, 7.2. investment priority “Sustainable integration into the labour market of young people, in particular, those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee” SO No 7.2.1. “To increase the employment of young people not in employment, education or training and to facilitate their participation in education within the framework of Youth Guarantee”, 7.3 investment priority „ Adaptation of workers, enterprises and entrepreneurs to change.” SAM No.7.3.2. SO „ To prolong preservation of capacity for labour and employment of elderly employees.”, 9.1. investment priority “Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability”, SO 9.1.2. To increase the integration of former prisoners into society and labour market; and 9.2. investment priority “Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest” and SO 9.2.6. “To improve accessibility to qualified health care and health care support persons”.

Although the lifelong learning and improvement of skills is an essential preventive measure for all the employees, in some cases, in order to compensate for lower productivity and to maintain a job, also other activities are required, for example, the adjustment of the workplace or the review of obligations. This aspect is of particular importance among elderly employees who experience various health problems making it difficult to perform. In order to identify the major risks, incentives and disturbing factors for a longer employment period, as well as to develop an evidence -based comprehensive active ageing strategy, within the project „Development of the comprehensive active ageing strategy of Latvia for the extension and the improvement of the employment period"[[44]](#footnote-45) a research will be carried out regarding the situation of active ageing in Latvia, as well as proposals will be developed for the improvement of the existing support measures and the introduction of new ones.

Taking into account the link between the education level and field and the employment possibilities, the goal of the IE guidelines in the field of education is to promote the labour education level and competitiveness in the labour market by paying special attention to the unemployed persons who are not able to find employment possibilities due to the education level that is insufficient for the labour market. However, the development structure and perspectives of the education field, focusing in particular upon the employment, skills, labour market requirements and information and communication technologies, are defined within the guidelines "Education development guidelines for 2014-2020" (approved by the CoM on 07.01.2014).

|  |
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| **Main challenges:**   * The competitiveness on the labour market is not only determined by the initial career choice, but it is also determined by the continuous adjustment to the changing labour market conditions. Therefore, the career development support needs to be a continuous process during the whole lifetime and not scattered at times when the unemployment problem is faced. * The compliance of the obtained education with the labour market requirements can be promoted by developing the vocational education. However, this process is time -consuming and can be restricted by the lack of employers who can provide high -quality practice internships. * The possibilities provided by the adult education for the improvement of knowledge and skills are not sufficiently used, which is attested by the low participation rates in adult education measures on the EU scale, in particular, among elderly persons and men. * The current initiated reforms in the higher education will yield results with a time delay, therefore, during the time period until 2020, in compliance with the medium and long -term forecasts of the labour market, the quality indices of the labour in Latvia can be improved fastest by means of investments in the current employees and by efficient activation of the labour reserve. |

### Support for the reduction of the unemployment

The implementation of the support measures plays an important role in the activation of the unemployed persons for ensuring their return to the labour market. It should be taken into account that the individual situations of the unemployed persons registered in the SEA differ, i.e. the clients have different education levels, different working experience and knowledge. Among the clients of the SEA there are both highly motivated unemployed persons, as well as the ones who need considerable support in the search for a job and sometimes their return to the labour market is only possible by means of a workplace co-financed by the state.

The researchers of the World Bank distinguish three models of activation of the unemployed persons[[45]](#footnote-46):

1. **Liberal** – the client is responsible for independent active search for a job and preparedness for a job in exchange for income support (benefit); in order to encourage the client to search for a job, there are limited active labour market policy measures, CV/ vacancies sites, brief training, etc. aimed at the improvement of the results of the search for a job are available (USA, Great Britain).
2. **Social democratic** – a diverse and complex set of the labour market support measures and a high level of benefits is available to clients at the same time (characteristic for Denmark, Sweden).
3. ***Continental corporatist***- the client is individually responsible for improving his/ her capacity, at the same time the role of the state is important by providing the accessibility of the active labour market policy measures (France, Germany, also characteristic of the approach of Latvia for activation of unemployed persons).

For successful returning of unemployed persons to the labour market and for attaining the goal with the minimum financial investment, the support needs to be diversified providing different support intensity for different target groups by implementing the so referred profiling or **segmentation of unemployed persons**. The goal of the profiling is to promote the efficient and targeted application of the services offered by the SEA to the clients for shortening the periods of unemployment as much as possible and preventing the potential risks which could prevent a person's successful return to the labour market. It is the task of the profiling to identify the clients who, in compliance with the changing labour market requirements, primarily need support and to apply the range of recommended services and the time of receiving them accordingly.

Figure No. 23 Support measures for unemployed persons

Source: MoW

As from the end of 2013, the SEA has started the profiling of registered unemployed persons aimed at providing the most suitable SEA services, in order to shorten the length of the unemployment of clients and to prevent potential risks which may prevent the clients' successful return to the labour market.

The SEA organises the involvement in active labour market policy measures (ALMP) based on the individual plan of searching for a job of the unemployed person. The individual plan of searching for a job developed by the unemployed person and the SEA comprises measures compliant with the client's needs and also sets a date for the next consultation.

In the course of the developing and planning of the ALMP measures the trends of the change in the unemployment level, the main groups of unemployed persons, as well as the overall economic situation is taken into account (in the course of the planning of the measures providing for financial support to employers). The ALMP measures can be divided in two directions: general (for unemployed persons, for job seekers and persons exposed to the unemployment risk) and specific (for the unemployed persons belonging to specific target groups).

The ALMP measures that are being implemented can be grouped into seven main blocks:

**Support in the searching for a job,** which includes the following measures:

* **Measures to increase competitiveness** aimed at promoting the competitiveness of the unemployed, job seekers and the persons at the risk of unemployment in the labour market by helping them to master job search methods, providing psychological support, as well as helping to master key skills demanded in the labour market.
* **Career consultation** aimed at supporting the unemployed, job seekers and other persons at the risk of unemployment in solving issues related to professional suitability, retraining and career planning. The support is provided within the framework of the individual and group career consultations as well as in the course of providing psychological support.

**Training measures,** which include the following measures:

* **Vocational training, re-qualification and improvement of qualification** aimed to give a possibility to obtain a professional qualification, to improve one's professional skills and to master the professional knowledge and the skills according to the changing labour market requirements. Within the framework of this training also the training upon the employer's request and the pilot project of the completion of vocational further education programs at state vocational educational establishments where ERDF investments were made is implemented.
* **Acquisition of informal education** aimed at providing a possibility for unemployed persons and job seekers to improve their competitiveness, to adjust to the changing labour market demand as well as to improve the opportunities of integration in the labour market (such as state language and foreign language courses, ICT programmes, as well as truck and vehicle drivers’ courses).
* **Practical training in priority sectors** aimed at the practical training of the employees needed by the employer in priority sectors, including manufacturing, transport and logistics, tourism and information and communication technologies.

**Lifelong learning measures,** which include the following measures::

* **Lifelong learning measures for employed persons** aged above 45 years or from 25 to 44 years if a person has a disability, two or more children aged below 18 years or if a person has been granted the status of a low-income person. The measure is aimed at providing a possibility for the employed persons at the risk of unemployment to improve the knowledge and skills required for the work by completing  **professional improvement and informal education programs.**

**Support measures for youth,** which include the following measures:

* **„Development of the skills required for the work in a non-governmental sector”** (previously the measure "Support for the voluntary work for youth”) aimed at encouraging the activity by young unemployed persons aged from 18 to 24 years for the benefit of the society without the aim to obtain profit, by providing support to associations and foundations who organise the participation of young people in the voluntary work for the performance of the functions defined in their Articles.
* **Job for the youth** aimed at the integration of unemployed youth (aged from 18 to 24 years) in the labour market simultaneously promoting the development of regular job and permanent youth employment.
* **Workshops for youth** aimed at the provision of an opportunity for young unemployed persons aged from 15 to 24 years who have not obtained vocational education or have not been employed before to get to know three professional areas by working three weeks in each, which would allow the young unemployed person selecting the area of education and professional activity.
* [**Training and practice for the SEA inspectors’ assistant**](http://www.nva.gov.lv/index.php?cid=433&mid=313&txt=2910&new_lang=en) aimed at providing an opportunity for young unemployed persons with higher education aged up to 25 years to improve their competitiveness and to increase the possibility to integrate into the labour market by performing support functions in work with clients.

**Supported employment measures and support for starting entrepreneurship** which include the following measures:

* **Measures for unemployed representing disadvantaged groups** aimed at the employment of unemployed persons in state co-financed jobs in order to help the unemployed persons in the least favourable situation to understand labour market demands, to encourage the integration of the unemployed persons of the target groups in society and to find a regular job.
* **Measures for business or self-employment** start-ups aimed at providing advisory and financial support that helps the unemployed persons who have previous educational background and knowledge of business to take up business or self-employment and to work in the selected area for at least two years.
* **Promoting regional mobility of persons employed by merchants** is aimed to promote regional mobility of the labour around economic centres and to increase opportunities of finding a job for those who do not have vacant jobs compliant with their skills and abilities close to their home by providing financial support to the unemployed persons who are prepared to move closer to jobs and work in Latvia by covering their transportation and accommodation expenses upon starting a job. This measure was started in March 2013 and is implemented as a pilot project.

**Temporary public works** which include the following measures:

* **Paid temporary public works** which, due to the economic crisis, were replaced by the measure **of the work with stipend in municipalities** and were resumed in 2012 and which are aimed at providing the opportunity to obtain or to maintain working skills and to encourage the activity for the benefit of the society of the unemployed persons who do not receive the unemployment benefit and who have been registered in the SEA for minimum six month or are not registered in the SEA and have not worked for minimum twelve months. Municipalities may develop selection criteria based upon which the unemployed persons are involved in the measure on a priority basis.

**Specific programs for certain groups of clients** which include the following measures:

* **The benefit for the use of assistant services to visually impaired people of Group I** is available to disabled persons from 2011. This benefit is intended for the visually impaired persons of Group I in order to promote their integration in the society, including the labour market.
* **Support measure for long-term unemployed persons with addictions** aimed at providing an opportunity for the unemployed persons to treat their alcohol, drugs or psychoactive substances addiction according to the *Minnesota* model 12 step addiction treatment programme thus supporting the elimination of obstacles to facilitate finding a job. The unemployed persons who have not worked for a minimum of six months prior to the gaining of the unemployed status or who have been registered as unemployed with the SEA for minimum of three months. After overcoming the addiction obstacles, the unemployed person is encouraged to participate in other ALMP measures and receives support in searching for a job.

Within the framework of the ALMP measures organised by the SEA, the higher proportional share of supported persons [[46]](#footnote-47) has been involved in the measures which provide the income support in case of unemployment (paid temporary public works, work with stipend). The proportional share of the persons involved in training measures from the total number of supported unemployed persons ranges from 10% to 14% with a reduction to 4.1% in 2008. After the crisis, when new measures for the creation of jobs were introduced, the proportional share of supported unemployed persons in this group of measures increased, it was 24.6% in 2011 and 16.2% in 2012.

In 2013, in the ALMP measures organised by the SEA unemployed persons were involved 195.6 thous. times (a person may have participated in several activities). Totally 75.5 thous. unemployed persons found a job in 2013 and of this number 40.0% of the unemployed persons found a job after the completion of an ALMP measure (except the CPP information days).

Figure No. 24: Registered unemployed persons who started the participation in

ALMP measures in 2013

Source: SEA

As regards the evaluation of the efficiency of the ALMP measures, the most important is the direct impact of these measures upon the employment indicators during the first six months following the completion of the measures. The employment rate of persons who have been involved in ALMP measures(during the time period from 1 July 2012 until 30 June 2013) leads to the conclusion that the results differ depending on the type and the specifics of the measure. Generally, the best results can be seen in the measures for business and self-employment start-ups, where almost all the involved persons have started business activities or self-employment. This positive result is determined by the fact that the submitted business plans are evaluated by experts who only approve the most perspective and the most sustainable business projects which, in compliance with the experts' evaluation could provide long-term profit without causing important risks of loss to the person starting the business activity. The implementation of the business plan is also evaluated on a regular basis. A high employment level is also characteristic for the measures for unemployed representing the disadvantaged group and for the measure job for youth, also the results of employment after training measures should be evaluated as positive.

Table No. 2: Employment of unemployed persons after the participation in ALMP measures\*

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| --- | --- | --- | --- |
|  | Number of completing persons | Employed persons during the first 6 months following the completion of the measure | Employed persons, % |
| Vocational training, re-qualification or improvement of qualification | 9118 | 3283 | 35.7 |
| Informal education - the official language\*\* | 5656 | 1386 | 24.5 |
| Informal education - other programs\*\* | 10892 | 2678 | 24.6 |
| Measures to increase competitiveness (excluding information days)\*\*\* | 39284 | 9886 | 25.2 |
| Measures for disadvantaged unemployed | 1326 | 1095 | 82.6 |
| Measures for business and self-employment start-ups | 78 | 70 | 89.7 |
| Paid temporary public works | 31001 | 4221 | 13.6 |
| Job for youth | 244 | 197 | 80.7 |
| Support for youth volunteers | 479 | 133 | 27.8 |
| [Training and practice for the SEA inspectors’ assistant](http://www.nva.gov.lv/index.php?cid=433&mid=313&txt=2910&new_lang=en) | 24 | 13 | 54.2 |
| \* The persons who have completed their participation during the time period from 1 July 2012 to 30 June 2013 and found a job during the first 6 months following the completion of the measure (during the period up to 31 December 2013).  \*\* Including job seekers  \*\*\* A person may have participated in more than one measure for the improvement of the competitiveness | | | |

Source: SEA

The evaluation of the efficiency of the ALMP measures over a longer time period was carried out within the framework of the WB research "Latvia: Who is Unemployed, Inactive or Needy?"[[47]](#footnote-48) After the evaluation of the results of the ALMP (employment and wages within 18 months following the completion of a measure), it was concluded that the vocational training and informal education programs for unemployed persons considerably improved the outcome in the labour market. However, essential differences regarding various outcomes in the labour market were found both between types of programs and within each type of programs. There are also gender differences from the point of view of the efficiency of the programs.

Generally for men better outcome in the labour market was provided by the programs like vocational training in professions involving physical labour, as well as in the field of services and sale, the training provided by the employer in the mental work professions, non-formal education programs in project management, IT skills, professional driving and the control of industrial machinery.

As regards women, better outcome in the labour market was provided by programs like vocational training in professions involving physical labour, as well as in the field of services and sale, the training provided by the employer in the professions involving physical labour, non-formal education programs in basic IT skills, the official language (categories 2 and 3) and English (intermediate level).

Although generally, all the evaluated measures provided a positive result, contrary to the data of the SEA regarding the employment during the first six months following the completion of a measure, the worst outcome among the training measures was for the training at the employer, and the expansion of this measure is not recommended. The terms of the measure were improved, and in 2013 the practical training at the employer only in priority industries (manufacturing, transport and logistics, tourism, information and communications technologies) was started.

