

Latvian Labour Market

2010-2011

Table of contents:

1. General description of the labour market situation, unemployment rate, profile of unemployed, labour market forecasting.....	3
1.1. Labour market developments.....	3
1.2. The profile of registered unemployed.....	6
1.3. Labour market forecasting.....	7
2. Description of Latvian active labour market policy measures (ALMP measures)	9
2.1. Financing and participants of ALMP measures	14
3. Supporting measures for the most vulnerable groups of unemployed.....	15
4. Minimum monthly wage.....	16
5. Emigration/Immigration trends.....	17
6. New measures affecting the level of income support available to job losers from unemployment benefit schemes	19
7. National Reform Programme of Latvia for the Implementation of the “Europe 2020” Strategy (NRP)	20
7.1. The employment target set in EU 2020 Strategy.....	21

Table of Annexes:

Annex 1: Labour force participation, employment and unemployment rate	23
Annex 2: Employment rate for those aged 15-64 in Latvia	23
Annex 3: Employment rate for those aged 15-64 in Latvia and EU.....	24
Annex 4: Activity rate for those aged 15-64 in Latvia and EU	24
Annex 5: Employment by the kind of economic activity	25
Annex 6: Breakdown of employed persons by age	25
Annex 7: Status of employed persons working in the main job.....	25
Annex 8: Breakdown of employed persons by occupation.....	26
Annex 9: Employed persons working full-time and part-time work	26
Annex 10: Employed persons by hours actually worked per week.....	26
Annex 11: Breakdown of self-employed (employers, self-employed, unpaid persons) by age and gender	27
Annex 12: Participation in life-long learning within 4 weeks before survey	27
Annex 13: Unemployment rate in Latvia and the EU	27
Annex 14: Registered unemployment rate and number of unemployed.....	28
Annex 15: Announced vacancies and number of unemployed	29
Annex 16: Classification of ALMP Measures in Latvia.....	30
Annex 17: Expenditures on ALMP Measures (mio LVL) and number of participants.....	31
Annex 18: Breakdown of registered unemployed by length in unemployment	32
Annex 19: Average net monthly wage developments	32
Annex 20: Breakdown of registered unemployed by age	33
Annex 21: Breakdown of registered unemployed by education attained.....	33
Annex 22: Breakdown of young registered unemployed aged 15-24 years by education attained	34
Annex 23: Vulnerable groups of registered unemployed.....	34
Annex 24: Changes in unemployment benefits and length of unemployment status	35
Annex 25: Expenditure on ALMP per one registered unemployed.....	35

1. General description of the labour market situation: unemployment rate, profile of unemployed, labour market forecasting

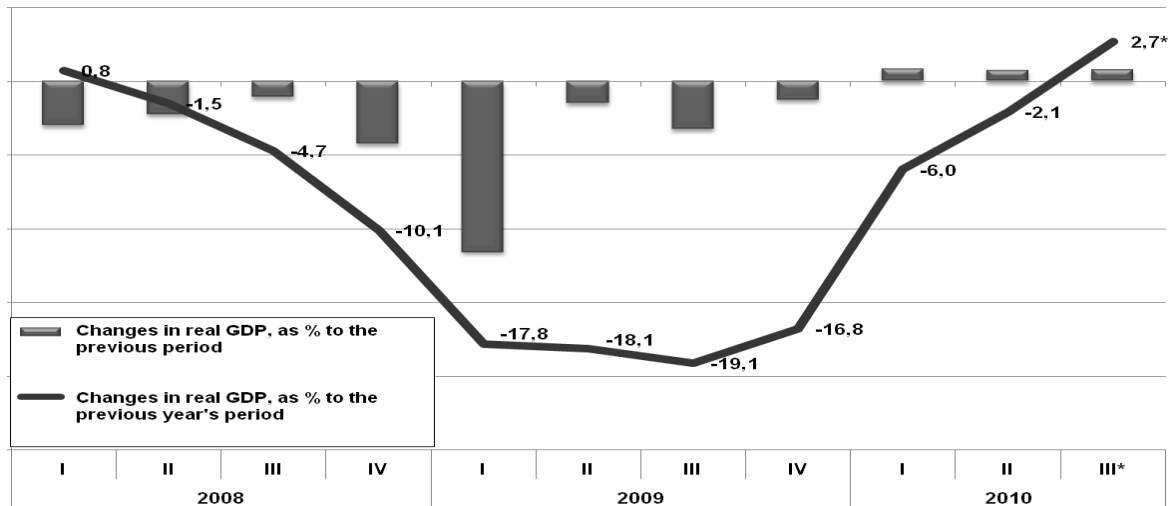
1.1. Recent labour market developments

Rapid growth had been observed in Latvia during the period of 2005–2007, when GDP grew annually by 11% on average. Such high growth rates were mainly ensured by the domestic demand, which was largely based on substantial inflow of foreign capital. Both, private consumption and investment rose considerably. Export increase played a less significant role in the growth.

GDP diminished by 4.6% in 2008. Deterioration of the economic situation in 2008 was caused by both, domestic (weakening of domestic demand stimulus) and external (slowing down of the global growth rates) processes.

In the first half of 2009, with financial problems prevailing in the world, Latvia's economic recession continued. Total GDP fall in 2009 comprised 18,0%.

Starting with the 3^d quarter of 2009, GDP is slightly improving, although an actual growth may be observed only in 2011:



Source: the Central Statistical Bureau (CSB) of Latvia

The depth of the current crisis in Latvia is related with a high current account deficit of the balance of payments, which established during the previous years of rapid growth and, therefore, increased the vulnerability of the Latvian economy. The current account deficit estimated 22.5% of GDP in 2007. Starting with the 2nd half of 2008, due to decline in the financial inflow, a rapid decline of private consumption and investments was observed, along with the substantial economic adjustments, resulting in improvement of the goods and services trade balance and lessening of economic activities upon decreasing domestic demand.

Economic decline severely affected the labour market – the ration of jobseekers exceeded 20% of the economically active population at the end of 2009, wages diminished significantly, especially in the public sector. Due to the labour market and crediting conditions, disposable income of population lessened. Government spending was substantially limited, in order to lower the budget deficit, which rose because of declining in tax revenues.

Latvia's population lowers average by 0.4 – 0.5% per year, and at the end of 2010 there were 2.23 million inhabitants living in the country. The decline is determined mainly by the negative natural movement, although the negative net migration also is important. Working age population

(15-74 years), which accounted 1,48 million persons (66% from the total number of inhabitants) at the beginning of 2010, is decreasing at an even higher rate, mainly on account of a major fall in the age group 15-24 years due to the low birth rates in 1990-ties.

At the end of 2007, Latvian labour market indicators reached their best results – the share of jobseekers 5.4% and employment rate 70.3%. Such a positive development was determined by the rapid economic and wage growth, which facilitated the higher labour market participation.

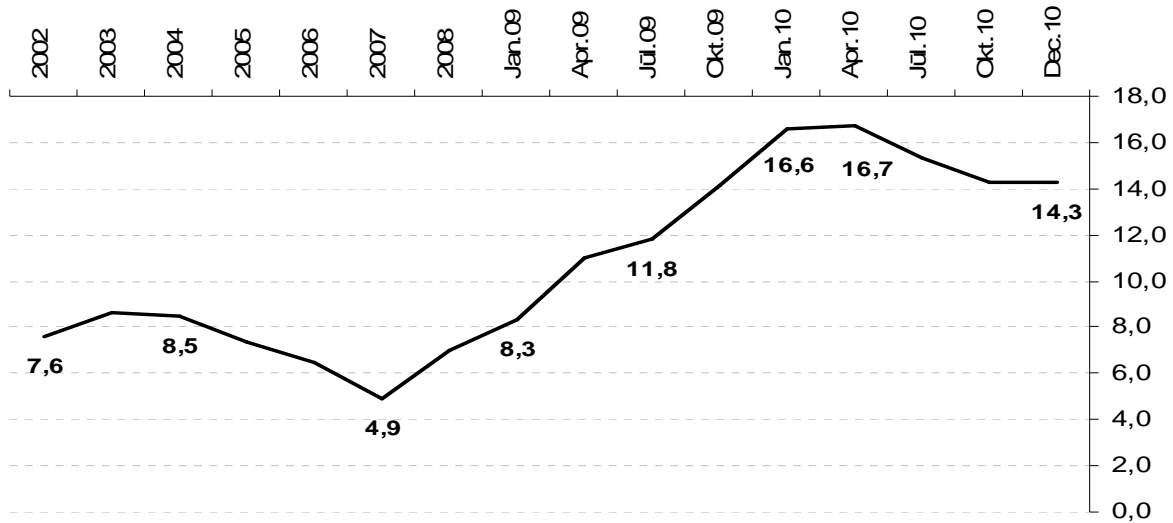
The downturn in economic activity in 2008 had a significant impact on the labour market – the unemployment grew rapidly and the number of available vacancies in the labour market reduced sharply. During the past years, the number of persons continuously being in unemployment was raising noticeably, making the risk of structural unemployment more evident for the next years.