The evaluation of the impact of the ALMP measures upon the improvement of the situation of certain target groups leads to the conclusion that the measures aimed at the solving of the problems of long-term unemployed persons have reduced the social tension and have helped to maintain working skills for people who have not been able to return fast to the labour market. The proportional share of long-term unemployed persons in almost all the main programs (training measures, complex support measures, paid temporary public works, etc.) exceeded 40%. The positive results of the ALMP measures for the target group of long-term unemployed persons is also confirmed by the fact that 83.4% of all the long-term unemployed persons who found a job in 2013 (17,721 long-term unemployed persons), have found a job after the completion of an ALMP measure (except the information days of the measures to increase competitiveness).

The cooperation between the SEA and social services plays an important role in solving the problems of long-term unemployed persons. The SEA has developed a pilot project for the cooperation with municipal social services providing support for 2300 long-term unemployed persons, in particular, joint meetings are organised in compliance with particular needs of the long-term unemployed regarding both their periodicity and the content. Common clients are identified first. Following the identification, the social service will be notified about the measures planned by the SEA for the integration of the particular client in the labour market and the activities performed by the social service for solving the client's social situation will be identified. Cooperation has been started for the purpose of the alignment of the activities of both parties by aligning the activities included in the unemployed person's individual plan for searching a job with the support activities implemented by municipal social services.

In the view of municipal social services, the SEA is a successful cooperation partner in solving clients' problems[[48]](#footnote-49), however, being aware of the potential shortage of labour in Latvia and the groups of persons who have persistent labour market difficulties, it is important to eliminate the existing obstacles for the interinstitutional cooperation in order to solve the problem situations of common clients more efficiently. The survey of the employees of the SEA and municipal social services regarding the cooperation of both institutions in solving a client's situation was carried out from 17 July to 15 August 2013. The results of the survey indicate that the cooperation between the institutions is viewed positively. However several aspects should be improved for the more successful solution of clients' situations.

**Elderly registered unemployed persons** participate most in the ALMP measure "Paid temporary public works" which helps to maintain the working skills. Few unemployed persons from this age group participate in the measures for improving competitiveness and in informal education programs, thus adjusting to the changing requirements of the labour market and improving their opportunities to integrate into the labour market. 17.5 thous. unemployed persons aged above 50 found a job in 2013. 44.7% of the unemployed persons found a job after the completion of an active measure (except the CPP information days).

The comparison of the rate of finding a job among young unemployed persons with the rate of finding a job among the other unemployed persons leads to the conclusion that the rates of finding a job among young persons are by 5 percentage points better, moreover young people are unemployed on average a twice shorter period of time than other registered unemployed persons (on average 3.7 months in December 2013). 12,096 young unemployed persons found a job in 2013 and of this number 43.3% of the unemployed persons found a job after the completion of an active measure (except the CPP information days).

The measures targeted at persons with disability have promoted the integration of these unemployed persons in the society and in the labour market allowing to understand labour market requirements and encouraging the employment in a permanent position which is attested by the statistics data. 3,338 persons with a disability found a job in 2013 and of this number 54.1% of the unemployed persons found a job after the completion of an active measure (except the CPP information days)., Moreover, in case of necessity single subsidies are granted for the purpose of adjusting the training, internship or the workplace for the needs of a person with disability, as well the costs of the services of assistants related to the transportation to the training, internship or job and the costs of the services provided by sign language interpreters, ergo therapists and other experts are covered.

The unemployment issue is not only impacted by the unemployed person's skills and knowledge, but also the accessibility of jobs which is of particular importance in rural territories where there are few jobs. In order to encourage labour mobility around economic centres, the regional mobility program " Promotion of regional mobility of persons employed by entrepreneurs " was started as a pilot project. The program is aimed at providing support to unemployed persons who are prepared to move closer to a job and to work in Latvia, as well as to improve the possibilities of finding a job for those persons who do not have vacant jobs compliant with their skills and abilities close to their home. Financial support is provided for covering the costs of transportation and the rent of accommodation for the first four months following the starting of employment in the whole territory of Latvia except if the employment was started in Riga. 222 registered unemployed persons had applied for this measure at the SEA in 2013, and 180 applications were declared compliant for the receipt of the mobility benefit. Most of the participants of the program started to work as retail trade shop assistants, i.e. 21 persons. 12 persons started to work as cooks and workers, and 7 persons started to work as dressmakers. 166 persons (92.2% of the supported persons) received financial support for covering transportation costs in 2013, and 14 persons (7.8% of the supported persons) received the support for covering the rent of accommodation. Employed persons of the age group 50-54 years were the most active participants of this measure, i.e. 35 persons of the total number of persons who started the participation in the program. The number of participants from the other age groups is similar, i.e. on average 15-20 persons. In 2013 the participation in the program was completed by 76 persons (46.67% of the beneficiaries of the support), and 71 employees continued the employment with the employer with whom the employment contract was initially signed. Following the participation, 5 persons have terminated the employment contract, and 3 persons of them are unemployed, and 2 persons have started employment with another employer. Disagreements with the employer, dissatisfaction with the work duties or the colleagues were mentioned as the most often reasons for terminating the participation in the program. 17 of 36 employees terminated the participation in the program due to justified reasons, for example, health issues, change of the job or family conditions.

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| **Main challenges:**   * Taking into account the demographic trends in Latvia, the labour competitiveness will play a decisive role for the promotion of growth. The career support, i.e. a continuous process providing support for making decisions to the population of all ages, presents the most important step for the choice of education and career development. For the knowledge improvement, the improvement and the change of qualifications, as well as the participation of the population in adult education, plays an increasingly important role. * The restructuring of the education system is time -consuming and within the time period till 2020 considerable changes in the structure of the labour as regards education cannot be expected. It is necessary to focus on the improvement of the current knowledge and skills in compliance with the requirements of the labour market by paying special attention to the risk groups of registered unemployed persons. * In some cases, in order to compensate lower productivity and to maintain a job for an employee, broader support is required. This aspect is of particular importance among elderly employees. In order to identify the major obstacles, incentives and disturbing factors for a longer employment term, the active ageing situation in Latvia needs to be evaluated, and measures for the improvement of the support need to be developed. * For the successful return of unemployed persons to the labour market, it is necessary to provide different support intensity for different target groups by performing the profiling or the segmentation of unemployed persons, i.e. the operative identification of the clients who primarily need support and their involvement in support measures. * Within the framework of the ALMP measures organised by the SEA, the higher proportional share of supported persons has been involved in the measures which provide the income support in case of unemployment. The ALMP measures need to be planned by focusing on the minimising of the non-compliances between the offer and the demand in the labour market. * Periodic evaluation of the efficiency of the ALMP measures needs to be performed for both evaluating the impact upon the clients' employment and for making decisions regarding the modification of the conditions of the measures and their adjustment to the changing labour market situation and the development trends of the national economy.   **Main challenges (cont.):**   * The unemployment issue is not only impacted by the unemployed person's skills and knowledge, but also the accessibility of jobs which is of particular importance in rural territories where there are few vacancies. For the purpose of encouraging the labour mobility the program aimed at providing support to unemployed persons who are prepared to move closer to a job and to work in Latvia, as well as to improve the possibilities of finding a job for those persons who do not have vacant jobs compliant with their skills and abilities close to their home is of special importance. |

## Quality of jobs

Taking into account that work forms the basis for the welfare of people and also promotes the social integration and serves as the basis for the personal growth, the International Labour Organisation has introduced the principle of decent work aimed at providing employment possibilities and decent income at the same time focusing on the quality of jobs. On the basis of the principle of dignified work, the Decent Work Agenda was developed for the purpose of attaining the major strategic goals which comprise the following:

1. **Better employment possibilities** – economic conditions which create possibilities for investing, business and creating of jobs, which provide decent means of living and the development of skills.
2. **Compliance with the labour legislation** – ensuring of the recognition of and the compliance with the labour legislation, in particular, regarding the people at a less favourable situation.
3. **Provision of social protection** – provision of safe labour conditions, adequate time for rest, compliance with the social and family values, adequate compensation in case of the loss of income and continuous access to the health care.
4. **Promotion of the social dialogue** – the involvement of strong and independent employees' and employers' organisations in the solving of the issues related with the promotion of the labour productivity, preventing of labour disputes and the promotion of a unified society.

Moreover, all these strategic goals are viewed in correlation with the gender equality aspect as an indispensable principle of decent work.

### Remuneration

The wage is among the major aspects which impact the quality of jobs and people's satisfaction with their work. Along with the growth of the demand for labour, the mean gross wage has been gradually increasing in 2009 and 2010 following its decline, and in 2013 it reached the level of 503 LVL (716 EUR). The mean gross wage in the public sector was 538 LVL (766 EUR). In the public sector, the gross wage is below the level of 2008 while in the private sector the wage exceeds the level of 2008. It should be noted that the reduction of wages of employees in the public sector was much bigger than in the private sector and this was determined by the necessity to restrict the central budget expenditure.

Figure No. 25: Mean net wages in regions in 2013 (EUR)

Source: CSB

There are differences between regions also regarding the mean wage. In 2013 the mean net wage was highest in Riga region and lowest in the Latgale region.

The minimum wage is also an important aspect. Too high minimum monthly wage or its rapid increase can contribute to unemployment among the employees with the lowest qualifications because their productivity will no longer comply with this wage, as well as the unregistered employment may increase among employees with lower qualifications due to the spreading of new employment forms, i.e. when the employer and the employee agree on a part-time and a proportionally lower minimum wage while actually the full time is worked; also temporary works would become more widespread. Rapid changes regarding the minimum monthly wage would be felt most by small and micro companies which account for the biggest share (95%) of all the individual merchants. Therefore, the minimum wage is reviewed in Latvia taking into account several factors, in particular, the economic situation in the country, the labour market development, the unemployment level and the capacities of the central budget. As from 1 January 2014, the minimum wage was increased from 284.57 euro (200 LVL) to 320 euro (224.90 LVL). The minimum hourly rate was increased up to 1.933 euro (1.359 LVL) instead of 1.712 euro (1.203 LVL). The minimum wage equal to 360 EUR was set in 2015.

In compliance with the data provided in the CSB compilation "Distribution of employees per income per month” 27.5% of employees received wages equal to the minimum monthly wage or below in September 2012. This situation may attest that there is already a relatively high minimum monthly wage, no overtime is paid for, and the situation is also impacted by the "envelope salaries".

As regards the financial provision, additional attention should be paid to the population who are employed part -time and therefore are more exposed to poverty risk than full -time employees. In compliance with the data of Eurostat, 25.6% of part -time employees were exposed to the poverty risk in 2009, in 2012 this indicator had decreased to 23%. Although the number of part -time employees, who should be deemed exposed to the poverty risk, has decreased this indicator is still high.

The results of 2013 poll "Perspectives of the Telework Development in Latvia - Citizens' views" showed[[49]](#footnote-50) that 81% of respondents answered that they would use the opportunity to work remotely instead of not being at work. The majority of respondents (56%) mentioned that telework has benefits on personal advantages, while 38% of respondents emphasised on important economic benefits (saving travel costs and time).

However, OECD[[50]](#footnote-51) labour market and social policy surveys have shown that not all the tasks are better done in a self-managing environment. Many tasks gain considerably from close interaction with team members. Hence, telework could hurt productivity or closeness to consumers. For individuals new stresses and damages to family life caused by the difficulty of differentiating work and private life. Secondly, individuals could also lose opportunities on-the-job training. Yet, telework is not necessarily good for everybody (people needing external discipline provided by set hours and a managed environment).

Thereby, a broader analysis should take place before adopting new forms of employment or other non-standard working forms (telework based at home; telework in any location; a minimum number of hours of telework; full-time telework etc.), thus including pros and cons of telework. In order to analyse the non-standard (non-typical) employment forms, including the analysis of flexible and remote working, an in-depth study regarding the work conditions and risks in Latvia is planned to be carried out (Task 10.1.1).

### Compliance with the Labour Law

The legal relationship between employers and employees is regulated by the Labour Law and other regulation which define the mutual relationship between the employer and the employee. According to the OECD[[51]](#footnote-52) Latvia provides comparatively high protection regarding non-terminated employment contracts, the OECD indicators for Latvia exceed (considerably in some cases) the mean OECD level. However, during the crisis in the labour market in 2009 and 2010, the employment responded flexibly to the GDP changes, including that employees rarely defended their interests at the court. Therefore, the question of bringing the actual situation closer to the protection provided by the Labour Law is topical.

The non-compliance with the written form of employment contracts is among the most topical issues in the area of the Labour Law in Latvia. The results of the survey of employees carried out within the framework of the research "Working conditions and risks in Latvia 2012-2013" [[52]](#footnote-53) provide insight regarding the major risks and the incentives encouraging non-registered employment. The research data attest that the employees who are employed at two or more jobs, in the private sector and in small companies (1 - 10 employees) more often work without written contracts. Mutual agreement and trusting a mutual agreement are mentioned as the main reasons why employees are prepared to work without a signed written employment contract or another contract within the research. At the same time, the research has identified that a written employment contract is more important for women, middle-aged employees, employees with higher education and a higher wage. From the point of view of sectors, the existence of a written contract is more important for employees in the health and social care sector (98.3%), in fisheries (97.9%) and metal and metal goods manufacturing (94.1%). At the same time, as it was referred to above, the "envelope salaries" present a considerably more important problem than non-registered employment in Latvia. It should also be mentioned that, in compliance with the research, the requirements of the regulations on the labour protection and the legal employment relationship are more often not complied with in companies where salaries are paid "in envelopes" every month and/ sometimes.

Figure No. 26: Proportional share of the non-registered economy (% of the GDP)

Source: Friedrich Schneider research "Size and development

of the Shadow Economy from 2003 to 2012: some new facts"

In compliance with the estimations of non-registered economy [[53]](#footnote-54) carried out by Friedrich Schneider, who is a leading global researcher of the non-registered economy, the level of the non-registered economy is quite high in Latvia and considerably exceeds the mean EU level. However, it is slightly lower than in Lithuania and Estonia. In 2012 the estimations of the non-registered economy in Latvia were 26.1% which is 7.7 percentage points above the mean EU level. The situation deteriorated during the economic crisis when the non-registered economy was viewed as an opportunity for improving one's competitiveness in the market. The scope of the non-registered economy decreased in 2011. However, this level is still high and exceeds the level of the pre-crisis period.