According to the Central Statistical Bureau (CSB) of Latvia, there were 1,55 million people aged 15-64 years at the end of 2010 in Latvia. Average 1,15 million of them were economically active (74,1%) - 0,94 million employed (60,6%) and 0,21 million searching for a job (13,5%). The majority of employed persons were in the age group 25-34 years (25,7%) and average 75,3% from the total number were aged 25-54 years. The majority of economically active population aged 15-64 years have gained vocational (35%) or higher education (28,4%), although the proportion differs slightly for men – 38% with vocational and 21% with higher education, and women – 32% with vocational and 36% with higher education. The share of economically active population with basic or secondary education composed 37% at the end of 2010.

According to the State Employment Agency (SEA) and CSB data, the number of available vacancies has reduced significantly in 2009 and 2010, averagely remaining below the number of 3 000 for the whole country. If in 2007 the majority of new workplaces was created for professionals, senior professionals, qualified workers and craftsmen, than at the end of 2010 the demand has enlarged for service and sales workers, simultaneously decreasing for qualified workers and craftsmen. At the end of 2010, the majority of new workplaces was created in manufacturing, trade, health and social services.

According to Eurostat, the Latvia's employment rate has slightly improved in comparison to the previous period and reached 66,3% in the 3^d quarter 2010 for those aged 20-64 years (3-4 percentage points lower than EU average). The unemployment rate remained rather high – 17,4% for those aged 20-64 years (8-9 percentage points higher than EU average) (*also see annexes for additional information*).

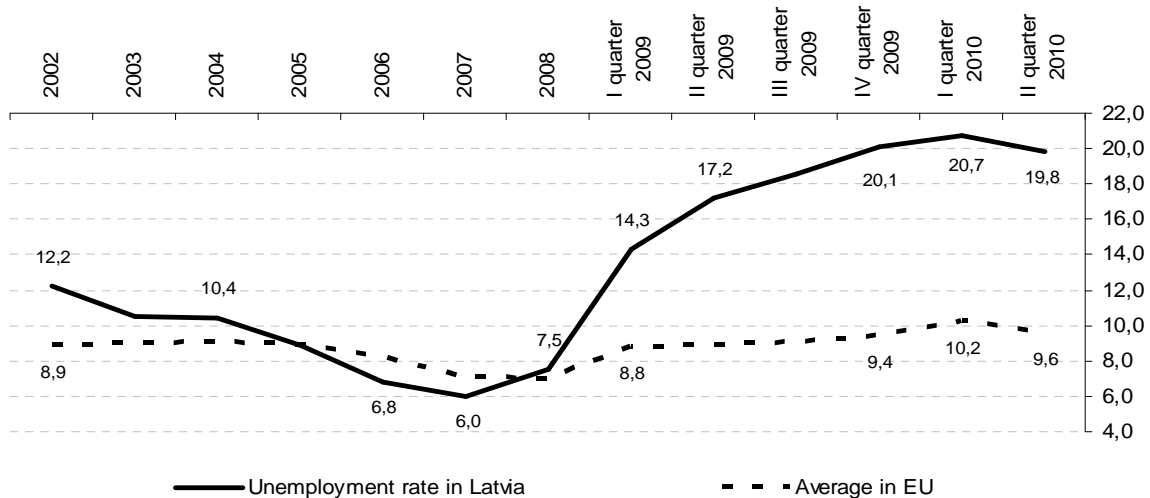
Registered unemployment rate in Latvia, as measured by the SEA, has risen significantly over the last years – from average 5,0% in 2007 to the highest point in March of 2010 – 17,3%, and at the end of 2010 it stood at 14,3%:



Source: Registered unemployment rate (%), SEA data

The total number of registered unemployed has also grown rapidly from just over 50 000 in mid-2008 to almost 194 000 in March 2010, when it reached its maximum and started to diminish gradually (162 463 unemployed at the end of 2010).

According to Eurostat data, the unemployment rate for those aged 15-64 years has reached its maximum of 20.7% in the 1st quarter 2010 and lowered slightly to 18,2% in the 3^d quarter 2010:



Unemployment rate in Latvia and the EU, EUROSTAT data

At the end of 2007, average 30 000 registered unemployed were receiving unemployment benefits, and unemployment benefits' expenses amounted 43.3 million LVL (61,7 MEUR); in 2008, 37 000 persons and 56.3 million LVL (80,2 MEUR); in 2009 – already 80 700 persons and 137.2 million LVL (195 MEUR) (almost three times more than in 2007).

The economy started to recover slowly in the 3^d quarter of 2010, however the annual average growth rate for 2010 will still remain negative. Positive growth rate may be reached only in 2011. The social and economic situation in the country depends primarily on the stability of the macroeconomic environment – ability to develop the favourable environment for investors and entering of the foreign markets, to enhance possibilities for undertaking business activities under circumstances, whereby financial resources are available within a limited budget, as well as credit conditions for businesses. The important role is also devoted to entertaining and improvement of

skills and competencies of the labour force, in order to lower the risk of structural unemployment in the future and address existing labour market challenges.

The economic growth will be closely related with a gradual increase of economic activities in export partner countries, especially in the EU, as well as with the reforms being implemented for improvement of the competitiveness of the national economy.

Evident labour market recovery is expected a year after the economic growth resumption, since it will be mainly based on the productivity growth, but not on the increase in the number of employed.

1.2. The profile of registered unemployed

The first unemployment decline was fixed in April 2010 (-0.6 percentage points comparing to 17.3% in March, when it was at the highest rate over the past years). At the end of 2010, the registered unemployment rate comprised 14,3%, remaining unchanged over the past three months.

At the end of December 2010, average 54% of all registered unemployed were women and 46% were men. Simultaneously, the Labour Force Survey data shows, that during the recession men's unemployment grew faster than women's. According to CSB, in the 3^d quarter of 2010 there were 56% men and 44% women in the total number of jobseekers. There are several explanations for that: first of all, women may stay in unemployment longer than men; second of all, men are performing undeclared work more often than women - if we consider, that women are more interested in taking training, and, indeed, there are more women in the higher education than men, there is the lack of motivation for men to retain an unemployment status after the time for receiving an unemployment benefit passes. Almost in all employment measures the participation rate for women is higher than for men, but for the rest - almost equal for both genders.

At the end of December, 54% registered unemployed were Latvians (Russians - 29%, Belarusians - 3%, Roma - 0,6%). Comparing this data to the share of ethnic groups in the total number of inhabitants (Latvians - 59%, Russians - 28%, Belarusians - 4%, Roma - 0,4%), it is possible to conclude, that an unemployment risk in Latvia is almost equal for all ethnic groups of population.

There are average 51% of registered unemployed with basic or secondary education, the share of unemployed with vocational education makes 36% and 13% for those with higher education.

The average age for registered unemployed is 50-54 years (14% of all unemployed). The share of unemployed aged 50 years and more comprises 30% and 15% for young unemployed aged 15-24 years.

The share of long-term unemployed is 38% in the total number of registered unemployed. The 2nd largest group is young unemployed aged 15-24 years - 14%, following unemployed at pre-retirement age - 11%.

At the end of 2010, the share of unemployed continuously being in unemployment (more than 6 months) has risen significantly and constituted 61% in the total number of registered unemployed (39% were in unemployment less than 6 months, 23% - 6 to 12 months, 36% - 1 to 3 years and 2% - more than 3 years). It can be explained with reduced availability of finding work in the labour market (the number of vacancies remains worryingly low - reduction more than 10 times during past two years, from 18 000 at the end of 2007 to 2259 at the end of 2010) (*also see annexes for additional information*).

At the end of 2010, average 72 unemployed were pretending per one vacancy registered at the SEA¹ (the highest level at the end of 2009 – 129 persons per one vacancy). At the same time, average 38% of all registered unemployed in the previous months lost their unemployment status because of returning into employment relationships (a slight increase comparing to 27% in 2009).

At the same time, youth unemployment in Latvia has almost tripled during the past years (from 11% in 2007 to more than 30%), and number of unemployed with vocational and higher education was rapidly growing during the past years, although unemployment of youngsters with low level of education remains the highest. According to Eurostat data, at the end of 2009, youth unemployment rate in Latvia comprised 40% - that is twice higher than EU average rate – 20%. In the 3^d quarter 2010, youth unemployment rate in Latvia lowered slightly to 32% (*also see annexes for additional information*).