At the same time, the estimations of non-registered employment made by the Professor of the Economics and Management Faculty of the University of Latvia Mihails Hazans[[54]](#footnote-55) indicate that in 2009 the indicator of Latvia was among the lowest ones and equalled 8.0%. The non-registered employment among employees and self-employed persons is estimated to be similar, i.e. 3.7% and 3.6% accordingly, but the other 0.7% present the non-registered work in households. At the same time the researcher draws attention to the fact that there is a correlation between the long-term unemployment and the non-registered employment, in particular, the inability to find a job for a long period of time makes one choose the non-registered employment. Latvia is ranked among the countries where one fourth or even one -third of non-registered employees have been jobless for more than 12 months during their lifetime.

Although the estimations of the above referred non-registered employment were not made for one year within the IE guidelines, the differences are considerable. This situation can be explained by the fact that these estimations do not include the "envelope salaries" which are deemed to be a major problem in all the Baltic countries.

However, in compliance with the estimations made by Mihails Hazans, the non-registered employment (not including the "envelope salaries" and the work without an employment contract outside the basic employment) has definitely decreased during the last years. Including self-employed persons, in the first quarter of 2012, approximately 40 thousand persons were employed within the non-registered employment, and this is less than 50% of the estimated non-registered unemployment two years ago. However, regarding the results, it should be taken into account the non-registered employment is a question which a certain part of the respondents does not want to answer by providing true information.[[55]](#footnote-56)

Also according to this estimation which is used in the WB research regarding the non-registered employment in Europe, the non-registered employment in Latvia is lower than in Lithuania and Estonia. According to the last comparable data regarding employees without written agreements, in the first quarter of 2010 the situation was worst in Estonia where, according to the highest estimations, 5.2% of all the employees did not have written contracts. The estimations for Lithuania are 4.2% and for Latvia 3.5%. The situation among the Baltic countries is the same when the ratio between employees without written contracts and the expanded labour including all the employed persons, job seekers and the ones who would like to work if there was a suitable job offer without active involvement in the search for a job is compared. In compliance with this estimation methodology, the employees without written contracts accounted for 3.7% in Estonia, 2.9% in Lithuania and 2.2% in Latvia.[[56]](#footnote-57) Also when the non-registered employment is compared among a higher number of countries, this indicator is comparatively low in Latvia.

A certain share of non-registered employment is formed by unpaid work in a household [[57]](#footnote-58) which is the work performed at a household or for a household. A domestic worker is a person who is involved at work at a household within the framework of the employment relationships. The employment of domestic workers may be required for the provision of a broad range of services: cooking meals, cleaning, laundry, ironing, child care, care of elderly persons or persons with disability, gardening, driving, guarding, the performance of repairs, and other. In Convention No. 189 of the International Labour Organisation "Convention regarding domestic workers" special attention is paid to domestic workers who perform their job living permanently in the employer's household, migrant workers and young people and children. In Latvia the Labour Law and the regulation provided by it fully applies to all the employees with whom an employment contract has been signed, including domestic workers. Therefore legal protection is provided to domestic workers. However, at present in Latvia the employers who are natural entities are not interested in signing employment contracts with their domestic workers (therefore it is difficult to monitor the compliance with the Labour Law) because the establishment of the legal employment relationship involves a disproportionate administrative burden taking into account that the employer, in this case, is a natural entity and does not gain any profit from this legal employment relationship.

In order to analyse a problem and adapt further solutions within the framework of the 2014-2020 Operational programme “Growth and employment” SO No. 7.3.1. “To improve labour safety, especially in enterprises of hazardous industries” it is planned to carry out the range of activities aimed at improving the labour protection situation. Thus, it is planned to prepare a study on the field of labour relations, assessing the current situation in the use of new forms of work it’s demand and feasibility, as well as clarifying the views of employers and employees of different sectors on new work forms. Defined basic measures for implementing SO No. 7.3.1. “To improve labour safety, especially in enterprises of hazardous industries” will be set out in the policy paper on labour protection policy.

The fighting of the non-registered employment is for the best interests of both the employees and the employers. If a person works or receives remuneration illegally, the employee loses the entitlement to benefits from the labour and social rights protection mechanisms. Other entrepreneurs suffer due to unfair competition and a higher tax burden for covering not received revenue from the entrepreneurs who operate by violating the provisions of the regulation. Also, the society as a whole loses because the amount of the financial resources in the central budget for the public needs to be paid from the taxpayers' money decreases.

For the time period from 2010 to 2013 four directions of action for reducing the non-registered employment were developed, i.e. the improvement of the efficiency of the control mechanism of the non-registered employment, the reduction of unfair competition, the review of the penalty policy regarding the non-registered employment and the improvement of the public awareness regarding the negative consequences caused by the non-registered employment.

The SLI identified 1211 violations of the non-registered employment in 2009, and an increase was recorded in 2012 when 2984 persons employed without registration were identified. This indicator decreased slightly in 2013 when 2428 persons employed without registration were identified. Totally the SLI carried out 3917 inspections related with the identification of the non-registered employment in 2013 and in 966 inspections (25.4%) violations regarding the non-registered employment or the employment on the basis of the "first" day employment contract was discovered. This situation can be explained not only by the increase of the number of employees in companies along with the improvement of the economic situation but also by the improvement of the SLI operations resulting in more targeted inspections. The developed directions of action and mechanisms for the minimisation of the non-registered employment have provided the expected result. Therefore no specific plans need to be developed in future. The current mechanism should be implemented instead.

Still, it should be stated that the "envelope salaries" present a much bigger problem in Latvia than non-signing of employment contracts and non-registration of employees with the SRS. The conclusions drawn in the research carried out by the Bank of Latvia that, for example, the retail turnover is growing at a faster pace than wages are among the facts attesting the above. Estimations according to this research indicate that employed persons could be receiving on average 74.6 LVL (106.15 EUR) per month in an envelope in addition to the official salary. According to the above estimations, the amount that is paid in envelopes equals approximately 810.2 million LVL (1152.81 million EUR) per year in Latvia.

### Social protection and labour safety

In order to protect the people who lose certain income from work, within the framework of the state social insurance system, a certain replacement of income is provided upon losing the income from work, i.e. when a person becomes unemployed, in case of a disease, during the maternity leave, as well as in cases of accidents at work or an occupational disease, also when the supporter is lost and in other cases. The amount of social insurance benefits is set on an individual basis and depends on the social contributions made by the beneficiary before. Accordingly, when a wage or a part of it is received as an unofficial payment, the replacement of income is not provided or is only calculated for the part of the wage from which social contributions were made. Thus comprehensive social guarantees are lost. There is also a condition that in the course of fulfilling the obligations of an unemployed person, the criterion of a suitable job is established by also taking into account the amount of the preceding official wage. When a person refuses a suitable job more than twice, and such a refusal can also be based on an inappropriate wage, the status of an unemployed person is lost.

Starting from 1 January 2013, the maximum period for receiving the unemployment benefit is set equal to nine month and the granted unemployment benefit differs depending on the length of the unemployment, i.e. during the first three months the full granted amount of the unemployment benefit is paid, during the next three months 75% are paid and during the last three months 50% are paid. The maximum period for receiving the unemployment benefit depended on the insurance term before. Only the persons whose insurance term was 20 years and above were entitled to receive the unemployment benefit for nine months. Thus, the persons who have lost a job receive more financial protection now. Still, the length of the payment of the benefit is still the shortest among most EU and OECD countries.

At the same time, there is no direct minimum or maximum amount of restriction applicable to the unemployment benefit. The maximum amount of the unemployment benefit is impacted by the maximum amount of the object of the state social insurance mandatory contributions defined on an annual basis (46,400 euro in 2014) and the restrictions regarding the payment of the unemployment benefit set during the crisis period from 2010 to the end of 2014. Taking into account that the unemployment benefit is aimed at compensating the income gained at work upon losing a job and its amount depends on the performed social insurance contributions if the contributions are made from a lower wage the unemployment benefit is also low. Thus, the persons receiving low wages are exposed to the poverty risk. In order to carry out more in-depth research by identifying various causes behind problems and possible solutions, it is planned to submit a draft concept regarding the possibility of setting the minimum unemployment benefit to the government by 31 December 2015 taking into account the high poverty risk faced by unemployed persons.

The comparison of the number of unemployment benefits during the time period from 2005 to 2012 reveals that the number of benefits more than doubled during the crisis period and reached the highest level in 2009 which was on average 67 thous. per month. The number of benefits has reached the pre-crisis level in 2012. However, this should be explained not only by improvements in the employment area but also by the expire of the term for receiving the unemployment benefit, which is attested by the fact that the term of unemployment of 44% of all the registered unemployed persons was longer than one year in December 2012.

Figure No. 27: The number and the mean amount of the unemployment benefits

Source: SSIA; [Unemployment benefits – number; Unemployment benefits – mean amount, EUR]

The mean amount of the unemployment benefit has considerably decreased since the crisis period, and this can be explained by changes in the wages during the pre-crisis and post-crisis periods. A small increase in the mean amount of the unemployment benefit in comparison to the preceding year was seen in 2012.

In compliance with the WB research "Latvia: Who is Unemployed, Inactive or Needy? Assessing Post‐Crisis Policy Options", the coverage of unemployment benefits in Latvia is among the lowest in the EU and OECD countries. It is considered that there are strict qualification criteria and that quite a large part of the population is employed without registration resulting in that they do not benefit from social protection in case of unemployment and are exposed to a high poverty risk. More than one -half of the unemployed persons (55.8%) were on the poverty risk threshold in 2012. At the same time, it should be taken into account that the purpose of the statutory obligations[[58]](#footnote-59) defined in the Law of Support for Unemployed Persons and Persons Seeking Employment is to activate the unemployed. The planned support measures are included in the individual job search plan, on which implementation SEA employee and the unemployed make an agreement. Ignoring individual job search plan means losing the status of unemployed and unemployment benefit (if any has been granted).

The physical safety of employees in performing their official duties is among essential aspects of the quality of the job which is evaluated both within the research carried out by the European Foundation of the Living and Working Conditions and on the national level. The number of persons suffering from occupational diseases is among the indicators of the above. According to the data provided by the SLI, the number of persons suffering from occupational diseases confirmed for the first time had a downward trend during the last years; the number of confirmed persons suffering from occupational diseases was 1150 in 2010, 822 in 2011, 794 in 2012. However, in 2013 the number of persons suffering from occupational diseases has increased again and equals 1089. In order to timely diagnose the development of occupational diseases and to prevent health issues, it is important to carry out regular mandatory health checks and to ensure the working environment which is not harmful to the health and is safe. It should be noted that according to the results of the research "Work conditions and risks in Latvia 2012-2013", the number of employees who have undergone the mandatory health check has increased during the last three years; only 64% respondents had done it in 2010, and there were 81% in 2013. Moreover, according to the research regarding sickness leaves, around one -third of all the leaves from work is related with bad work conditions and at least 40% of the reasons causing the loss of the working capability can be easily eliminated[[59]](#footnote-60).

Figure No. 28: Development of the number of accidents at work

Source: SLI

[not serious; Serious; Fatal; Total]

Accidents at work serve as one of the most visible indicators of a bad quality work environment. According to the data of the SLI, the total number of accidents at work, which has been slightly increasing on an annual basis following a rapid decrease in 2009, equalled 1594 accidents in 2013.

The high number of people who died in the result of accidents at work is alarming from the point of view of both the actual number of accidents and the number of persons who died per 100,000 employees. According to the data of the SLI, the number of persons who died in accidents per 100,000 employees increased considerably in 2011 reaching the level of 4.45 persons (3 persons in 2010). In 2012 this indicator decreased to 4.33 persons, and in 2013 to 3.5 persons, however, this number should still be considered high in comparison to the mean indicators in the EU. This indicator is similar in Lithuania (4.05 persons in 2011, 5.2 in 2012 and 4.8 in 2013), however in Estonia and on average in the EU this indicator is much lower (2.2 persons in Estonia in 2012, 2.45 persons in the EU in 2011). The risk of accidents is higher in the companies operating in dangerous industries, for example, construction, processing industry, wood processing, wholesale, transportation. The major causes of accidents include unsafe operations (for example, non-compliance with safety regulations, inappropriate working methods, insufficient attention), non-satisfactory working conditions (for example, damaged equipment, inappropriate or missing safety devices), deficiencies in the organisation of work (for example, insufficient education of employees, training and control). Labour safety issues will be included in the policy planning documents of the relevant field.

An additional insight in the quality trends is provided by the research "Trends of the quality of jobs in Europe" performed by the European Foundation of Living and Working Conditions[[60]](#footnote-61). This research evaluated the wages of 27 EU Member States and seven other European countries; evaluated the employees' future perspectives regarding wages, the continuity of work, growth opportunities or chances; the true quality of the jobs including the employees' ability to apply their skills and freedom of action, the social environment, the physical environment and the work intensity. Also, the quality of the working time or the balance between the time devoted to work and the time allocated for other activities out of work was evaluated.

Figure No. 29: Proportional share of employees divided

per the quality groups of jobs in 2010

Source: European Foundation of Living and Working Conditions

[Good jobs providing high wages; Good jobs with sufficient balance; Jobs with insufficient balance; Jobs of insufficient quality]

Research of 2012 "Trends of the quality of jobs in Europe"

According to this research, only 1.4% of the employees were employed at good jobs providing high remuneration in 2010 in Latvia, and this is considerably below the mean indicator of the countries covered by the research where it is 13.6%. Almost a half of the employees worked at jobs where improvements regarding their quality were needed; 23.4% were employed at jobs with insufficient balance, and 26.0% were employed at jobs of insufficient quality. Within the research, it was estimated the 49.1% of the employees worked at good jobs where there was sufficient balance. This result is below the mean indicator of all the evaluated countries, and the situations in the Baltic countries are similar. It should also be taken into account that the research was performed in 2010 and the situation may have changed due to the changes in the economic situation.

### Social dialogue

The social dialogue both within a company and within the cooperation between the employers' organisations, trade unions and state institutions plays an important role in providing dignified work. The National Tripartite Cooperation Council is established as from 1993 for the purpose of the coordination and the organisation of the tripartite social dialogue between the employers' organisations, state institutions and trade unions. Within the NTCC there are several sub-councils, including the Tripartite Cooperation Sub-council of Labour Affairs which is a component of the institutional system of the NTCC. The functions of this Sub-council include the review of questions regarding the labour protection, the regulation of the legal employment relationship, provision of equal rights in relation to the legal employment relationship, etc. The major non-governmental organisations who are actively involved in the social dialogue include the Employers' Confederation of Latvia and the Free Trade Union Confederation of Latvia. In Latvia there are also industry employers' organisations, and there are possibilities for them to sign general agreements with trade unions of employees binding for all the companies of the industry (Section 18 of the Labour Law), including regarding the issues of wages, however, the possibilities of encouraging the process of the social dialogue on the industry level should be evaluated within the context of the participation of Latvia in the Eurozone and the development of the competitiveness in other, in particular, more powerful, countries of the Eurozone.