Commonly unemployed person may be characterized as a person: without profession, previously being in profession with low qualifications required, in the age group of 50 years and more or 15-24 years.

First of all, redundancies affected low-skilled workers, men more than women, as well as those working in public sector. At the end of November 2010, the largest number of unemployed was registered in the following occupations: hodman, shop assistant, cleaner, builder, driver, yard keeper, security guard, cook or a person without any profession. The largest number of unemployed with higher education previously was working as engineer, economist, teacher, manager or the head of the company or unit, lawyer or an expert in personnel, public relations, logistics, design, environmental protection or bank sector. At the end of 2009, the greater amount of registered unemployed was previously working in the following professions: shopping assistant, hodman, driver, domestic helper and cleaner, roadman, guard, project manager, cook, yard keeper, sewer, nurse, teacher.

The global crisis substantially affected every economic sector in the country, but, primarily, the following fields and industries were hit: construction, manufacturing, wholesale and retail trade, transportation and storage, as well as public sector, due to structural adjustments. According to the data provided by the SEA², in 2010 the greatest reduction of workplaces was observed in wholesale and retail trade (19% from the total amount), transportation and storage (14%), public sector (13%), manufacturing (13%) and education (8%).

The largest amount of workplaces created in 2010 was in manufacturing industry (30% of the total amount), construction (26%), wholesale and retail trade (18%), agriculture, forestry and fishing (8%) and arts, entertainment and recreation sector (12%). The main groups of demanded occupations were: specialists, qualified workers and craftsmen.

1.3. Labour market forecasting

It is essential to provide reliable data on the labour market future trends, in order to ensure the effectiveness of provided employment enhancing and unemployment prevention services (to be able to forecast the labour force demand, to develop effective targeted support schemes, to allocate resources between ALMP measures etc.), therefore the necessary steps should be taken to improve the existing forecasting system in Latvia.

Short-term forecasting in Latvia is carried out by the SEA. The SEA is aggregating monthly, quarterly and yearly labour market surveys, based on available operational information about registered unemployed and information obtained from employers' surveys. Although it is evident,

¹ SEA is staying in contact with employers and providing information on newly created or available vacancies throughout the country (stored in data base – the registration of the vacancies is however voluntary from the side of the employer), but there are also additional portals and press sources, where available vacancies are being published.

² SEA is carrying out employers' polls in order to estimate the short-term demand in labour force on the labour market.

that the above mentioned information is insufficient for objective forecasting. Therefore, the list of demanded occupations on the labour market is developed and approved by a special Commission, involving the representatives of branch ministries (Ministry of Education and Science, Ministry of Welfare, Ministry of Economics), municipalities, social partners (Free Trade Union Confederation of Latvia, Employers' Confederation of Latvia), nongovernmental organizations, the academic field, associations and other institutions.

The Ministry of Economics is the responsible institution for coordination of medium and long-term labour market forecasting in the country. The Ministry of Economics elaborates also labour market development scenarios, as well as medium and long-term forecasts. Under the Ministry of Economics, the Advisory Council of the Labour Market Forecasting is operating and comprises representatives from the involved institutions and social partners. The task of the Council is to ensure inter-institutional cooperation by assessing the prepared forecasts and searching solutions for further actions.

The Ministry of Finance and the Bank of Latvia are also participating in the strategic forecasting of the country's macroeconomic development, also forecasts of international and EU institutions are taking in count while developing the national forecasts.

In 2010 the Ministry of Economics developed Report for Labour Demand and Supply Correspondence in the Medium-term (2010-2015), where 3 possible development scenarios are described, taking into account a lasting effect of the global financial crisis on the national economy and the labour market:

Medium-term macroeconomic scenario:

	2010	2011	2012	2013	2014	2015
Gross domestic product (GDP), million lats	12640.3	13136.5	13806.4	14562.3	15441.5	16414.3
Growth in current prices, %	-3.4	3.9	5.1	5.5	6.0	6.3
Growth in constant prices, %	-0.4	3.3	4.0	3.9	4.0	4.2
GDP deflator (year-on-year), %	-3.0	0.6	1.0	1.5	2.0	2.0
Consumer price index (year-on-year), %	-1.2	1.1	1.5	2.0	2.2	2.2
Employment, thousand people	940.2	951.4	963.4	978.9	992.8	1006.9
Unemployment rate (share of job-seekers in % of economically active population, annual average, aged 15-74)	19.1	17.1	15.5	13.9	12.3	10.8
Exports of goods and services, million lats	6812.9	7291.7	7772.4	8270.9	8796.7	9298.1
Growth in constant prices, %	9.2	6.4	5.5	5.4	5.3	5.7
Imports of goods and services, million lats	6888.9	7395.9	7914.5	8497.1	9120.4	9676.7
Growth in constant prices, %	10.2	6.7	6.0	6.3	6.3	6.1

Source: The Ministry of Economics, 2010

According to the main scenario, the economy of Latvia reached the lowest point of recession in the 1st quarter of 2009. The GDP started to improve slowly already in the 1st half of 2010 (compared to the previous quarters, according to the seasonally adjusted data). The main macroeconomic development scenario foresees a moderate economic growth also in the next decades, although the total GDP amount in 2010 will still be lower than in 2009. However, a positive growth is forecasted already for 2011.

Export will be the main growth driver in the following years. The domestic demand will be restoring slowly due to high unemployment and a low level of wages, as well as high indebtedness of households and expected budget consolidation measures. In the medium term, the foreign trade stimulus will not fall, therefore the domestic demand increase will contribute to growth as well. The export-oriented sectors, mainly manufacturing and transport, will provide a significant contribution to growth in 2010 and 2011. Although growth of these sectors will ensure only slight employment improvement. The rapid employment increase is not expected in the medium-term due to the productivity rise, which is an important condition for competitiveness of entrepreneurs.

The economic growth in the medium-term will be accompanied with a moderate inflation rate that is typical for the balanced growth. No major changes in the energy, resources and raw materials world prices are expected, in compare to the mid-2010. According to the medium-term

forecasts, the changes in wages will depend, to a great extent, on productivity rise in tradable sectors, but not on the significant raise of labour demand in domestic demand-oriented sectors, as it was in the previous years of rapid growth.

There are also several affirmations stated in the Report, in relation to the labour market. For example, labour force demand is expected to have a 4% increase in 2015, comparing to 2010. Labour force supply is expected to decline, but taking into account very slow unemployment rates' recovery in the following years, there still will be a significant surplus of the labour force in 2015. The main decrease in demand is projected for the labour force with tertiary education. It is expected, that the labour productivity will grow beforehand, accompanying with moderate improvements in labour market indicators (first of all – unemployment rates).

According to the European Commission's forecasts, published in December 2010, an average unemployment rate in Latvia will comprise 17,7% for 2011 and 16,2% for 2012. The Ministry of Welfare together with the SEA forecasts, that an average registered unemployment rate in Latvia may be 14% in 2011 (159 thd. of unemployed), 12,5% in 2012 (142 thd.), 11% in 2013 (125 thd.) and 9,5% in 2014 (108 thd.).

Thus, the social problems, related to the high unemployment rate, will prevail over the next 3–4 years. The most rapid labour demand diminishing is expected in 2009 and 2010, starting to grow slowly in 2011.

In order to reduce the negative consequences of the global crisis, the main short-term challenges identified by the government, are: to prevent further fall of employment, to lessen the social strain in the society, created by unemployment and reduced income. The medium-term challenges are the following: to ensure the balanced growth of wages and labour force productivity, as well as to focus on improved labour market supply.

In order to address the above mentioned challenges, a particular attention is devoted to the development of lifelong learning system in the country and introduction of reforms in education sector, in order to ensure a modernization of the existing educational and training programmes and services. The government plans to achieve better results in the labour market by:

- improving the quality of the educational system and the competencies and skills of the specialists trained;
- ensuring close cooperation of educational institutions and employers;
- improving the attraction of secondary vocational education and ensuring an optimal distribution of pupils among general secondary and secondary vocational education;
- promoting the professional mobility of employed, including improvement of life-long learning services.

Future training programmes for unemployed and people seeking employment will be more oriented on attaining essential competencies and skills (non-formal training programmes): communication in native language and other languages, mathematical skills and basic knowledge in natural sciences and technologies, digital skills, social and personal skills, time planning, computer skills, creativity, project management, organizing and analysing of information flows, management and business administration skills, risk analysis and other.

2. Description of Latvia's active labour market policy measures (ALMP measures)

In past years, when unemployment rate in Latvia was low, the main challenges for the labour market were to enhance labour competitiveness and to promote the inclusion of marginalised groups into the labour market. Taking into account the serious consequences of the global crisis and possible impact of recently implemented structural adjustments on the labour market during the next

years, there is a need for both types of measures – **short-term measures, aimed at alleviating the severe social consequences of the crisis** and reducing the risk of increasing poverty (workplaces with stipend emergency public works programme, complex inclusion measures, training for employed with reduced working hours, training vouchers for unemployed with unfinished tertiary education) and **long-term measures, aimed at enhancing the labour force competitiveness** and giving positive signals to unemployed and other people in general.

The below mentioned ALMP measures are provided to registered unemployed and other persons in Latvia (*also see annexes for additional information*). The following list of the measures also includes **short-term crisis measures and planned new measures in 2011**:

1. Placement and job-search assistance is managed by the SEA. The SEA was established in 1991 and its affiliates are located all over the country. The SEA registers vacancies submitted by employers and carries out the placement of unemployed and people seeking employment, helping them to integrate into the labour market.

The SEA records and informs about the vacant workplaces, organizes cooperation and information exchange between employers and unemployed persons, implements and administers ALMP measures, provides consultation on occupational suitability, selection of an appropriate occupation and vocational training, issues licences and supervises legal persons who provide work placement services etc.

2. Vocational training, requalification, qualification improvement and non-formal training (firstly introduced in 1991) – different training programmes (continuing vocational training to acquire vocational qualification, advanced vocational training to reach vocational proficiency, non-formal and on-the-job training) organized in co-operation with educational institutions and employers.

It is planned to integrate a training voucher system in 2011 for better delivering of training programmes to unemployed and adult people. The length of training programmes may vary from 60-160 hours for non-formal training programmes to 320/480/960 hours for vocational training programmes. Simple or low-skilled occupations are excluded from the list of training programmes.

The following activity also is carried out within the measure - if an employer could not find an appropriate employee in the labour market, he may request the SEA to select and train an unemployed person for him. Within the activity, an employer is responsible for providing on-the-job training and is obliged to provide a workplace after the training is finished. On-the-job training is also organized for unemployed with obsolete qualification or without a document, certifying the proficiency of a person.

Participants are also receiving financial support during training - 70 LVL (100 EUR) monthly training allowance. The following additional expenses are also covered from the state budget: wage supplements for supervisors during on-the-job training, training or working place adaptation for persons with special needs, involvement of different experts, such as assistants, silent language experts etc.

3. Measures to enhance competitiveness (firstly introduced in 1991) - different short courses, seminars, lectures and consultations offered to unemployed in areas such as communications skills, networking, negotiation, job-finding and interview skills, motivation etc.

These measures are aimed particularly on improvement of social and functional skills and provide psychological support, basic skills and abilities necessary for the labour market, as well as an acquisition of work finding techniques and non-formal education programmes, including knowledge of the state official language, as well as other activities, facilitating the competitiveness of unemployed and persons seeking employment in the labour market.

4. Career counselling and vocational guidance (firstly introduced in 1991) includes help in career planning, provides professional suitability tests and acquisition of work

finding and maintaining techniques. Vocational counselling and career guidance services are offered to all Latvia's residents.

The services include consultations on choosing education and career, vocational development, returning to the labour market and changing occupations, assessment of client's vocational aptitude, interests and preferences, abilities, skills and suitability for a given profession, consultations about effective ways of searching for a work, provision of information about the content and requirements of different occupations, information about educational and training opportunities in Latvia and abroad.

5. Subsidised employment for the most vulnerable groups of unemployed (firstly introduced in 2002), different projects aimed at specific target groups of unemployed – people with special needs, youth, older workers, long-term unemployed, women returning to the labour market after maternity leave etc. The aim of the measure is to facilitate the development of sustainable and long-term working places for unemployed with lower productivity level and preserve their skills and competencies. Usually, financial support is provided for maximum period of 12 – 24 months and 36 months for unemployed with special needs, and includes monthly wage subsidy which equals to the amount of minimum monthly wage for unemployed with special needs (180 LVL (256 EUR) in 2010 and 200 LVL (285 EUR) in 2011) and 50% of its value for other target groups. The following additional expenses are also covered from the state budget: wage supplements for supervisors during on-the-job training, training or working place adaptation for persons with special needs, involvement of different experts, such as assistants, silent language experts etc.

6. Measures to support the unemployed to enter self-employment or entrepreneurship (implemented since 2007) - training programmes, consultations and grants for business start-up or self-employment. Support is provided to unemployed with appropriate level of knowledge - who have gained a sufficient level of education or completed vocational training or non-formal education programmes in the SEA (different training courses in business administration, for example, basics of business administration, project management, business plan developing, accounting and finance, marketing and basic management etc.), as well as for those, who already developed their business plans and want to take practical consultations about its implementation. The financial support is provided for development, evaluation and implementation of a business plan – 2 000 LVL (2 846 EUR) for the implementation and minimum monthly wage subsidy for the first 6 months.

7. Lifelong learning programmes for adults (launched in the middle of 2010) – training programmes for employed aged 25 years and more. A particular training programme is chosen by a person in close cooperation with career consultant. After that, maximum 250 LVL (356 EUR)) training voucher is issued and the SEA covers 90% of its value. If the training programme's costs exceed 250 LVL, a person may compensate a difference by itself, although, vulnerable groups of employed, such as persons with special needs, at a pre-retirement age or poor, also those with 2 children and more, are released from a 10% starting fee.

Short-term crisis measures:

8. Workplaces with stipend emergency public works programme (short-term crisis measure, started in September 2009 and planned to be implemented also till the mid of 2012) - the aim of the measure is to strengthen the social safety net in order to reduce the impact and the severe social consequences of the economic crisis. At the same time, this is an activation measure as well.

The measure comprises lower-qualified community jobs (no specific qualifications necessary in order to participate) in municipalities (with no commercial aims – like cleaning, improvement and maintenance of public infrastructure (parks and other public areas), small infrastructure building (like trails, benches in national parks), clean-up of polluted areas (rivers, lakes, forests), works in

parks and forests, municipal social services (like assisting elderly people) – including in NGO's (and/or in cooperation with NGO's), municipal institutions (excluding municipal and state enterprises) and a number of state institutions (border guard, social care centres and nature protection objects (national parks and similar)).

The workplaces have to be newly created (specific criteria to be fulfilled in this regard are set) in order not to replace those currently doing the job (either being employed in the municipality or being employed in an enterprise, providing the given service to a municipality), what is subject to inspection. A person has an opportunity to participate in the measure for a maximum period of 6 months (minimum period - 2 weeks) per year.

The target group are registered unemployed not receiving an unemployment benefit. The allowance (stipend) paid to the beneficiaries is 100 LVL (EUR 142) per month (a full-time participation requirement (the allowance is paid taking into account a period of participation) and the allowance is approximately 70% of the net minimum monthly wage currently), accidents at work insurance is provided to those unemployed participating in the measure (the allowance is however not subject to taxes and social contributions). Other additional costs like transport, small equipment (purchase and/or rent), wage supplements for supervisors and those organizing the workplaces in municipalities are covered (a fixed maximum amount for an established workplace) by the programme.

In the second half of 2011, in order to ensure a gradual transition to long-term measures and lower a financial attractiveness of the measure, it is planned to reduce an amount of allowance till 80 LVL (114 EUR) thus motivating unemployed to search for a job and return to the labour market or decide to take part in other employment measures.

9. Training vouchers for employed with reduced working hours

(implemented since the end of 2009 and till the first half of 2010) - was aimed at providing support for those employed who were forced to work reduced hours during the crisis and thereby losing a part of their regular income. Within this measure, **training vouchers were introduced in Latvia for the first time**. It was a measure for improving skills and raising of the competitiveness of employed working reduced hours and by this – lowering their risk of becoming unemployed.

A person participating in the measure had an opportunity to acquire a self-chosen training course – limited by his/her professional activities in the company and the sector of the company, using a training voucher with a maximum amount of 500 LVL (EUR 711,44) for programmes with maximum duration of 6 months and for specific programmes 300 LVL (EUR 426,86) – with maximum duration of 3 months. Participants were also eligible for a monthly training allowance of 70 LVL (EUR 100).

The majority of participants were working in wholesale and retail trade industry, manufacturing, construction, entertainment and recreation sector. The main training was organized in the following programmes: accounting, information operator, English language, computer studies, project management, commercial sciences, labour protection and safety at work, sales manager, florist and cook.