Within the research "Work conditions and risks in Latvia 2012-2013"[[61]](#footnote-62) the trends of the cooperation between the employers and the employees in companies were also identified. The survey of employers confirms that the representatives of employees are more widespread in bigger companies and in comparatively older companies. The questions that are most often discussed with employees include the work conditions, the results of the evaluation of the risk of the work environment and wages. At the same time, 31% of the surveyed employers in whose companies there are representatives of trade unions, trustees of employees and/ or authorised representatives of employees could not specify the questions that are most often discussed with employees which indicates the inefficiency of the social dialogue.

At the same time, the necessity of improvements regarding the work of trade unions is confirmed by the situation that, in comparison to the preceding years, the number of employees who have said that the employers object against employees being members of trade unions has increased, the representatives of trade unions are not aware of the actual situation in companies and the trust to the leaders of trade unions is deteriorating. The activity of the involvement of employees in the solution of the questions of the work environment and the legal employment relationship is low. Similar to the situation regarding the employees' representatives, also the social dialogue is more active in bigger companies where employees more often submit their suggestions. Suggestions have been mostly received regarding labour protection issues (72.2% of all the recommendations), and a comparatively large part of recommendations (38.1%) refer to the issues of everyday conditions, premises, the territory, premises for smoking.

### The system of labour taxes and benefits

The labour tax policy impacts the situation on the labour market by impacting both the demand for labour and its offer and also the non-registered employment. A heavy labour tax burden is an obstacle for creating new jobs due to high costs. The tax amounts also impact the incentives to participate in the labour market, and they can encourage the involvement in the non-registered employment.

Table No. 3: Rates of the PIT and the SSIMC (2005 - 2015)

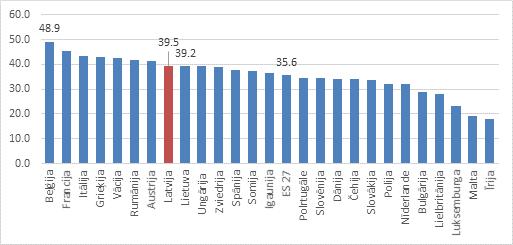
|  | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PIT** |  |  |  |  |  |  |  |  |  |  |  |
| Tax rate, % | 25 | 25 | 25 | 25 | 23 | 26 | 25 | 25 | 24 | 24 | 23 |
| Non-taxable minimum, LVL/ month | 26 | 32 | 50 | 80 | 90[[62]](#footnote-63) | 35 | 45 | 45 | 45 | 75 EUR[[63]](#footnote-64) | 75 EUR |
| Tax relief for dependent persons, LVL/ month | 18 | 22 | 35 | 56 | 63 | 63 | 70 | 70 | 70[[64]](#footnote-65) | 165 EUR[[65]](#footnote-66) | 165 EUR |
| **SSIMC** |  |  |  |  |  |  |  |  |  |  |  |
| Tax rate, % of that: | 33 | 33.09 | 33.09 | 33.09 | 33.09 | 33.09 | 35.09 | 35.09 | 35.09 | 34.09 | 34,09 |
| *the employer's rate* | *24* | *24.09* | *24.09* | *24.09* | *24.09* | *24.09* | *24.09* | *24.09* | *24.09* | *23.59* | *23,59* |
| *the employee's rate* | *9* | *9* | *9* | *9* | *9* | *9* | *11* | *11* | *11* | *10.5* | *10,50* |

Source: MoW

In 2015 in Latvia, the labour taxes include the PIT of 23%, the employee's SSIMC of 10,50% and the employer's SSIMC of 23.59%. From 1 January 2014, the SSIMC was increased to 1%, thus increasing the actual income. Till 2013 the employee's SSIMC was 11%, and the employer's SSIMC was 24.09%. At the same time, as from 1 January 2014, the PIT allowance for dependent persons was increased from 113.83 euro (80 LVL) to 165 euro (115.96 LVL), and the untaxed minimum income was increased from 64.03 EUR (45 LVL) to 75 EUR (52,71 LVL).

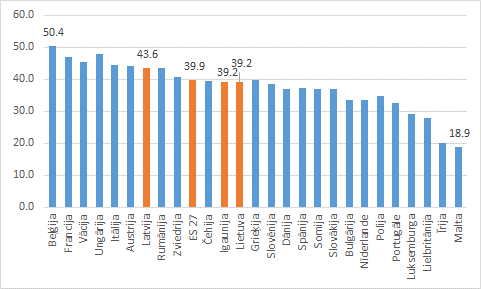
In comparison to other EU countries tax burden for the employees (employees with two children, 2/3 of the mean gross wage per hour) in Latvia in 2012 is 39,5%, which is higher compared with Lithuania and Estonia. Also, the tax burden for employees with low income (2/3 of the mean gross wage per hour set in the country or below) is comparatively high in Latvia. In 2012 it was ranked the 7th highest in the EU (43,6%). The tax burden for this group of the population is above the mean indicator in the EU which is 39.9%. This tax burden is also slightly lower in the neighbouring countries, i.e. 39,2% accordingly.

Figure No. 30a: Tax wedge employees with two children, 2/3 of the mean gross wage per hour),% in 2012



Source European Commission: economic databases and indicators[[66]](#footnote-67)

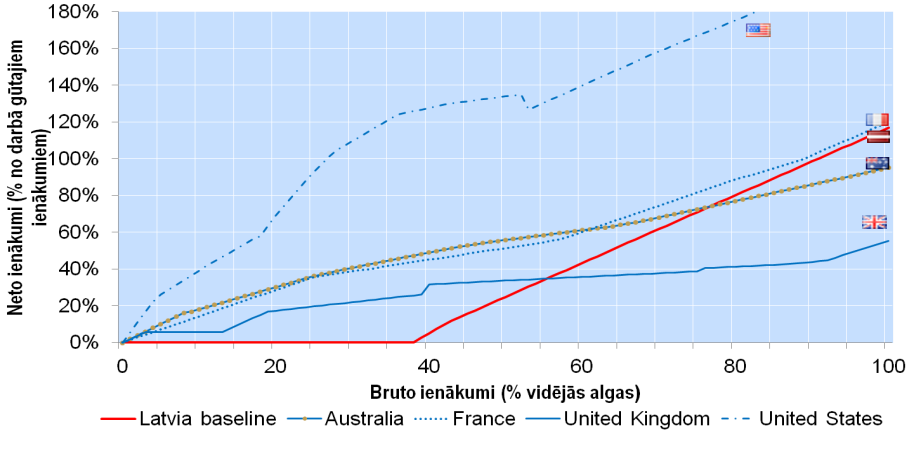
Figure No 30b: Tax burden for the employees in the low wage groups[[67]](#footnote-68) in 2012



Source: Eurostat

In the WB research "Latvia: Who is Unemployed, Inactive or Needy? Assessing Post‐Crisis Policy Options”, was recognized that the beneficiaries of benefits to whom the support is granted after the evaluation of their income face high effective tax rates (METR[[68]](#footnote-69)), meaning that 1 lat of the benefit is taken away for each earned lat. This situation promotes the low-wage traps in the result of which it is not profitable for the receivers of low income to increase the number of the work hours or to change a job for a job with a slightly higher wage because in this case the income -tested benefits for these persons will decrease for the same amount as the additionally earned pay in the result of payment of taxes.

Figure No. 31: Net income as a percentage of the income gained at work



Source: The WB estimations by applying the ESDO tax - benefit

models for a parent with two children

Thus, unemployed persons who receive the GMI benefit, in case of a low wage, do not see a sufficient incentive for taking up an official job. Although the results of the research do not indicate a high dependence on benefits by the population of Latvia, still the financial incentives can be improved by creating the policy which makes a job pay off - terminated maintenance of the social support or its increase upon starting a paid job, the benefits encouraging employment or tax credits which support the income of employed persons from employment, the increasing of the minimum wage and the tax relief.

However, despite the existence of a comparatively high labour tax burden, the ratio of the income and the implicit tax rate on labour is below the mean EU level in Latvia. In 2012 this indicator in Latvia amounted to 33% while the mean EU indicator was 36.2%. Still, after the lowest point in 2008, there is a positive trend, and the ratio between the income the implicit tax rate is increasing. In comparison with the Baltic countries, in Lithuania this indicator was lower in 2012, i.e. 31.9% and in Estonia, it was considerably higher, i.e. 35%.

Figure No. 32: Ratio between the income and the implicit tax rate, %

Source: Eurostat

High labour costs have a negative impact on the competitiveness of the state and are not attractive to foreign investors. Labour taxes are among the factors that contribute to the attractiveness of the country as viewed by foreign investors. As the current labour taxes in Latvia, in particular for the employees receiving low and medium wages, are high on the EU scale, this can be viewed as an essential obstacle for creating new jobs.

In compliance with the information report "Proposals for the improvement of the social security system" (approved by Ordinance of the CoM No. 66 of 10 December 2013), it is planned to work on a solution according to which the GMI is reduced gradually after taking up a job by continuing the payment for 4 months, as well as to set a new minimum income level and to evaluate the adequacy and the sufficiency of the existing state social benefits.

**Main challenges:**

* Despite the increase of the minimum wage, quite a large part of the population is exposed to the poverty risk because there is no possibility to work at a full time job.
* More than one fourth of employees receive income which is equal to the minimum monthly wage or below, which fact may attest that there is already a relatively high minimum monthly wage, no overtime is paid for and the situation is also impacted by the "envelope salaries".
* Employees who are employed with no registration or receive a part of their salary unofficially, do not enjoy sufficient social protection, including when they work in non-compliant work conditions.
* There are differences between the procedure provided for by the Labour Law and the actual flexicurity situation on the labour market regarding the legal employment relationship.
* Social dialogue is not popular in companies and the current situation attests that its efficiency should be promoted.
* In comparison to the mean EU index, people with low income in Latvia face a comparatively heavy tax burden. The beneficiaries of benefits to whom the support is granted after the evaluation of their income, face high effective tax rates that do not promote the financial incentives to start employment.

## Identified problems

The following problems were identified within the description of the overall situation:

1. Along with the ageing of the society, the proportion of the population at the working -age decreases within the total structure, and the demographic burden is increasing. Further decrease in the number of the population at the working age is expected. Until 2020 considerable changes in the population age structure can be expected in favour of higher age cohorts, the proportional share of the population at the working age will continue to decrease, and this will impact the availability of labour resources in future.
2. The economy is recovering as companies optimise their processed and increase productivity. The increase in the number of jobs is not rapid. The entrepreneurs' forecasts regarding the short -term changes in the demand for the goods and services provided by their companies are cautious.
3. Following the increase in the number of economically non-active population during the crisis, the proportional share of these people is still essential, including the people who have lost any hope to find a job.
4. A portion of registered unemployed persons is with the education level that is not sufficient for the labour market. The proportional share of the population with the elementary education or lower than elementary education is higher within the structure of economically non-active people and job seekers.
5. Limited differentiation of the support intensity for various target groups for returning unemployed persons to the labour market which would permit the identification of clients who primarily need support and involvement in support measures.
6. The support for the compensation of lower productivity for certain target groups should be improved taking into account their different needs;
7. The lower productivity of elderly people is related to the gradual deterioration of the working ability and the knowledge and the skills not compliant with the demands of the labour market.
8. The main obstacles to the integration of young people on the labour market are the lack of education and working experience. The working experience of unemployed young people has mainly been obtained in professions of low qualification.
9. The working abilities of the persons with disability considerably differ depending on the disability group and the type of functional disturbances.
10. Along with the traditional groups of people which are related to the risks of social exclusion, also specific groups whose proportional share in the total number of unemployed persons is considerable should be noted: elderly persons with chronic diseases; elderly persons (aged 50 and above) with no health issues preventing the employment; persons aged from 20 to 39 years with a low education level.
11. Flexible evaluation of the ALMP measures should be improved in order to assess their impact upon the employment of clients and the costs efficiency, in case of necessity making decisions regarding changes of conditions and their adjustment to the changing labour market situation.
12. The economic activity differs considerably among regions. The major proportional share of jobs is concentrated in Riga and Greater Riga regions, while in other regions the number of jobs is considerably lower. The availability of jobs outside the economic development centres is limited.
13. At present, there is no legal and institutional framework for the operation of social companies. Social companies is a possible support mechanism for the integration of the groups exposed to the social exclusion risks in the labour market.
14. On the labour market, there is considerable gender segregation as regards both the balance of men and women in various industries and also professions. There are also differences between women and men regarding wages.
15. Quite a high proportional share of the population is exposed to the poverty risk. Not all of those who are willing to are able to find a full -time job.
16. The beneficiaries of tested benefits to whom the support is granted after the evaluation of their income, face high effective tax rates that do not promote the financial incentives to start employment.
17. According to the statistics data, there are quite a few accidents at workplaces and occupational diseases are diagnosed for employees caused by the harmful work environment factors present at workplaces, not safe work conditions, insufficient health protection, insufficient training of employees and inappropriate work equipment.
18. There are differences between the regulation provided for in the Labour Law and the actual flexicurity situation on the Latvian labour market.