10. Complex inclusion measures

were firstly introduced in 2007 and were expanded significantly during the economic downturn in 2010. The decision was taken to transform the measures, by targeting the resources to young unemployed, mostly hit during the crisis. In the whole, complex inclusion measures are aimed at specific target groups - long-term unemployed, unemployed with special needs, unemployed after child-care leave and young unemployed. The measures provide an opportunity for refreshing, acquiring and retaining skills necessary for finding work and include work experience activities for young unemployed. In 2010 the measures were expanded and included **the scheme “Work practices for young unemployed”**. Within the scheme, young unemployed may participate in six to twelve months-long work practice, receiving monthly mobility allowance 120 LVL (171 EUR) in 2010 and 70 LVL (100 EUR) starting

with 2011. If the level of knowledge gained does not meet job requirements, a young person may also participate in a training programme, allowing him to gain theoretical skills.

11. National project “Training and working practice for assistants of SEA inspectors” (launched in 2010). With the reduction of financing available to public institutions at the end of 2008 and in 2009, as well as with rapidly growing number of registered unemployed, the SEA workload increased significantly – in September 2009 there were 306 unemployed per one SEA employee (in 2006 – 82, in 2007 – 62, in 2008 – 92) and more than 700 persons per one inspector registering unemployed.

In 2010 a new two-year project “Training and working practice for assistants of SEA inspectors” was launched. The measure is aimed at 144 young unemployed (72 in 2010 and 72 in 2011) who have higher education in social sciences and a short work experience. Within the measure, young unemployed are participating in 5-day theoretical training and then are having an 11 months internship at the SEA. The main duty of the trainees is to assist the SEA employees and provide matching services – bringing together unemployed with prospective employers, searching for vacancies, consulting both unemployed and employers and similar. Participants are also receiving a monthly training allowance of 150 LVL (213EUR) during the participation period.

12. Training for the unemployed with unfinished tertiary education (was provided in 2010 as a part of vocational training, requalification, qualification improvement and non-formal training measure). The scheme gives an opportunity to unemployed with initially gained or unfinished higher education to obtain a higher vocational education. The maximum amount of a training voucher is 1000 LVL (1 400 EUR) and 70 LVL (100 EUR) monthly allowance is payable during the participation period. The planned number of involved in 2010 is 350 persons.

Planned new measures in 2011-2012:

13. Public works programme (starting with 2012) – simultaneously with an interruption of the measure “Workplaces with stipend emergency public works programme”, it is planned to resume the previously implemented measure for those continuously being in unemployment. It is planned to link the social aid system with ALMP measures. The basic concept for both measures will be very similar, although changes are expected in selection criteria and mechanism of involvement (taking into account not only an existing queue of persons wanting to participate, but also assessment of living conditions provided by social services etc.).

14. Youth workshops (starting in 2011) – the aim is to help young unemployed (aged 15-24 years) with low level of education or without any work experience to make a conscious decision about future education or job field. Within the measure, a young participant will have a possibility to try three different vocational fields (maximum 3 weeks for each field), also receiving a monthly allowance of 40 LVL (57 EUR) and 60 LVL (85 EUR) for young unemployed with special needs). This measure is a part of the complex inclusion measures. The planned number of participants in 2011 is 1 700 persons.

15. Support for youth volunteer work (starting in 2011) - the aim is to support activities of young unemployed aged 18-24 years for the public weal, promoting opportunities and developing a volunteer work in Latvia, taking into account youth potential and current situation in the labour market. The participants will work in associations and foundations (up to 6 months) receiving monthly allowance of 40 LVL (57 EUR) and 60 LVL (85 EUR) for young unemployed with special needs. This measure is a part of the complex inclusion measures. The planned number of participants in 2011 is 1 300 persons.

16. Workplace for a young unemployed (starting in 2011) – the aim of the measure is to promote a long-term integration into the labour market of vulnerable groups of young unemployed aged 18-24 years (being in unemployment for more than 6 months, unemployed after

childcare leave or young unemployed with special needs etc.). Young unemployed will have a possibility to gain a working experience for up to 9 months, entering into employment agreement with an employer. Within the measure, an employer will receive monthly wage subsidy for an employment of young unemployed: 100 LVL (142 EUR) for the first 6 months, 50 LVL (71 EUR) for the next 3 months. The greater subsidy is determined for young unemployed with special needs (150 LVL (213 EUR) and 100 LVL (142 EUR)). Additional expenses also are covered for supervisors' involvement, working place adaptation for persons with special needs, involvement of different experts, such as assistants, silent language experts etc. This measure is a part of the complex inclusion measures. The planned number of participants in 2011 is 1 200 persons.

2.1. Financing and participants of ALMP measures

The labour market policy in Latvia gives its contribution to development of the learning society and the economy. The legal regulation is acted by the Law on Unemployed and Job Seekers Support. The set of measures for unemployed and persons seeking employment is aimed at promoting inclusive labour market, by providing appropriate training and educational programs, as well as other services (vocational guidance) in order to launch people knowledge and experience with labour market needs. The Latvia's ALMP measures are currently acted by the Regulations of the Cabinet of Ministers, but organized and implemented by the SEA.

Organization of ALMP measures in Latvia, especially development of training and educational programmes, is based on the results obtained in the labour market forecasts and assessments of different experts, provided by different public institutions, academic sector, non-governmental institutions and international experts and organisations (also see the information given in the Chapter 1.3.).

The budget for ALMP measures in 2011 - 2013 will be 96,4 million EUR, the planned number of provided services will be 490 thd.

*Expenditures and provided services within the ALMP measures in 2007-2013
(both, state budget and EU structural funds, thousands of services):*

2007	2008	2009	2010	2011*	2012*	2013*
20,6 MEUR	15,8 MEUR	45,6 MEUR	91.1 MEUR	63,5 MEUR	20,0 MEUR	12,9 MEUR
118 thd.	106 thd.	161 thd.	288 thd.	207 thd.	145 thd.	138 thd.

* provisional data

Source: The Ministry of Welfare and the SEA

As a response to a growing number of unemployed people, registering in the SEA, the available funding for ALMP measures in 2009 and 2010 was increased by 3 and 6 times respectively, comparing to 2008.

In December 2009, average 55% registered unemployed were not receiving an unemployment benefit (65.5% in the first half of 2010 and more than 70% at the end of the year) and only 38% of those involved in ALMP measures, were receiving any kind of a financial support.

On average, 83% registered unemployed were involved in any kind of ALMP measures in 2009, 43% of them were participating in training measures, 15,6 % in subsidized employment for the most vulnerable target groups, 33% received career counselling services.

In 2010 almost 290 thd. services³ were provided to unemployed, jobseekers and employed, as well as other people being at risk of unemployment in the labour market. Almost 76 % registered unemployed were receiving any kind of financial support within the ALMP measures (allowances, wage subsidies etc.).

³ One person may receive several services or may be involved simultaneously in several measures, for example, participate in training programme and receive career counselling service.

In 2010, within the ALMP measures, 31% participated in career counseling, 22% were involved in workplaces with stipend emergency public works programme, 20% participated in short-term training for raising competitiveness, 20% took part in training programmes, 3% were involved in training for persons at risk of losing a job, 1,4% in complex inclusion measures and 1% in subsidized employment measures.

It is planned to provide more than 207 thd. services in 2011. Simultaneously, average 50% of all participants in ALMP measures could receive any kind of financial assistance. Average 30% will be participating in short-term training for raising competitiveness, 25% in career counseling, 19% in training programmes, 17% in public works programme, 5% in lifelong measures (training for employed), 3% in complex inclusion measures and 1% in subsidized employment measures.

The share of short-term crisis measures in the total amount of ALMP measures accounted 26% in 2010. In 2011 the share of crisis measures will be reduced to 17%.

With the economic situation improving, an important role is granted to job search assistance and matching activities. It is planned to improve the training measures, by targeting specific skills and improving regional mobility, and measures aimed at specific target groups, thus decreasing the risk of structural unemployment for the future.

3. Supporting measures for the most vulnerable groups of unemployed

Taking into account overall demographic trends, characterised by the low birth rates and enlarged population ageing, it is crucial to integrate all working age persons into the labour market and extend their active working life.

At the end of 2010, approximately 38% of all registered unemployed were long-term unemployed (more than 1 year), 14% were young unemployed aged 15-24 years, 11% were people at pre-retirement age (5 years before retirement), 6% were persons with special needs, 2% - persons after childcare leave and 0,3% - after imprisonment (*also see annexes for additional information*).

Employment rates for young people and people at pre-retirement age in EU and Latvia, Eurostat data:

	2007 (before crisis)		2009 IV quarter		2010 III quarter	
	EU 27 countries	Latvia	EU 27 countries	Latvia	EU 27 countries (II q.)	Latvia
Young 15-24 years	37,4%	38,4%	35,9%	24,0%	34,0%	28,9%
Pre-retirement, 55-64 years	44,6%	57,7%	46,1%	47,8%	46,4%	47,3%

Unemployment rates for young people and people at pre-retirement age in EU and Latvia, Eurostat data:

	2007 (before crisis)		2009 IV quarter		2010 III quarter	
	EU 27 countries	Latvia	EU 27 countries	Latvia	EU 27 countries (II q.)	Latvia
Young 15-24 years	15,5%	10,7%	20,4%	40,0%	20,7%	32,4%
Pre-retirement, 55-64 years	5,5%	4,4%	6,6%	16,6%	6,8%	16,7%

Comparing to 2008, a proportion has significantly increased for the long-term unemployed (15% share in 2008) and partly increased for young unemployed (13% share in 2008). Though the overall situation in the labour market is slightly improving, it has remained problematic for long-term unemployed and young unemployed with low qualification and insufficient skills.

The youth unemployment rate in Latvia considerably exceeds the average EU rate (32,4% in the 3^d quarter of 2010 - 12 percentage points more than average in EU). The impact of the youth emigration on the national economy and economic potential is becoming more evident.

The consequences of the previous property boom led to a considerable number of young unemployed with work experience in low qualified jobs, but without proper education and qualifications. At the same time, young unemployed without work experience find it difficult to join the labour market.

Currently, targeted active labour market policy measures are being implemented with the aim to provide opportunities to young unemployed for acquiring the first work experience and, simultaneously, to foster their long-term inclusion into the labour market (*see also annexes – the classification of ALMP measures*). In circumstances, where unemployment is a serious problem, voluntary work can offer invaluable work experience that can be later used when competing in the normal labour market. Therefore, special activities aimed at making voluntary work more popular and supporting it are currently pursued in Latvia.

A competitive education system plays a key role in ensuring successful integration of young people into the labour market and fosters a full use of their potential for the benefit of the national economy. Building a competitive education system is one of the main aims of Latvia, the necessary reforms have already being implemented.

There are several measures designed particularly for vulnerable groups of unemployed (see above - 5.Subsidized employment for the most vulnerable; 8.Workplaces with stipend emergency public works programme; 10.Complex inclusion measures). One of the form is subsidized employment - measures for specified groups of persons, in particular for persons of age from 15 to 24; for persons at pre-retirement age; for persons with disabilities; for persons after parental leave; for long-term unemployed; for persons after imprisonment and others). Under this measure, a person can be involved in employment relations, receiving monthly remuneration (paid by employer, but part (minimum monthly wage) is granted by state) and working under supervision of a person employed in a company (also receiving additional remuneration).

4. Minimum monthly wage

Section 61 of the Labour Law named as “Minimum Wage” does not define the terms, but sets the main provisions regarding minimum wage. In compliance with the law, a minimum wage shall not be less than the minimum level determined by the state. The minimum monthly salary within the scope of normal working time, as well as minimum hourly wage rates, shall be determined by the Cabinet of Ministers. The procedures for the specification and review of the minimum monthly wage shall be determined by the Cabinet of Ministers.

Developments of minimum monthly wage in 1992-2009, EUR, Central Statistical Bureau of Latvia:

Development of minimum wage, EUR			
As of:	Minimum wage	Gross average wage	Minimum wage in % of average wage
01.01.1992	2.9	26	10.7
01.02.1992	4.2	26	15.6
16.04.1992	6.3	26	23.3
01.06.1992	9.5	26	34.9
01.05.1993	18.9	59	31.8
01.04.1994	33.9	108	31.3
01.10.1994	40.6	104	39.0
01.04.1996	55.4	144	38.4
01.01.1998	64.8	205	31.6
01.01.1999	75.5	213	35.5
01.07.2001	109.2	289	37.7
01.01.2003	112.7	309	36.5
01.01.2004	118.3	312	37.9
01.01.2006	128.1	430	29.8
01.01.2007	170.7	566	30.2
01.01.2008	227.7	682,2	33,4

01.01.2009	256,7	656.7	39.0
01.01.2011.	284,6	636,0 (2010 III quarter)	44,7

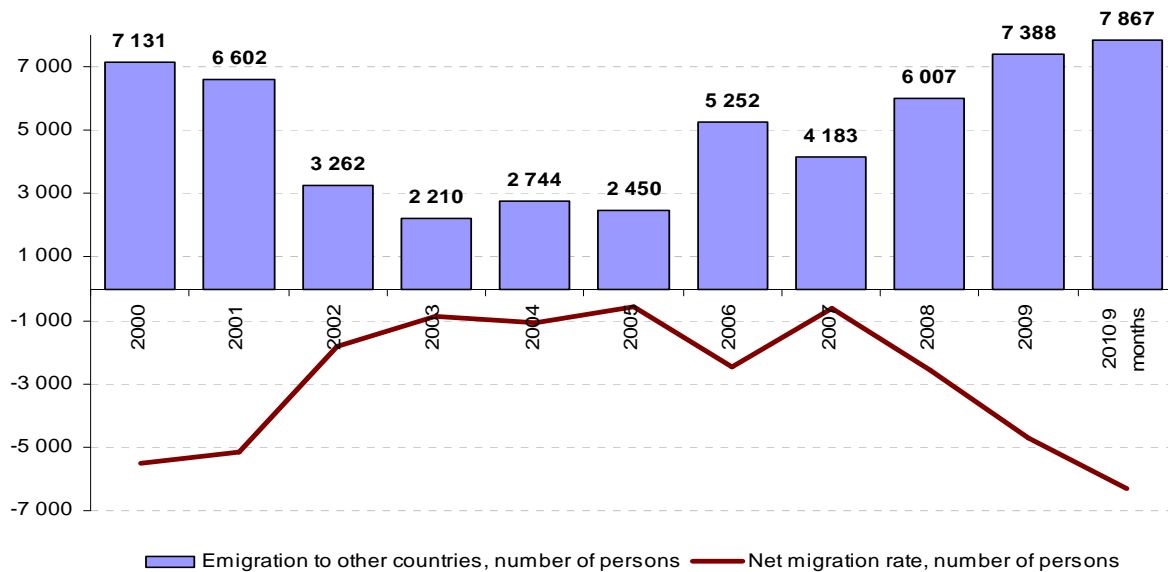
Each year, the Ministry of Welfare together with other partners, like the Ministry of Finance, the Ministry of Economics, the State Chancellery Policy co-ordination department, the Union of Local and Regional Governments of Latvia, the Free Trade Union Confederation of Latvia and the Latvian Employers' Confederation, shall evaluate the economic situation in the country and co-ordinate the amount of the minimum monthly wage. The amount of the co-ordinated minimum monthly wage and the date for amendments introduction must be approved at the meeting of the National Trilateral Co-operation Council.

Currently, the increase of minimum wage does not have a substantial impact on average wage level in the country. Growth of average wages is more determined by the labour market competition and other factors (*also see annexes for additional information*).

5. Emigration/Immigration trends

Emigration remains one of the most important issues in the Latvian labour market. According to data provided by CSB (www.csb.gov.lv), the net migration rate in Latvia remained negative in past 10 years, but long-term emigration rate has risen considerably in the past years:

Migration trends in Latvia 2000-2010, number of persons, Central Statistical Bureau of Latvia:



After a peak in 2005, workforce emigration slowed down in 2006-2007 and regained momentum in mid-2008 and especially 2009. An increase in emigration consisted 44% in 2008 and 23% in 2009. It is expected, that in 2010 the emigration will be at the highest point for the last 5 years.

Emigration problem becomes of much importance in times, when economic situation in a country is worsening. According to national surveys, number of young people wanting to gain working experience abroad, is rapidly growing. Over the recent years, a large scale migration to wealthier EU member states took place, Latvian inhabitants often took lower qualified jobs in the host countries, though there were signs of down-skilling (higher qualified people taking lower qualified jobs). The situation may be different for the present time, when, with the economic circumstances becoming less favourable, more highly qualified people are forced to emigrate to take highly qualified jobs.

SEA is gathering information about persons' interest in EURES⁴ services. At the end of 2010, the countries of most interest for working abroad were: Great Britain (35%), countries of Northern Europe (Norway – 17%, Finland – 15% and Sweden – 10%), Germany (10%), Netherlands (10%) and Denmark (9%). At the end of 2009, Ireland also was the country of much interest.

At the end of 2010, mostly viewed workplaces by sectors and groups of professions abroad were: elementary occupations (34%), in agriculture, forestry and fishing (skilled agriculture and fishery workers - 21%), skilled workers in transportation sector (10%), construction sector (builders – 10%), accommodation and food services (12%), and human health (nurses, doctors – 5%).