# 2 Links with other planning documents

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| **No.**  **.** | **Document title** | **Links with the employment policy** |
| **1.** | Sustainable Development Strategy of Latvia until 2030 ([Notification by Saeima on 10.06.2010](http://polsis.mk.gov.lv/LoadAtt/file16856.doc).) | It defines the long -term priorities and goals of the state for sustainable development of the state. As regards the employment and social programs, the major priorities have been defined as the improvement of the productivity of the human capital, the expansion of the labour base and the increase of the participation of the labour on the labour market by specifically encouraging the involvement on the labour market by elderly people, persons with disability, persons with health problems and mums. |
| **2.** | National Development Plan of Latvia for 2014 - 2020 (approved by Saeima on 20.12.2012) | It defines the medium term development priorities. In order to achieve considerable growth of the national economy, the state and the population take care of the maintenance of the environment favourable for entrepreneurship, the attraction of investments and efficient measures for encouraging employment, the development of the people's competences and the competitiveness on the labour market. The goal of the priority of the resilience is "The creation of a strong middle class and ensuring the national reproduction in Latvia - in the country where everybody can secure his own development and the development of his family and Latvia." The direction of action "Dignified work" was defined for this purpose. "Dignified work" is a concept of the International Labour Organisation and also one of the Millenium development goals which "provides sufficient remuneration compliant with skills and productivity, the job security and the social protection of the family, better possibilities for the personal growth and social integration, the freedom of expressing one's interests, to unite and participate in decision making". The 1st goal of the direction of action "Dignified work" is "Implementation of measures to raise the standard of living of employed persons by reducing the  proportion of employees exposed to the risk of poverty in the 18 to 64 age group from 9.5% in 2010 to 5% in 2020; The 2nd goal is "the increasing of the proportional share of employment in the age group of 20 to 64 years from 67% in 2011 to 73% in 2020". In order to implement this goal seven tasks are defined, and in order to promote both employment and the demographic situation there is the task "the promotion of the welfare of families with children". |
| **3.** | The National Reform Program of Latvia for the Implementation of the Strategy „EU 2020” (Minutes of Meeting of the CoM of 26 April 2011 No. 27; 34§) | It defines the major measures for 2011-2013 for the elimination of the macro-structural obstacles of the national economy and for the attaining of the goals of the strategy "Europe 2020". It has been defined that for the purpose of increasing the employment level, the mutual compliance of the demand and the offer of the labour market should be promoted, the active labour market policy measures and the work of the SEA should be improved, as well as the return of economically non-active persons and the clients of social assistance to the labour market should be encouraged. |
| **4.** | Education development guidelines for 2014-2020  Minutes of Meeting of the CoM of 7 January 2014 No. 1; 40§) | It defines the directions of action for ensuring high quality and inclusive education, which is the basis of the personal development, welfare of people and the sustainable development of the state. |
| **5.** | National industrial policy guidelines for 2014-2020 (Ordinance of the CoM No. 282 of 28.06.2013) | It defines the directions for the promotion of the structural reforms in economy in order to increase the production of the goods and the provision of the services which provide a higher added value, including the increasing of the role of the industry, allowing the modernisation of the industry and the provision of services, as well as improving and expanding of export. It defines the activities for ensuring the availability of labour and the education that is compliant with the needs of the development of the national economy. |
| **6.** | [Plan of measures for the improvement of the business environment for 2013-2014 (Ordinance of the CoM No. 165 of 26.04.2013)](http://polsis.mk.gov.lv/view.do?id=3574) | It comprises a plan of measures for the improvement of the business environment by improving the competitiveness of the national economy, developing a favourable investment environment and promoting employment. |
| **7.** | Regional Policy Guidelines for 2013 - 2019  (Ordinance of the CoM No. 496 of 29.10.2013) | It defines the regional policy of Latvia aimed at promoting faster development of all the territories and the improvement of competitiveness and reducing the disproportions in the development of territories by ensuring that the territories with lower development indicators approach the more developed territories, including regarding the employment. |
| **8.** | Youth policy guidelines for 2009-2018 (Ordinance of the CoM No. 246 of 20.04.2009) | It defines the directions of the youth policy and its main tasks aimed at attaining the implementation of coordinated youth policy and its coordination. As regards the employment, the main task is the integration of young unemployed persons on the labour market thus encouraging socialeconomic growth, competitiveness and inclusion in the society of young people. |
| **9.** | Informative report regarding the  implementation of the youth guarantee  in Latvia in 2014-2018 | It describes the role and the implementation mechanism  of the youth guarantee within the general political framework, its supplementation by education and active  employment policy measures and priorities, as well as provide information regarding the  planned partnership model and planned measures for supporting youth. |
| **10.** | Convergence program of Latvia for 2013-2016 (approved at the extraordinary meeting of the CoM on 29.04.2013, Protocol No. 25, 1§) | It defines the general medium -term guidelines and goals of the economic policy and the fiscal policy by setting the attainment of a balanced social system and employment as one of the goals. |
| **11.** | [Latvia's guidelines for the promotion of the export of goods and services and attraction of foreign investment for 2013–2019](http://polsis.mk.gov.lv/LoadAtt/file23776.doc)  (Ordinance of the CoM No. 249 of 17.06.2013) | Defines the main goals, principles and directions of the policy of the promotion of the export of goods and services and attraction of foreign investment for the next seven years. |
| **12.** | Plan of the re-emigration support measures for 2013-2016  (Ordinance of the CoM  No. 356 of 30.07.2013) | It defines particular support measures for the nationals of Latvia residing abroad and their family members who consider the return to Latvia or have decided to return to Latvia and work there or who wish to found their own company or to develop business relations with Latvia. |
| **13.** | Plan for the implementation of the gender equality for 2012-2014 (Ordinance of the CoM No. 35 of 17.01.2012) | It defines the policy in the gender equality area in compliance with the Concept regarding the implementation of the gender equality aimed at the promotion of efficient, integrated and coordinated solution of the gender equality issues. As regards the labour market, within the plan the attention is focused on the economic independence and the equality of both genders. |
| **14.** | Guidelines of the implementation of the UN Convention regarding the rights of the persons with disability for 2014-2020  (Ordinance of the CoM No. 564 of 22.11.2013) | It defines the policy that promotes the provision of the fundamental rights and freedoms of the persons with disability, including the equal entitlement to work as a basic element of the social inclusion and economic independence. |
| **15.** | National Family Policy Guidelines for Years 2011 – 2017;  (Ordinance of the CoM No. 65 of 18.02.2011) | It defines the national family policy aimed at strengthening the role of the family in the society by focusing on employment as the major factor of the social and economic integration of the family. |
| **16.** | Guidelines for the development of the information society for 2014-2020  (Ordinance of the CoM No. 468 of 14.10.2013) | It defines the action policy in the area of the development of the information society and the priorities of the field of certain information and communication technologies for the planning period of the European Structural Funds of 2014-2020. |
| **17.** | Public health guidelines  for 2014-2020 (Ordinance of the CoM No. 589 of 14.10.2014) | It defines the action policy within the area of the public health with the superior goal of increasing the number of years of the healthy life of the population of Latvia and preventing the early death by maintaining, improving and restoring the health. |
| **18.** | Action program „Growth and employment” (approved by the European Commission on 14 November 2014) | It defines the priority directions,  goals and the results to be attained of the Cohesion Policy funds in compliance with  the strategy "Europe 2020", the National Development Plan of Latvia  2014-2020, the National Reform Program, the Recommendations of the European Union regarding the National Reform Program of Latvia of 2013 delivering a Council opinion on the Convergence Program of Latvia for 2012-2016  and the Recommendations of the European Union regarding the National Reform Program of Latvia of 2014 delivering a Council opinion on the Stability Program of Latvia of 2014, the national industry strategies and other planning documents.  It defines the general principles for the implementation, monitoring and evaluating of the priorities co-financed by the CP funds referred to in the action program. |
| **19.** | Council Recommendation of 8 July 2014 on the National Reform Programme 2014 of Latvia and delivering a Council opinion on the Stability Programme of Latvia, 2014 (2014/C 247/12) | contains the following recommendations to Latvia during the time period from 2014 to 2015:  1. Pursue efforts to further reduce the tax burden on low‐income earners.  2. Provide career guidance at all education levels, improve the quality of vocational education and training, including by strengthening apprenticeship, and make progress as regards the employability of young people including by putting in place outreach measures for non-registered youth not in employment, education or training.  Reform social assistance and its financing further to ensure better coverage,  adequacy of benefits, strengthened activation and targeted social  services. Increase coverage of active labour market policies. |
| **20.** | Partnership Agreement for operational programmes 2014-2020 programming period in EU (approved by the European Commission on 20 June 2014) | Partnership Agreement for the implementation of EU funds for a programming period of 2014-2020 involves all EU funds used in Latvia. Partnership Agreement outlines Latvia’s strategy for the effective and efficient use of EU funds in order to implement the EU Strategy 2020. The main objective of the Agreement is to ensure the coordination of all investments and their mutual synergies.  Partnership Agreement outlines the directions of the EU Cohesion Policy for 2014-2020, including the reduction of the number of people at risk of poverty by providing adequate training and integration into the labour market, as well as promoting employment by integrating long-term unemployed and young people into the labour market. |

# Goal and directions of action

The goal of the IE guidelines is to promoted the development of the inclusive labour market by comprehensive use of the human potential of the population of Latvia, including by minimising the social consequences of unemployment, by supporting the return to the labour market by the people left without a job and the staying on the labour market of the representatives of the groups exposed to the social exclusion risk, as well as by improving the quality of jobs.

In order to attain the set goal, the following directions of action are defined in compliance with the identified problems:

* **Inclusive labour market**

The sub-objectives to be reached within the action direction:

* The expansion of the provision of services to registered unemployed persons in compliance with the individual needs identified in the result of the profiling
* Increasing the intensity of use of the career services within the career planning process
* Increasing the involvement of the unemployed persons belonging to risk groups on the labour market by solving the major reasons behind unemployment
* Development of social entrepreneurship
* The increasing of the possibilities of the regional mobility for the encouragement of the economic activity
* **Balanced labour market**

The sub-objectives to be reached within the action direction:

* The expanding of the availability of information regarding the topicalities of the labour market.
* Improvement of the efficiency of the analysis of the labour market situation
* Improvement of the cooperation mechanism for securing better outcome of the labour market
* Improvement of the competitiveness of unemployed persons and job seekers by improving the knowledge and skills required in the labour market
* Expanding the self-employment and entrepreneurship opportunities for registered unemployed persons
* Promotion of the improvement of the quality of jobs
* **Employment promoting tax and benefit policy**

The sub-objective to be reached within the action direction:

* Development of the system of labour taxes and benefits more friendly to inclusive employment