The other negative trend, which seems to be of much importance, is related with persons' interest in leaving the country all together, with family members (asking EURES experts working in SEA an information about pre-school institutions, social insurance system etc.).

The average estimated number of people, leaving country in 2009, based on different sources (official statistical data and academic experts' pools) might be average 30 000 persons.

The main reason for leaving, of course, is inability to find work in Latvia (it can be explained with rapid reduction in available newly created workplaces- more than 10 times during past two years, from 18 000 in December 2007 to 2259 in December 2010). The other reasons: more favourable working conditions and social security systems in other EU countries, higher remuneration etc.

According to the research made by academic experts, between 2004 and 2009, 80 000 social security numbers were granted in the UK and Ireland to persons from Latvia; another 25 000 were appealing in other European countries' statistics (persons requesting long-term residence permits, however in that case, one person may be registered several times, therefore this number can't be counted as an exact number).

The number of working Latvian citizens and non-citizens registered in the UK in the 1st half of 2010, namely 7 855, was much higher than in any other year (35% increase comparing to the corresponding period of the previous year). In 2009 average 16 000 of Latvian citizens were working in the UK (average 7 000 in 2008).

There are no specific measures in place for people returning to Latvia after an experience gained, while working abroad. In SEA, people returning to Latvia, have the possibility to receive all the support provided by the institution. People with experience gained while working abroad, are one of the target groups of employment measure "Support for business start-up and self-employment".

Talking about immigration, in recent years, other countries' nationals have mainly been employed in construction sector (there was a rapid growth in previous years, created by the necessity of employees in construction sector). In past years, there has been a shortage on the labour market of high-level officials – members of boards, chairman of boards, directors and heads (mainly in connection with foreign owners' companies, established in Latvia), as well as professionals with special skills and work experience, such as sportsman, cook of Oriental cuisine and other. Due to the economic slowdown, a demand for the labour force from the other countries is falling.

According to national jurisdiction, employer may employ a foreigner (a third-country national) only if he cannot find an appropriate employee in Latvia. Foreigners may legally work in Latvia only with a work permit. The foreigner may work with an employment contract or on the basis of another civil legal contract or by being a self-employed person in Latvia.

Number of approved work permits in 2007-2010:

<i>Country</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010 (till July)</i>
<i>USA</i>	<i>14</i>	<i>18</i>	<i>9</i>	<i>0</i>
<i>Belorussia</i>	<i>226</i>	<i>129</i>	<i>48</i>	<i>42</i>
<i>India</i>	<i>89</i>	<i>90</i>	<i>66</i>	<i>13</i>
<i>China</i>	<i>47</i>	<i>70</i>	<i>31</i>	<i>5</i>
<i>Russia</i>	<i>198</i>	<i>220</i>	<i>181</i>	<i>101</i>

⁴ The European Job Mobility Portal.

<i>Ukraine</i>	961	1087	659	215
<i>Moldavia</i>	847	487	43	3
<i>Uzbekistan</i>	343	223	9	9
<i>Thailand</i>	68	238	13	4
<i>Armenia</i>	90	50	23	5
<i>Other countries</i>	230	288	74	23
Total:	3113	2900	1156	420

Source: State Employment Agency of Latvia

A work permit to a foreigner may issued by the Office of Citizenship and Migration Affairs on the basis of a visa, residence permit, or an asylum seeker's identity document.

6. New measures affecting the level of income support available to job losers from unemployment benefit schemes

Generally, the duration of the unemployment benefit depends on the social insurance record:

- 1) for 1 to 9 years, the benefit is paid for 4 months;
- 2) for 10 to 19 years, the benefit is paid for 6 months;
- 3) for 20 or more years of social insurance record, the benefit is paid for 9 months.

For the period from July 1st 2009 to December 31st 2011 an amendment to the system is effective establishing that the duration of the unemployment benefit is extended to 9 months for those who were eligible for unemployment benefit of 4 or 6 months previously:

- by paying 45 LVL (EUR 64,04 EUR) for the months 5,6,7,8,9 (if the person was eligible to the unemployment benefit for 4 months), but not more than 50% from the granted amount of the benefit;
- and 45 LVL (EUR 64,04 EUR) for the months 7,8,9 (if the person was eligible to the unemployment benefit for 6 months), but not more than 50% from the granted amount of the benefit;
- the benefit amount people get for the first 4 or the first 6 months respectively is however not changing because of this amendment (it stays the same).

As from July 1st 2009 an amendment (permanent) to the system is effective establishing that social insurance contributions have to be paid for at least 9 months during the previous 12 months (previously it was 12 months during the previous 18 months) period prior to becoming unemployed in order for being eligible to the unemployment benefit.

As from January 1st 2010 an amendment (permanent) to the system is effective establishing that the calculation period for the amount of the unemployment benefit is extended from 6 to 12 months in order to reduce the importance of the wage a person gets in the last months before becoming unemployed.

For the period from January 1st 2010 to December 31st 2012 an amendment to the system is effective establishing that if the calculated unemployment benefit (according to the common system) per calendar day exceeds 11,51 LVL (EUR 16,38) than the amount of the unemployment benefit for the calendar day that is being paid out is the sum of 11,51 LVL (EUR 16,38) and 50% from the amount of the calculated unemployment benefit exceeding the 11,51 LVL (EUR 16,38) (*see also information given in annexes*).

7. National Reform Programme of Latvia for the Implementation of the “Europe 2020” Strategy (NRP)

The NRP draft of Latvia, developed at the end of 2010, describes the medium-term macroeconomic scenario, macro-structural challenges/bottlenecks of Latvia and key reform directions, as well as headline targets of Latvia for 2020 in the context of the “Europe 2020” strategy and key policy directions to achieve them.

On the one hand, the NRP draft of Latvia is based on the Integrated guidelines, but on the other hand it is based also on the national priorities and targets of Latvia, defined in other policy planning documents, for example, the Sustainable Development Strategy of Latvia “*Latvia 2030*”, as well as the Strategic Development Plan of Latvia for 2010-2013. Moreover, the NRP of Latvia is closely related to the *Convergence Programme of Latvia* and both programmes will be submitted together to the European Commission by the end of April 2011.

Main macro-structural challenges/bottlenecks of Latvia to growth and employment, defined in NRP, are as follows: reducing the high general government structural deficit; ensuring a well functioning and stable financial sector in the light of the ongoing deleveraging of the private sector; promoting rebalancing the economy towards the tradable sectors and raising productivity levels; avoiding high unemployment from becoming structural and ensuring better matching of labour market needs; addressing the weaknesses in the business environment, ensuring efficient use of EU structural funds and adequate access to finance for companies with a view of favouring productive investment.

The main goal of Latvia is to foster growth and employment by ensuring the annual average growth of GDP in the medium-term by 4–5% and high employment level (73%) by 2020.

Key policy directions and measures for reduction of the risk of structural unemployment in the following years are:

- *Improvement of lifelong learning system:*
 - Offering flexible vocational education programmes according to short-term labour demand and ensuring possibility in primary vocational education to acquire several professional qualifications in the framework of one educational programme;
 - Developing national qualifications framework and introducing credit system for common assessment, accumulation and transfer of knowledge, skills and competences;
 - Ensuring assessment of professional competences obtained outside the formal education system;
 - Raising the competence of teachers and practice supervisors engaged in general education, primary vocational education and vocational further education, by ensuring renewal of skills, particularly with regard to the modernized education content, innovations and knowledge-based economy, by enhancing competitiveness of labour force;
 - Ensuring the opportunity for secondary school graduates to acquire professional qualification corresponding to the 2nd and 3rd level of professional qualification;
- *Further development of active labour market programmes- ALMPs:*
 - Carrying out regular evaluations of existing ALMPs in order to further develop those as well as analyzing best practice examples and approaches to implementing ALMPs in other countries; timely identification of labour market needs;
 - Improving service delivery systems to the unemployed and other economically active by introducing new service provision systems like “training vouchers” with accompanying performance monitors;
 - Further developing ALMPs for the most vulnerable groups of unemployed (people with disabilities, long term unemployed and other);
- *Structural changes in vocational education:*

- Implementing the optimization and differentiation of vocational education institutions' network;
 - Ensuring modernization of training equipment and improvement of infrastructure for implementation of vocational education programmes;
 - Fostering development of vocational colleges, ensuring modernisation of training equipment and improvement of infrastructure with the aim to ensure preparation of secondary professional qualification specialists required in the labour market;
- *Modernization of higher education:*
 - In order to ensure knowledge and human resources base necessary for knowledge economy, to improve financing system of higher education, by introducing a result-oriented higher education and science financing model with the aim to ensure consolidation of higher education and scientific resources and their efficient use while preserving their availability;
 - Improving the quality of study programmes and their competitiveness, by carrying out the international evaluation of resource adequacy and sustainability by applying properly developed methodology;
 - *Fostering youth employment:*
 - Improving the integration of youth in the labour market, by implementing integrated measures, which include instructions, recommendations, apprenticeship, traineeship or other work experience;
 - Promoting the return of early school leavers, by ensuring simplified procedures of knowledge level's assessment and study renewal.