# Planning for further actions

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| **No.** | **Tasks and major measures for reaching the defined goal** | **Completion term** **(Q)** | **Responsible institution** | **Involved institutions** | **Required financing and its sources[[69]](#footnote-70)** |
| **I action direction - inclusive labour market** | | | | | |
| **1.** | **The sub-goal of the policy defined in the guidelines** | **The expansion of the provision of services to registered unemployed persons in compliance with the individual needs identified in the result of the profiling** | | | |
| 1.1. | **Provision of more targeted ALMP measures to registered unemployed persons in compliance with the profiling results** | **2015**  **13 2020 QIV** | **MoW** | **SEA; Municipal social services** | **Central budget (within the framework of the current financing)** |
| 1.1.1. | Provision of more targeted support to registered unemployed persons by evaluating the compliance of proposed measures with individual needs |
| **2.** | **The sub-goal of the policy defined in the guidelines** | **Increasing the intensity of use of the career services within the career planning process** | | | |
| 2.1. | **Provision of the career information and the set of support measures to registered unemployed persons, job seekers, persons exposed to the unemployment risk, etc.** | **2015**  **QII 2020 QIV** | **MoW** | **SEA** | **Within the framework of the ESF financing for complex measures aimed at the returning of unemployed persons to the labour market.**  **Total financing for complex measures aimed at the returning of unemployed persons to the labour market:**  **ESF, Action program „Growth and employment” [SAM 9.1.1.]– 8 731 100 EUR; Cofinancing from the central budget 1 540 782 EUR**  **Total financing for the development of the system of the restructuring ahead of the labour market:**  **ESF, Action program „Growth and employment” [SAM 7.1.2.]– 1 494 015 EUR;** **Cofinancing from the central budget 263 650 EUR** |
| 2.1.1. | Strengthening of the role of career consultations within the framework of the support measures for searching for a job |
| **3.** | **The sub-goal of the policy defined in the guidelines** | **Increasing the involvement of the unemployed persons belonging to risk groups on the labour market by solving the major reasons behind unemployment** | | | |
| 3.1. | **Encouraging the employment of registered unemployed persons who experience permanent difficulties of participation in the labour market** | **2015**  **QI 2020 QIV** | **MoW** | **SEA** | Financing within the Youth Guarantee for the employment of young people not involved in employment, education or training (SAM 7.2.1.)  Total financing of 66 657 820 EUR, including  the special allocation from the EU budget for the financing of the youth employment initiative - 29 010 639 EUR,  ESF financing – 32 000 000 EUR,  cofinancing from the central budget - 4 503 608 EUR and  private cofinancing - 1 143 573 EUR.  Within the framework of the ESF financing for the involvement of long-term unemployed persons exposed to a less favourable situation on the labour market, including:  1) for complex measures aimed at the returning of unemployed persons to the labour market. Total financing:  ESF, Action program „Growth and employment” [SAM 9.1.1.]– 8 731 100 EUR; Cofinancing from the central budget 1 540 782 EUR, Private cofinancing - 1 755 396 EUR.  2) within the framework of the measures of activation of long-term unemployed persons.  Total financing:  ESF, Action program „Growth and employment” [SAM 9.1.1.]– 30 236 026 ; Cofinancing from the central budget 5 335 769 EUR  3) within the framework of the measures of the subsidised employment for unemployed persons with disability and the unemployed persons exposed to a less favourable situation:  Total financing:  ESF, Action program „Growth and employment” [SAM 9.1.1.]– 19 894 470 EUR ; Cofinancing from the central budget 3 510 790 EUR |
| 3.1.1. | Provision of the high -quality implementation of the ALMP measures by evaluating the results of measures in compliance with their target groups and improving them as required | 2015  QI – 2020 QIV | MoW | SEA | Financing within the Youth Guarantee for the employment of young people not involved in employment, education or training (SAM 7.2.1.)  Total financing of 66 657 820 EUR, including  the special allocation from the EU budget for the financing of the youth employment initiative - 29 010 639 EUR,  ESF financing – 32 000 000 EUR,  cofinancing from the central budget - 4 503 608 EUR and  private cofinancing - 1 143 573 EUR.  Within the framework of the ESF financing for complex measures aimed at the returning of unemployed persons to the labour market. Total financing:  ESF, Action program „Growth and employment” [SAM 9.1.1.]– 8 731 100 EUR; Cofinancing from the central budget 1 540 782 EUR |
| **4.** | **The sub-goal of the policy defined in the guidelines** | **Development of social entrepreneurship** | | | |
| 4.1. | **Development of the social entrepreneurship by promoting the employment opportunities, including for the groups exposed to a high labour market risk** | **2020** | **MoW** | **MoF, MoERD, MoE, SEA** | **ESF, Action program „Growth and employment” [SAM 9.1.1.]–**  **ESF financing – 16 932 175 EUR;** **Central budget co-financing – 2 988 031 EUR** |
| 4.1.1. | Implementation of a pilot project of social entrepreneurship | 2015  QIV – 2018 QIV | ESF, Action program „Growth and employment” [SAM 9.1.1.]–  ESF financing – 16 932 175 EUR; Central budget co-financing – 2 988 031 EUR |
| 4.1.2. | Development of a draft law regarding the legal regulation of the social entrepreneurship. | 2018  QI - QIII 2018 | Within the framework of the existing financing. |
| **5.** | **The sub-goal of the policy defined in the guidelines** | **The increasing of the possibilities of the regional mobility for the encouragement of the economic activity** | | | |
| 5.1. | **Promotion of the regional mobility aimed at encouraging of the economic mobility around economic centres** | **2015**  **Q1 – 2020 QIV** | **MoW** | **SEA** | **Within the framework of the ESF financing for complex measures aimed at the returning of unemployed persons to the labour market.** **Total financing:** **ESF, Action program „Growth and employment” [SAM 9.1.1.]– 8 731 100 EUR; Cofinancing from the central budget 1 540 782 EUR** |
| 5.1.1. | Improvement of the pilot project "Work in Latvia' in compliance with the evaluation and the commencement of the independent implementation of the measure |
| **II action direction - balanced labour market** | | | | | |
| **6.** | **The goal of the policy defined in the guidelines** | **The expansion of the availability of the information regarding the topicalities of the labour market and the improvement of the efficiency of the analysis of the labour market situation** | | | |
| 6.1. | **The improving of the availability of information about vacancies** | **2015 QIV** | **MoW** | **SEA** | **Central budget (within the framework of the current financing) – 14 940 EUR** |
| 6.1.1. | Provision of information to the society regarding the possibility of registration of vacancies and the accessibility of information on the CV/ Vacancies site |
| **6.2.** | **Evaluation of the labour market situation and the compliance of the ALMP measures with the labour market situation** | **2015 QIV – 2020 QIV** | **MoW, MoE** | **SEA** | **General support for the research of the labour market, the analysis of poverty risks and structure and the monitoring of the situation:** **ESF, Action program „Growth and employment” [SAM 9.2.1.]– 917 966 EUR;** **Cofinancing from the central budget 161 994 EUR** |
| 6.2.1. | Identification and study of the essential labour market problems for the solution of which deeper research is required |
| **7.** | **The sub-goal of the policy defined in the guidelines** | **Improvement of the cooperation mechanism for securing better outcome of the labour market** | | | |
| 7.1. | **Improved cooperation for the promotion of employment among institutions** | **2015 QIV** | **MoW** | **SEA; social services** | **Central budget (within the framework of the current financing)** |
| 7.1.1. | Evaluation of the results of the pilot project of the cooperation model between the SEA and social services and the improvement of continuous cooperation possibilities | 2015 QIII | MoW | SEA; social services |
| 7.1.2. | Evaluation of the possibility to expand the provision of the ALMP measures implemented by the SEA by means of vouchers | 2015 QIV | MoW | SEA |
| **8.** | **The sub-goal of the policy defined in the guidelines** | **Improvement of the competitiveness of unemployed persons and job seekers by improving the knowledge and skills required in the labour market** | | | |
| 8.1. | **Promotion of the competitiveness of unemployed persons and job seekers on the labour market by means of training** | **2015**  **Q1 – 2020 QIV** | **MoW** | **SEA** | **Total financing:**  **ESF, Action program „Growth and employment” [SAM 7.1.1.]– 81 963 841 EUR;** **Central budget co-financing – 14 464 208 EUR** |
| 8.1.1. | Evaluation of the results of the pilot project "Practical training in priority areas" and implementation of required changes | 2015  Q2 | MoW | SEA | Central budget (within the framework of the current financing) |
| 8.1.2. | Improvement of the professional qualification and competences of employed persons in compliance with the needs of the national economy and the individual's interests | 2016  QI – 2022 QI | MoES[[70]](#footnote-71), MoW |  | **ESF, Action program „Growth and employment” [SAM 8.4.1.]–** ESF financing – 22 979 380 EUR; Cofinancing from the central budget – 4 055 185 EUR |
| 8.1.3. | Implementation of the measures of training (including e-skills) and competitiveness  for unemployed persons and job  seekers, including the involvement of employers | 2015 QI -  – 2020 QIV | MoW | SEA | **ESF, Action program „Growth and employment” [SAM 7.1.1.]** Improvement of the qualifications and skills of unemployed persons in compliance with the demand of the labour market."  ESF financing – 81 963 841 EUR,  Cofinancing from the central budget - 12 185 719 EUR  Private cofinancing - 2 278 489 EUR. |
| **9.** | **The sub-goal of the policy defined in the guidelines** | **Expanding the self-employment and entrepreneurship opportunities for registered unemployed persons** | | | |
| 9.1. | **Encouragement of the starting of self-employment and entrepreneurial activities** | **2015**  **Q1 – 2020 QIV** | **MoW** | **SEA** | Measures for starting the starting of self-employment and entrepreneurial activities within the "Youth Employment Initiative", the total support for the "Youth Employment Initiative", the total financing (Action program „Growth and employment” [SAM 7.2.1]) – 29 010 639 EUR.  Cofinancing from the central budget 4 503 487 EUR and private cofinancing1 143 573 EUR |
| 9.1.2. | Improvement and implementation of the SEA measures for starting the starting of self-employment and entrepreneurial activities in compliance with the performed evaluation |
| **10.** | **The sub-goal of the policy defined in the guidelines** | **Promotion of the improvement of the quality of jobs** | | | |
| 10.1. | Implementation of **measures of the improvement of the quality of jobs** | **2017**  **Q1 – 2020 QIV** | **MoW** | **SLI** | **ESF, Action program „Growth and employment” [SAM 7.3.1.]**  **Financing of the EU funds– 10 746 951 EUR;** **National cofinancing - 1 896 521 EUR** |
| 10.1.1. | Performance of in-depth research regarding the spread of new employment forms and their implementation in the labour market | 2017  Q1 – 2020 QIV |
| 10.1.2. | Performance of in-depth research regarding the improvement of the solution of labour disputes | 2017  Q3 – 2020 QIV |
| **III action direction - the environment encouraging employment** | | | | | |
| **11.** | **The sub-goal of the policy defined in the guidelines** | **Development of the system of labour taxes and benefits more friendly to inclusive employment** | | | |
| 11.1. | **Improvement of the system of taxes and benefits by focusing special attention to the improvement of the situation of the low wage earners** | **2020**  **QIV** | **MoW, MoF** |  | **The central budget, in compliance with the Concept of "Regarding the setting of the minimum income level" [[71]](#footnote-72)by increasing the untaxed minimum income from 75 euro to 129 euro, this will reduce the budget revenue of 2017 by 86.8 mn. EUR (the full year impact equals 94.4 mn. EUR).[[72]](#footnote-73)** |
| 11.1.1. | Promotion of the improvement of the system of benefits by focusing attention to the low wage earners | 2015  QIV | MoW | MoF |
| 11.1.2. | Based on complex assessment of personal income tax deductions and tax wedge reductions elaborated proposal for implementation of non-applicable minimum income starting from 2016 | 2015 QIII | MoF | MoW |

# Policy and action results[[73]](#footnote-74)

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| **Defined policy goal** | | | **Ensuring of the development of a balanced labour market, developing of the policy encouraging the creation of new jobs in the national economy, minimising the negative consequences caused by the unemployment, helping the unemployed persons and job seekers exposed to a less favourable situation to return to the labour market, as well as comprehensive use of the human resources potential.** | | | |
| **No.** | | **Result** | **Result indicator** | **Base value** | **2017** | **2020** |
| **1.** | | **The employment level in the country has increased** | **The employment**  **(in the age group 20-64 years, %)** | **69.7%** **(2013)** | **70.5%** | **73%** |
| **2.** | | **The proportion of employment in the age group 55-64 years has increased** | **The proportional share of employed persons from the total population[[74]](#footnote-75) (55-64 years, %)** | **54.8%**  **(2013)** | **Increasing** | **Increasing** |
| **3.** | | **The proportional share of long-term unemployed persons has decreased** | **The proportional share of long-term unemployed persons of the economically active population** | **5.8%**  **(2013)** | **4.5%** | **2.5%** |
| **4.** | | **The proportional share of long-term unemployed persons has decreased** | **The proportional share of long-term unemployed persons of the total number of unemployed persons**[[75]](#footnote-76) | **48.6**  **(2013)** | **30%** | **15%** |
| **5.** | | **The wage differences between women and men have decreased** | **The wage differences between women and men (%)[[76]](#footnote-77)** | **13.8%**  **(2012)** | **Decreasing** | **Decreasing** |
| **6.** | | **The development of the actual wage of employed persons is growing** | **Development of the actual wage of employed persons,**  **% compared to the preceding year[[77]](#footnote-78)** | **100**  **(2012)** | **106** | **108** |
| **7.** | | **The poverty risk of employed persons has decreased** | **The poverty risk of employed persons within the age group from 18 to 64 years[[78]](#footnote-79)** | **9.6**  **(2010)** | **6.5** | **5** |
|  |

**I action direction - inclusive labour market**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **No.** | | **Tasks and major measures for reaching the defined goal** | **Activity result** | **Result indicator** | | **Base value** | | **2017** | **2020** |
| **1.** |  | | **The sub-goal of the policy defined in the guidelines** | | **The expansion of the provision of services to registered unemployed persons in compliance with the individual needs identified in the result of the profiling** | | | | |
| 1.1. | **Provision of more targeted ALMP measures to registered unemployed persons in compliance with the profiling results** | | Registered unemployed persons receive a set of tailor -made support measures (support in the searching for a job, involvement in ADTP measures) based on the profiling results | Report on the results of the introduction of the profiling of unemployed persons and the suitable labour criteria and eventual proposals for the improvement thereof | | x (2013) | 1 | | x |
| 1.1.1. | Provision of more targeted support to registered unemployed persons by evaluating the compliance of proposed measures with individual needs | | Implementation of the improvements of the profiling system of unemployed persons (in compliance with the conclusions in the report) | | x  (2013) | 1 | | x |
| Implementation of the grouping (packaging) of the ALMP according to the needs of target groups | | x  (2013) | 1 | | x |
|  | Implementation of new ALMP measures according to the needs of target groups | | x  (2013) | 2 | | 3 |
|  | The proportional share of registered unemployed persons to whom support in the searching for a job or services have been offered on the basis of the profiling results | | x  (2013) | 100% | | 100% |
| **2.** |  | | **The sub-goal of the policy defined in the guidelines** | | **Increasing the intensity of use of the career services within the career planning process** | | | | |
| 2.1. | **Provision of the career information and the set of support measures to registered unemployed persons, job seekers, persons exposed to the unemployment risk, etc.** | | Improvement of the content of the career support services, including by improving the information regarding the medium and long -term forecasts of the labour market available to the providers of career services | Development and improvement of a web-based Employment Barometer | | 2013  x | 1 | | x |
| Improvement of the Employment Barometers (links with information on educational establishments, the number of schoolchildren and students, the education quality indicators) | | 2013  x | x | | 1 |
| 2.1.1. | Strengthening of the role of career consultations within the framework of the support measures for searching for a job | | The more targeted offer of the career development support to registered unemployed persons taking into account the labour market forecasts | The proportional share of registered young unemployed persons who have received the career consultations from the SEA | | 78% (2012) | 95% | | 95% |
| The proportional share of registered unemployed persons who have received the career consultations from the SEA | | 50% (2012) | 60%` | | 70% |
| **3.** |  | | **The sub-goal of the policy defined in the guidelines** | | **Increasing the involvement of the unemployed persons belonging to risk groups on the labour market by solving the major reasons behind unemployment** | | | | |
| 3.1. | **Encouraging the employment of registered unemployed persons who experience permanent difficulties of participation in the labour market** | | Evaluation of the activation measures of long-term unemployed persons- beneficiaries of the social assistance and the possibilities of replacing them with integrated solutions based on the cooperation between the SEA and social services | Report on the activation measures of long-term unemployed persons- beneficiaries of the social assistance based on the cooperation between the SEA and social services | | x (2013) | 1 | | x |
| 3.1.1. | Provision of the high -quality implementation of the ALMP measures by evaluating the results of measures in compliance with their target groups and improving them as required | | An integrated solution of activation measures is available to the unemployed persons - beneficiaries of the social assistance (in cooperation between the SEA and social services) | Introduction of the integrated solution of activation measures of the unemployed persons - beneficiaries of the social assistance (in cooperation between the SEA and social services) | | x (2013) | 1 | | x |
|  | | The proportional share of registered long-term unemployed persons involved in the ALMP measures | | 36.5%  (2012) | 45% | | 50% |
| Development of the report containing proposals for the improvement of the integrated solution | | x (2013) | 1 | | x |
| Drafting of the proposals for the improvement of the competitiveness of the elderly (aged 50 years and above) employed and unemployed persons and the use of one's own potential | Development of the active ageing strategy | | x (2013) | 1 | | x |
| Development and introduction of new measures and improvement of the existing measures for the improvement of the competitiveness of the elderly (aged 50 years and above) employed and unemployed persons and the use of one's own potential | Implementation of the active ageing strategy | | x (2013) | x | | 1 |
| Elderly (aged 50 years and above) employed and registered unemployed persons have become more competitive in the labour market and use their potential more fully | The proportional share of elderly employed persons and the unemployed persons registered with the SEA in the measures implemented by the SEA | | 53% (2012) | 60% | | 65% |
| Availability of timely and high -quality data regarding the results of the ALMP measures and proposals for improvements | Development of the report regarding the improvement of the employment measures for youth | | x (2013) | 1 | | 1 |
| Development of the report on the improvement of the involvement of non-active youth in the measures of the youth guarantee | | x (2013) | 1 | | 1 |
| Development of the report regarding the results of the implementation of the ALMP training measures and proposals for changes. | | x (2013) | 1 | | 1 |
| Maintenance of a web-tool for the evaluation of the providers of training services available on the SEA website | | 1 (2013) | 1 | | 1 |
| Improvement of the measures in compliance with the proposals included in the reports regarding the results of the implementation of the ALMP measures | | x (2013) | 3 | | 3 |
| Young people who do not study or work have improved their education level, obtained work experience or a permanent job within the framework of the measures of the initiative "Youth guarantee." | The number of young people who participate in the measures of the initiative "Youth guarantee." | | 0  (2013) | 216,418 | | 92,750 |
| Young unemployed persons who have joined the education system (training for obtaining a qualification) or are employed, including self-employment, following the participation in the measures of the initiative "Youth guarantee." | Number of young people | | 0  (2013) | 10500  (sum) | | 13428  (sum) |
| Development of proposals for the differentiation of support for unemployed persons with reduced productivity (including unemployed persons with disability depending on the type and the degree of functional disturbances) | Development of the report for the differentiation of the support for unemployed persons with reduced productivity | | x (2013) | 1 | | x |
| Implementation of the ALMP measures providing for the differentiation of support for unemployed persons with reduced productivity (including unemployed persons with disability depending on the type and the degree of functional disturbances) | Implementation of changes in the measure "Measures for specific groups of persons." | | x (2013) | 1 | | x |
| Evaluation of the implemented changes in the ALMP measures providing for the differentiation of support for unemployed persons with reduced productivity (including unemployed persons with disability depending on the type and the degree of functional disturbances) | Development of a report and proposals | | x (2013) | 1 | | x |
| Increased availability of the active labour market policy measures depending on the categories and the type of disability | Number of services where persons with a disability participate | | 13,051 | 17,000 | | Increasing |
| Targeted creation of subsidised jobs for persons with disability | Number of persons with a disability employed in subsidised jobs | | 497  (2012) | 600 | | Increasing (the number of employed persons with heavier disability) |
| Implementation of the measure for the introduction of the supported work for persons with mental disturbances | Number of employed persons with mental disturbances | | 0 | 40 | | Increasing |
| Evaluation of the implemented measure for the introduction of the supported work for persons with mental disturbances | Development of a report and proposals | | x (2013) | x | | 1 |
| **4.** |  | | **The sub-goal of the policy defined in the guidelines** | | **Development of social entrepreneurship** | | | | |
| 4.1. | **Development of the social entrepreneurship by promoting the employment opportunities, including for the groups exposed to a high labour market risk** | | Promotion of the development of the social entrepreneurship in Latvia | Implementation of a pilot project of social entrepreneurship | | 0  (2013) | 1 | | 1 |
| 4.1.1. | Implementation of a pilot project of social entrepreneurship | |
| 4.1.2. | Development of a draft law regarding the legal regulation of the social entrepreneurship. | |
| Approval of the regulatory framework of social entrepreneurship | | x (2013) | 1 | | x |
| **5** |  | | **The sub-goal of the policy defined in the guidelines** | | **The increasing of the possibilities of the regional mobility for the encouragement of the economic activity** | | | | |
| 5.1. | **Promotion of the regional mobility aimed at encouraging of the economic mobility around economic centres** | | Provision of support to registered unemployed persons for starting a job in nearby economic centres | Number of participants in the regional mobility program "Work in Latvia." | | 0  (2012) | 1,600 | | 1,200 |
| 5.1.1. | Improvement of the pilot project "Work in Latvia' in compliance with the evaluation and the commencement of the independent implementation of the measure | |
| 5.2.1. | The proportional share of unemployed persons who continue the employment relationship with the same employer after the participation in the measure "Work in Latvia." | | 93%  (2013) | 90% | | 90% |

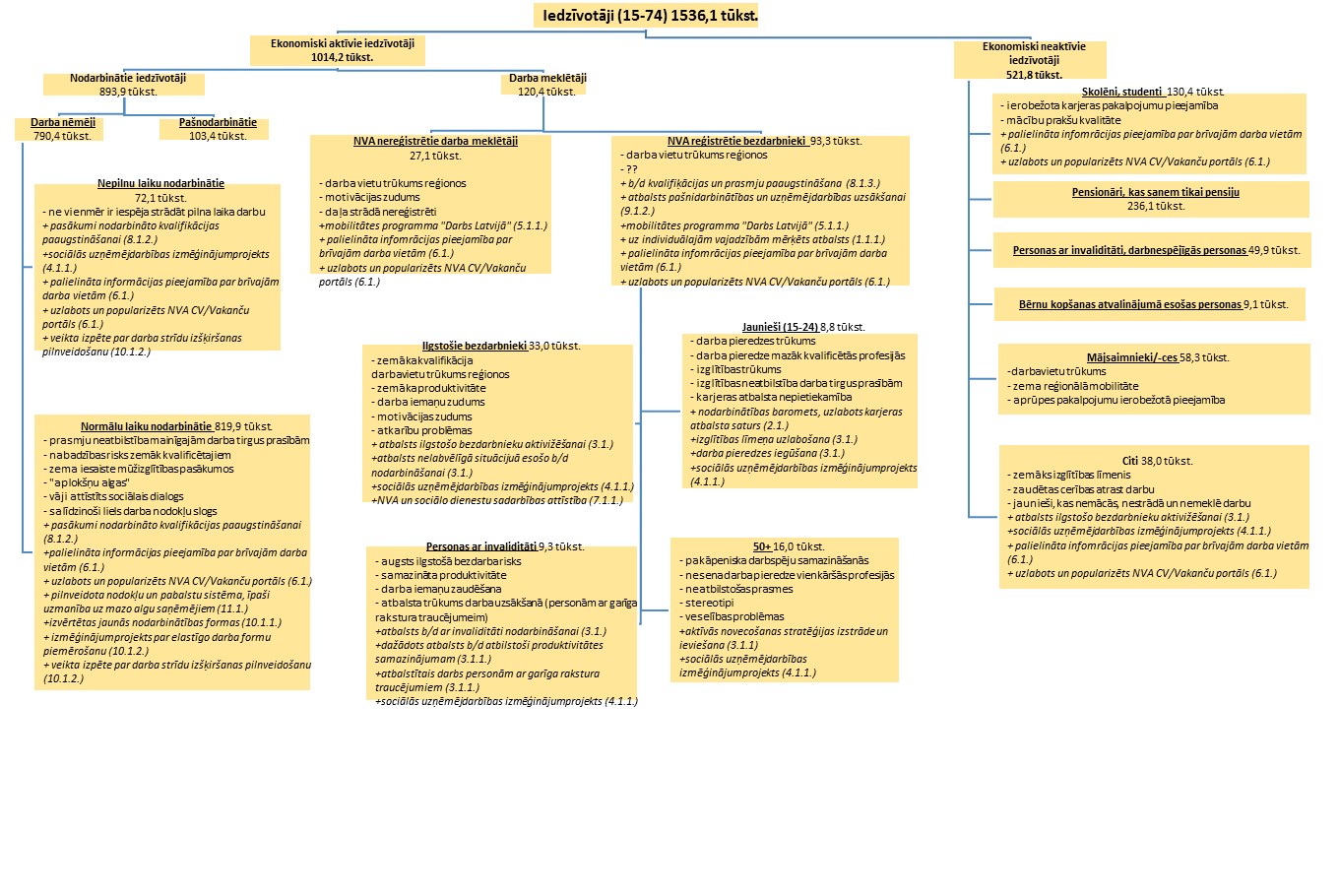
**II action direction - balanced labour market**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **No.** | | **Tasks and major measures for reaching the defined goal** | **Activity result** | **Result indicator** | | | **Base value** | | **2017** | **2020** |
| **6.** | **The goal of the policy defined in the guidelines** | | | | | **The expansion of the availability of the information regarding the topicalities of the labour market and the improvement of the efficiency of the analysis of the labour market situation** | | | | |
| 6.1. | **The improving of the availability of information about vacancies** | | Creation of a uniform platform and a forum for the monitoring and forecasting of the development trends of the economy and labour market | | Creation of the system of reforms ahead of the labour market | | x (2013) | 0 | | 1 |
| 1.1.6. | Provision of information to the society regarding the possibility of registration of vacancies and the accessibility of information on the CV/ Vacancies site | | Promotion of awareness regarding the use of the CV/ Vacancies site and the availability of the information there, including abroad | | Information materials regarding the use of the CV/ Vacancies site and the availability of the information there, | | 12,000 brochures and an information sheet (2012) | 36,000 | | 0 |
| Implementation of the incentive measures for ensuring that employers register vacancies with the SEA database, including the public sector | | Advertisements and clips/ videos for broadcasting in the Latvian and foreign media | | x (2012) | minimum 3 | | 0 |
| **6.2.** | **Evaluation of the labour market situation and the compliance of the ALMP measures with the labour market situation** | | In-depth study of the labour market situation and provision of recommendations for the improvement of the situation | | Implementation of a research project regarding the labour market situation and the implemented policy | | 1 (2013) | 1 | | 1 |
| 6.2.1. | Identification and study of the essential labour market problems for the solution of which deeper research is required | |
| **7.** |  | | **The sub-goal of the policy defined in the guidelines** | | | **Improvement of the cooperation mechanism for securing better outcome of the labour market** | | | | |
| 7.1. | **Improved cooperation for the promotion of employment among institutions** | | Encouragement of the cooperation between the SEA and municipal social services for identification of common clients | | Development of a model for the cooperation between the SEA and municipal social services | | x (2013) | 1 | | x |
| 7.1.1. | Evaluation of the results of the pilot project of the cooperation model between the SEA and social services and the improvement of continuous cooperation possibilities | | Introduction of a model for the cooperation between the SEA and municipal social services | | x (2013) | 1 | | x |
| 7.1.2. | Evaluation of the possibility to expand the provision of the ALMP measures implemented by the SEA by means of vouchers | | Registered unemployed persons have a possibility to choose the educational establishment for completing vocational and non-formal education programs within the framework of the SEA services | | The proportional share of registered unemployed persons who have received the SEA services by means of the voucher method | | 20% (2012) | 30% | | 30% |
| **8.** |  | | **The sub-goal of the policy defined in the guidelines** | | | **Improvement of the competitiveness of unemployed persons and job seekers by improving the knowledge and skills required in the labour market** | | | | |
| 8.1. | **Promotion of the competitiveness of unemployed persons and job seekers on the labour market by means of training** | | Improvement of the training measure for unemployed persons "Practical training in priority industries." | | Implementation of changes in compliance with the proposals developed within the report | | x (2013) | 1 | | x |
| 8.1.1. | Evaluation of the results of the pilot project "Practical training in priority areas" and implementation of required changes | |
| 8.1.2. | Improvement of the professional qualification and competences of employed persons in compliance with the needs of the national economy and the individual's interests | | Increase of the number of persons participating in the adult education | | The proportion of the persons aged 25-64 involved in the adult education (%)[[79]](#footnote-80) | | 6.5%  (2013) | 9.5% | | 15% |
| 8.1.3. | Implementation of the measures of training (including e-skills) and competitiveness  for unemployed persons and job  seekers, including the involvement of employers | | Improvement of the qualifications and skills of unemployed persons in compliance with the demand of the labour market." | | Number of the participants who  have obtained a qualification immediately after the participation in the training | | 6088  (2013) |  | | 24480  (2023)[[80]](#footnote-81) |
| **9.** |  | | **The sub-goal of the policy defined in the guidelines** | | | **Expanding the self-employment and entrepreneurship opportunities for registered unemployed persons** | | | | |
| 9.1. | **Encouragement of the starting of self-employment and commercial activities** | | Provision of support for starting the self-employment and entrepreneurial activities | | The proportional share of registered unemployed persons who participate in the SEA measures for starting the self-employment and entrepreneurial activities | | 0.3% (2012) | 0.5% | | 1% |
| 9.1.2. | Improvement and implementation of the SEA measures for starting the starting of self-employment and entrepreneurial activities in compliance with the performed evaluation | |
| **10.** |  | | **The sub-goal of the policy defined in the guidelines** | | | **Promotion of the improvement of the quality of jobs** | | | | |
| 10.1. | Implementation of the measures  **of the improvement of the quality of jobs** | | Promotion of the development of the monitoring of the employment relationship | | Research regarding the spread of new employment forms (flexible) and their implementation in the labour market | | 0 | 0 | | 1 |
| 10.1.1. | Performance of in-depth research regarding the spread of new employment forms and their implementation in the labour market | |
| 10.1.2. | Research of the pilot project regarding the practical application of flexible employment forms | | 0 | 0 | | 1 |
| 10.1.2. | Performance of in-depth research regarding the improvement of the solution of labour disputes | | Research regarding the improvement of the solution of labour disputes | | 0 | 0 | | 1 |

**III action direction - the environment encouraging employment**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Tasks and major measures for reaching the defined goal** | **Activity result** | **Result indicator** | | | **Base value** | | **2017** | **2020** |
| **11.** |  | **The sub-goal of the policy defined in the guidelines** | | | **Development of the system of labour taxes and benefits more friendly to inclusive employment** | | | | |
| 11.1. | **Improvement of the system of taxes and benefits by focusing special attention to the improvement of the situation of the low wage earners** | Elaborated proposal for implementation of non-applicable minimum income. | | Development of a concept report for the submission in CoM | | x (2013) | 1 | | x |
| 11.1.2. | Elaborated proposal for implementation of non-applicable minimum income, estimating personal income tax relief and reduction of labour tax burden. |

# Linking the planned support to the needs of the target group



Source: CSB

# Initial impact assessment

Along with the economic crisis, the structure of the labour market in the country underwent considerable changes, i.e. the unemployment increased rapidly, the employment decreased, and the economic activity decreased. Although the improvement of the economic situation can be seen during the last years, the positive trends are reflected in the labour market indicators at a slower pace and the unemployment is still quite high, in particular among the groups of the population facing permanent difficulties of the involvement in the labour market or exposed to the unemployment and social exclusion risk. Therefore targeted development of the employment policy is required.

The tasks defined in the IE guidelines provide for the creation of a balanced and inclusive labour market by assigning equal weight to both quality and quantity indicators. This direction is expected to result in the employment level of 73% (within the age group 20-64 years) by 2020, at the same time improving the situation regarding the quality of jobs based on the principle of decent work.

Taking into account the fast technological development and the changing labour market, the defined tasks promote the development of the labour capable of adjusting to the changing labour market requirements. This situation can be foreseen taking into account the in-depth analysis of the labour market, the compliance of the proposed ALMP measures with the demand and the forecasts of the labour market, as well as the continuous cooperation between the state institutions, employers' and employees' organisations in the field of vocational education and employment.

Taking into account the link with the employment possibilities, the implementation of the tasks defined within the framework of the IE guidelines will result in the improvement or the obtaining of professional qualification and also the supplementation of skills by registered unemployed persons and job seekers with the education level that is insufficient for the labour market. As the insufficiency of labour with vocational education is forecasted, training measures will promote the competitiveness in the labour market. In this way, it will also be possible to ensure fast adjustment of the labour to the changing labour market conditions which will also be provided by the involvement in adult education measures.

The career support plays an equally important role, and its targeted implementation will result in basing the choice and the improvement of the profession not only on personal features but also taking into account the demand of the labour market and forecasts. The preventive approach and the timely provision of the career guidance will be increasingly promoted instead of only being a solution in case of the loss of a job.

In order to utilise the potential of the human capital in a comprehensive way, by implementing the tasks comprised in the guidelines, the reduction of both poverty and the social exclusion risk for certain groups of the population, as well as the solution of the problem related with the decrease of the labour offer due to the ageing of the population can be expected.

More targeted support along with the introduction of the profiling system will ensure the provision of the support most suitable to the client's individual situation, taking into account each client's needs for support for a successful return to the labour market. The intensity of the scope of the required support will be defined taking into account the client's education, skills, the availability of suitable jobs within the region, as well as the social exclusion risk factors. The most efficient solution will be achieved by not only evaluating the suitability of the desired ALMP measures for the individual needs but also by developing an individual plan for the implementation of the measures, thus defining the optimum sequence of the implementation of the measures. The evaluation of the measures will allow the improving of the existing measures, thus responding to new challenges and minimising the unemployment level, in particular regarding the risk groups of registered unemployed persons.

In order to promote the involvement of the long-term unemployed persons on the labour market more efficiently, cooperation with social services will be developed. Taking into account that the number of the long-term unemployed persons has been generally decreasing, but, at the same time, the length of the unemployment of a large share of the long-term unemployed persons is increasing, this type of cooperation will allow the solving of the causes behind the unemployment in a complex way.

The active ageing strategy will allow the identification of the main unemployment risks and unemployment reasons of elderly employed persons and registered unemployed persons, as well as the development of the required measures for the promotion of the competitiveness on the labour market. This approach will allow the more efficient use of the available human capital and its potential.

The youth situation on the labour market will be improved by the measures of the initiative "Youth guarantee" resulting in the improvement of the education level of young people, obtaining of the work experience and the encouragement of permanent employment. In this way, the major causes of unemployment among young people will be solved, in particular, the education level which is insufficient for the labour market and the lack of work experience.

Taking into account the difficulties of involving on the labour market experienced by persons with disability, as well as the social exclusion risks related to the unemployment, more targeted creation of subsidised jobs will be encouraged. An easier starting period of employment will be provided for persons with mental disability, and this will be defined by the implementation of support measures. This assistance is essential because in the starting period it is important to create a mutual understanding of capabilities and work duties between the employer and the employee.

The involvement of the unemployed persons belonging to the risk groups in the labour market will be encouraged along with the development of the social entrepreneurship. The evaluation and the proposals for the development of the social entrepreneurship in Latvia will serve as the basis for the implementation of the social entrepreneurship projects. In this way, the involvement in the labour market of the population for whom it is difficult to find permanent employment will be promoted.

As the work conditions are important on the labour market, special attention is focused on the issues of the labour law and labour protection. In the result of the provision of information to the public and training the public awareness regarding these issued will improve. The research projects regarding the work conditions and risks will indicate the most topical problems that have to be solved in the labour protection area.

Incentive measures for ensuring the registration of vacancies on the SEA Vacancies website will promote the transparency on the labour market allowing the job seekers to be better aware of their employment possibilities.

The above -described tasks and goals form a coordinated policy of inclusive employment taking into account the mutual impact caused by related policies and areas. Accordingly, it can be expected that the developed policy in the country will be mutually supplementing and there will be no contradictions between the goals set by various policies. Thus, the invested resources will be utilised efficiently by providing the benefit both within the employment policy and also other important areas.

# Assessment of impact upon the central and municipal budgets

In order to implement the measures and the tasks contained in the IE guidelines, it is planned to use both the financing of the central budget and to attract the EU financial resources. During the development of the IE guidelines it is not possible to estimate the required financing for all the measures included in the guidelines and to define accurately the split of the financing per years, in Section 4 "Planning of further actions" the indicative required financing is specified for the relevant measures, including the envisaged financing from the EU financial resources.

The institutions carry out the measures related to the development of legal acts and policy planning documents and the related research within the framework of the central budget financing allocated to them. The financing allocated for the planning period of the EU funds 2014-2020 is provided for the implementation of the IE guidelines in compliance with the terms and the priorities of its use. The measures included in the IE guidelines will be implemented in compliance with the provisional planning of the EU funds for 2014-2020 (as at the moment of the development of the IE guidelines) within the framework of the following specific support goals:

7.1.1. specific support goal “Improvement of the qualifications and skills of unemployed persons in compliance with the demand of the labour market” – total provisional financing 96.43 mn. EUR (including 81.96 mn. EUR from the ESF, and the national co-financing of 14.46);

7.1.2. specific support goal “The development of the system of the restructuring ahead of the labour market by ensuring its link with the Employment Barometer” – total provisional financing 1.99 mn. EUR (including 1.69 mn. EUR from the ESF, and the national co-financing of 0.30 mn. EUR);

7.2.1. specific support goal “Promotion of employment or education of the youth not involved in employment or education within the framework of the Youth Guarantee” – total provisional financing 66.65 mn. EUR (including the ESF financing of 61.01 mn. EUR, national co-financing of 5.64 mn. EUR);

7.3.1. specific support goal “Improvement of the labour safety, in particular in companies belonging to dangerous industries” – total financing 12,64 mn. EUR (including 10.74 mn. EUR from the ESF and national cofinancing 1.89 of mn. EUR);

7.3.2. specific support goal “Increase of the maintenance of the working ability and employment of elderly employed persons” – total financing 10,59 mn. EUR (including 9.00 mn. EUR from the ESF and national cofinancing 1.59 mn. EUR);

9.1.1. specific support goal “Improvement of the inclusion of unemployed persons exposed to an unfavourable situation on the labour market” – total provisional financing 89.16 mn. EUR, national cofinancing 13.37 mn. EUR);

9.1.4. specific support goal “Improvement of the integration of the population exposed to discrimination risks in the society and on the labour market” – total provisional financing 9.71 mn. EUR (including 8.25 mn. EUR from the ESF and national cofinancing 1.46 mn. EUR);

9.2.1. specific support goal “Improvement of the work efficiency of social services, the professional skills of employees and interinstitutional cooperation for the work with the persons facing a risk situation” – total provisional financing 11.95 mn. EUR (including 10.16 mn. EUR from the ESF and national cofinancing 1.79 mn. EUR).

Detailed estimation of the revenue and income regarding the financing of the central budget required for the implementation of the tasks defined within the framework of the guidelines for 2014-2020 will be reviewed by the Cabinet of Ministers in the course of drafting the draft law on the central budget. Detailed estimations regarding the financing required for the implementation of the measures will be carried out in the course of the drafting of the relevant draft legal enactments.

# Procedure of the submission and the evaluation of reports

The intermediate and final evaluation will be developed for the purpose of evaluating the achievement of the goals defined in the guidelines.

|  |  |  |
| --- | --- | --- |
| **No.**  **.** | **Description of the activity** | **Completion term** |
| **1.** | The intermediate evaluation of the guidelines completed | 31 May 2017 |
| **2.** | The end evaluation of the guidelines completed | 1 July 2021 |

In case of a necessity, the MoW can prepare amendments to the guidelines and submit them for review to the CoM.

# Annex 1

**Passport of the IE guidelines and**

**their result indicators**

|  |  |
| --- | --- |
| **Policy result No. 1** | **The employment level in the country has increased** |
| **Result indicator of the policy result No. 1** | **The employment level (in the age group 20-64 years, %)** |
|
| **The methodology of obtaining the indicator** | Source: Eurostat |
| **Measuring frequency** | Within the framework of the intermediate and the end evaluation of the guidelines, in 2017 and 2021 |
| **Forecast of the desirable indicator value** | The indicator is growing |
| **Related action results** | Registered unemployed persons receive a set of tailor -made support measures based on the profiling results  An integrated solution of activation measures is available to the unemployed persons - beneficiaries of the social assistance |
| **Other information** | none |
| **Result indicator of the policy result No. 2** | **The proportional share of employed persons from the total population[[81]](#footnote-82) (55-64 years, %)** |
| **The methodology of obtaining the result** | Source: CSB |
| **Measuring frequency** | Within the framework of the intermediate and the end evaluation of the guidelines, in 2017 and 2021 |
| **Forecast of the desirable indicator value** | **Increasing** |
| **Related action results** | Registered unemployed persons receive a set of tailor -made support measures (support in the searching for a job, involvement in ADTP measures) based on the profiling results  An integrated solution of activation measures is available to the unemployed persons - beneficiaries of the social assistance (in cooperation between the SEA and social services) |
| **Other information** | none |
| **Policy result No. 2** | **The proportional share of long-term unemployed persons has decreased** |
| **Result indicator of the policy result No. 1** | **The proportional share of long-term unemployed persons of the economically active population** |
|
| **The methodology of obtaining the result** | Source: EUROSTAT |
| **Measuring frequency** | Within the framework of the intermediate and the end evaluation of the guidelines, in 2017 and 2021 |
| **Forecast of the desirable indicator value** | **Year 2017 – 4.5 %, year 2020 – 2.5 %** |
| **Related action results** | Registered unemployed persons receive a set of tailor -made support measures (support in the searching for a job, involvement in ADTP measures) based on the profiling results  An integrated solution of activation measures is available to the unemployed persons - beneficiaries of the social assistance (in cooperation between the SEA and social services) |
| **Other information** | none |
| **Result indicator of the policy result No. 2** | **The proportional share of long-term unemployed persons of the total number of unemployed persons** |
|
| **The methodology of obtaining the result** | Source: EUROSTAT |
| **Measuring frequency** | Within the framework of the intermediate and the end evaluation of the guidelines, in 2017 and 2021 |
| **Forecast of the desirable indicator value** | **Year 2017 – 30 %, the year 2020 – 15 %** |
| **Related action results** | Registered unemployed persons receive a set of tailor -made support measures (support in the searching for a job, involvement in ADTP measures) based on the profiling results  An integrated solution of activation measures is available to the unemployed persons - beneficiaries of the social assistance (in cooperation between the SEA and social services) |
| **Other information** | none |
| **Policy result No. 3** | **The wage differences between women and men have decreased** |
| **Result indicator of the policy result No. 1** | **The wage differences between women and men (%)** |
|
| **The methodology of obtaining the result** | Source: EUROSTAT |
| **Measuring frequency** | Within the framework of the intermediate and the end evaluation of the guidelines, in 2017 and 2021 |
| **Forecast of the desirable indicator value** | **Decreasing** |
| **Related action results** | The public awareness and knowledge of the labour legislation and labour protection issues has improved |
| **Other information** | none |
| **Policy result No. 4** | **The development of the actual wage of employed persons is growing** |
| **Result indicator of the policy result No. 1** | **The development of the actual wage of employed persons, % vs the preceding year** |
|
| **The methodology of obtaining the indicator** | Source: CSB |
| **Measuring frequency** | Within the framework of the intermediate and the end evaluation of the guidelines, in 2017 and 2021 |
| **Forecast of the desirable indicator value** | Year 2017 – 106, Year 2020 – 108 |
| **Related action results** | Evaluated possibilities of reducing the labour tax burden for the receivers of low wages and promoting the financial motivation upon starting employment. |
| **Other information** | none |
| **Policy result No. 6** | **The poverty risk of employed persons has decreased** |
| **Result indicator of the policy result No. 1** | **The poverty risk of employed persons within the age group from 18 to 64 years** |
|
| **The methodology of obtaining the indicator** | Source: CSB |
| **Measuring frequency** | Within the framework of the intermediate and the end evaluation of the guidelines, in 2017 and 2021 |
| **Forecast of the desirable indicator value** | Year 2017 – 6.5, Year 2020 – 5 |
| **Related action results** | Evaluated possibilities of reducing the labour tax burden for the receivers of low wages and promoting the financial motivation upon starting employment. |
| **Other information** | none |

Minister of Welfare U.Augulis

1. [↑](#footnote-ref-2)
2. Inclusive labour markets, <http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/inclusivelabourmarkets.htm> [↑](#footnote-ref-3)
3. Equilibrium in the Labour market with search frictions, Christopher A. Pissarides http://www.nobelprize.org/nobel\_prizes/economic-sciences/laureates/2010/pissarides-lecture.pdf [↑](#footnote-ref-4)
4. Eurostat, Long-term unemployment rate - % of active population in the same age group, 2013 [↑](#footnote-ref-5)
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29. Within the framework of subsidised employment measures and the measure *First Work Experience* – during the first 4 months, in training and the measure *Workshops for Youth* during the whole implementation period of the measure for a young person’s involvement. [↑](#footnote-ref-30)
30. Quintini, G. and S. Martin (2013), “Same but Different: School-to-work Transitions in Emerging and Advanced Economies”, *OECD Social, Employment and Migration Working Papers*, No.154, OECD Publishing, <http://dx.doi.org/10.1787/5jzbb2t1rcwc-en> [↑](#footnote-ref-31)
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56. Mihails Hazans, „How many illegally employed persons are there in Latvia and the neighbouring countries?”, <http://www.lu.lv/fileadmin/user_upload/lu_portal/zinas/Mihails_Hazans_par_nelegalo_nodarbinatibu_19.07.2012.pdf> [↑](#footnote-ref-57)
57. The term is defined in Convention No. 189 of the International Labour Organisation "Convention regarding domestic workers". [↑](#footnote-ref-58)
58. An unemployed person has a duty to:

    1) actively seek employment independently and with the assistance of the SEA and after the acquisition of unemployed person status provide without delay proposals to the SEA for the development of an individual employment seeking plan;

    2) on the day specified in the individual employment seeking plan attend the SEA and present the documents specified in regulatory enactments;

    3) attend the SEA within three days from the day of receipt of an invitation;

    4) participate in measures provided for in the individual employment seeking plan. [↑](#footnote-ref-59)
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62. As from 01.01.2009. – 90 LVL; As from 01.07.2009. - 35 LVL [↑](#footnote-ref-63)
63. 52.71 LVL [↑](#footnote-ref-64)
64. As from 01.07.2013. - 80 LVL [↑](#footnote-ref-65)
65. 115.96 LVL [↑](#footnote-ref-66)
66. <http://ec.europa.eu/economy_finance/db_indicators/tab/> [↑](#footnote-ref-67)
67. [↑](#footnote-ref-68)
68. Marginal effective tax rate (METR) is the index which is calculated as the numerical change of the mean effective tax rate if an individual changes his/ her economic status (for example, an unemployed person becomes employed). [↑](#footnote-ref-69)
69. Provisional financing is specified. [↑](#footnote-ref-70)
70. Detailed adult education activities are included in the Guidelines for Education Development for 2014-2020 <http://polsis.mk.gov.lv/view.do?id=4623> [↑](#footnote-ref-71)
71. Announced at the meeting of the Secretaries of State 30#13 on 07.08.2014 [↑](#footnote-ref-72)
72. Taking into account that the draft informative report developed by the Ministry of Finance "Changes of labour taxes for the reduction of the income inequality - the evaluation of implemented changes and proposals for further action" reviews two possible versions, of which one provides for the increasing of the untaxed minimum income for all the employed persons equally and the other provides for the differentiation of the untaxed minimum income depending on the income level, the financial estimations will be included in the informative report. [↑](#footnote-ref-73)
73. In addition to the indices contained in this section, the measures to be implemented within the framework of the IE guidelines will contribute to the achievement of the general and specific result indices of the relevant SAM as defined in the Action Program "Growth and Employment". [↑](#footnote-ref-74)
74. CSB, NBG02. Economic activity, employment level, the proportional share of job seekers (%) [↑](#footnote-ref-75)
75. Eurostat, Long-term unemployment (12 months or more) as a percentage of the total unemployment (15-74), 2014. gada 1.ceturksnis [↑](#footnote-ref-76)
76. ## EUROSTAT, Gender pay gap in unadjusted form - %

    [↑](#footnote-ref-77)
77. An indicator of the National Development Plan for 2014-2020 [239] [↑](#footnote-ref-78)
78. An indicator of the National Development Plan for 2014-2020 [238] [↑](#footnote-ref-79)
79. According to the index defined in the Education development guidelines for 2014-2020 [↑](#footnote-ref-80)
80. In compliance with the provisions in the Action Program "Growth and Employment" [↑](#footnote-ref-81)
81. CSB, NBG02. Economic activity, employment level, the proportional share of job seekers (%) [↑](#footnote-ref-82)