7.1. The employment target set in EU 2020 Strategy

The unemployment rate has increased substantially and the employment rate has lessened along with a decline in the economic activity. Due to the significant decline in labour demand, the employment rate in 2009 compared to 2008 was by 8.7 percentage points lower and constituted 67.1% (population aged 20-64).

Employment target's achievement trajectory (population aged 20-64 years):

	2008	2009	2010	2015	2020
Number of population (aged 20-64)	1400.3	1403.9	1405.3	1390.4	1322.1
Number of employed (aged 20-64)	1061.1	941.9	907.5	958.4	965.1
Employment rate, %	75.8	67.1	64.6	68.9	73.0

Policy directions for improvement of labour supply:

- Ensuring flexible and responsive ALMPs and lifelong learning policy measures in line with the prevailing labour market situation, by further developing the existing and launching new ones, and gradually shifting from short-term/ crisis- related measures to longer term ALMPs and paying particular attention to the most vulnerable groups;
- Contributing to quality of jobs; further development of contractual working arrangements including with regard to health and safety at work;
- Timely identification of labour market needs among others by developing systems for anticipation of future labour market shortages and skills gaps; operating performance monitors of ALMPs service providers;
- Combating undeclared work;
- Promoting self-employment and entrepreneurship;
- Ensuring further development of social infrastructure and care services and improvements in accessibility and affordability of such services;
- Reforms of education system, by improving education programmes according to the labour market requirements.

Policy directions for fostering labour demand:

- Structural reforms in goods and services markets;
- Improvement of business environment.

Economic growth and demographic developments and migration have the most important impact on the employment rate. At the same time, there are shortcomings in the labour market itself that are preventing Latvia from achieve the highest possible employment rate at any economic circumstances, like insufficient skills and qualification of the workforce, high tax wedge on low income earners, high level of emigration, weak internal regional labour mobility, insufficient supply of social services not facilitating labour market participation etc.

Annex 1: Labour force participation, employment and unemployment rate

	2007	2008				2009				2010	
		I quarter	II quarter	III quarter	IV quarter	I quarter	II quarter	III quarter	IV quarter	II quarter	III quarter
Labor force participation rate (population aged 15-64)	72,9	74,7	74,3	74,6	74,0	75	74,1	73,5	73,0	73,5	74,1
Employment rate (population aged 15-64)	68,4	69,6	69,5	69,0	66,5	64,3	61,4	59,8	58,4	58,9	60,6
Youth employment rate (population aged 15-24)	38,5	40,1	38,2	39,4	31,2	29,6	28,3	28,9	23,9	-	-
Unemployment rate (population aged 15-64)	6,2	6,8	6,6	7,5	10,1	14,3	17,2	18,6	20,1	14,6	13,5
Youth unemployment rate (population aged 15-24)	10,9	10,7	11,9	12,2	18,5	28,2	30,5	35,3	40,4	34,7	32,4
Long-term unemployment rate (unemployed more than 12 months out of the total)	26,6	27,3	26,8	26,0	23,8	24,8	24,1	26,4	30,5	37,0	47,7

Source: Central Statistical Bureau of Latvia, %

Annex 2: Employment rate for those aged 15-64 in Latvia

	Total	Men	Women
2004	62,3	66,4	58,5
2005	63,3	67,6	59,3
2006	66,3	70,4	62,4
2007	68,3	72,5	64,4
2008	68,6	72,1	65,4
2009'1 quarter	64,3	64,2	64,3
2009'2 quarter	61,4	61,6	61,2
2009'3 quarter	59,8	60,9	58,8
2009'4 quarter	58,4	57,5	59,2
2010'1 quarter	57,7	55,9	59,4
2010'2 quarter	58,9	58,4	59,4
2010'3 quarter	60,6	61,0	60,2

Source: Eurostat, %

Annex 3: Employment rate for those aged 15-64 in Latvia and EU

	Latvia	EU average
2000	57,4	63,2
2001	58,9	63,9
2002	60,5	64,2
2003	61,7	64,4
2004	62,3	64,6
2005	63,3	64,0
2006	66,3	64,8
2007	68,3	65,4
2008	68,6	65,9
<i>2008 I quarter</i>	69,6	65,5
<i>2008 II quarter</i>	69,5	66,0
<i>2008 III quarter</i>	69,0	66,4
<i>2008 IV quarter</i>	66,5	65,8
2009	60,9	64,6
<i>2009 I quarter</i>	64,3	64,6
<i>2009 II quarter</i>	61,4	64,8
<i>2009 III quarter</i>	59,8	64,8
<i>2009 IV quarter</i>	58,4	64,4
2010 I quarter	57,7	63,6
2010 II quarter	58,9	64,3
2010 III quarter	60,6	-

Source: Eurostat, %

Annex 4: Activity rate for those aged 15-64 in Latvia and EU

	Latvia	EU average
2000	67,1	69,0
2001	68,0	69,0
2002	69,8	69,6
2003	69,1	70,1
2004	69,2	70,5
2005	69,6	70,3
2006	71,3	70,7
2007	72,8	70,5
2008	74,4	70,9
<i>2008 I quarter</i>	74,7	70,5
<i>2008 II quarter</i>	74,3	70,9
<i>2008 III quarter</i>	74,6	71,3
<i>2008 IV quarter</i>	74,0	71,0
2009	73,9	71,1
<i>2009 I quarter</i>	75,0	70,8
<i>2009 II quarter</i>	74,1	71,1
<i>2009 III quarter</i>	73,5	71,3
<i>2009 IV quarter</i>	73,0	71,0
I quarter 2010	72,7	70,8
II quarter 2010	73,5	71,1
III quarter 2010	74,1	-

Source: Eurostat, %

Annex 5: Employment by the kind of economic activity

	2008	2009	2010'3 q.
Total (%)	100,0%	100,0%	100,0%
Agriculture, hunting and forestry	7,9	8,8	8,8
Manufacturing and energy	17,6	16,2	16,3
Construction	11,4	7,8	7,3
Wholesale and retail trade; repair of cars, motorcycles and personal and household goods, hotels and restaurants	18,9	19,1	19,3
Transport, storage and communications	11,0	11,4	11,7
Financial intermediaries, real estate, renting and business activities	7,8	9,2	10,0
Public administration and defense; compulsory social security	7,7	7,9	6,5
Education	8,3	9,1	10,1
Health and social services	4,7	5,3	5,0
Other	4,7	5,2	4,9

Source: Central Statistical Bureau of Latvia, %

Annex 6: Breakdown of employed persons by age

	2005	2006	2007	2008	2009	2010'3 q.
Total men and women (%)	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
15-24 years	11,3	11,8	12,3	11,8	9,6	9,8
25-34 years	23,4	23,3	22,9	23,0	23,8	25,7
35-44 years	26,1	25,2	24,1	24,0	24,7	24,9
45-54 years	23,6	23,4	23,8	23,7	24,9	24,7
55-64 years	12,5	12,6	13,0	13,3	13,6	12,6

Source: Central Statistical Bureau of Latvia, %

Annex 7: Status of employed persons working in the main job

	2006		2007		2008		2009		2010 3 q.	
	men	women	men	women	men	women	men	women	men	women
Total %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Employees	86,7	90,2	87,1	91,8	86,7	90,2	87,1	91,8	85,8	91,6
Employers	4,2	2,6	4,4	1,9	4,2	2,6	4,4	1,9	5,4	2,0
Self-employed	7,6	5,7	7,0	4,7	7,6	5,7	7,0	4,7	7,3	4,6
Unpaid person*	1,6	1,4	1,5	1,6	1,6	1,4	1,5	1,6	1,5	1,7

* helping to other family members in an enterprise etc.

Source: Central Statistical Bureau of Latvia

Annex 8: Breakdown of employed persons by occupation

	2006		2007		2008		2009		2010 3 q.	
	men	women	men	women	men	women	men	women	men	women
Total %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Legislators, managers, senior officials	10,0	7,5	9,6	7,1	10,0	7,5	9,6	7,1	12,9	7,5
Professionals	7,9	18,2	8,9	18,5	7,9	18,2	8,9	18,5	10,0	23,3
Technicians, associate professionals	11,1	16,9	11,1	21,6	11,1	16,9	11,1	21,6	10,8	14,9
Clerks	1,8	9,5	2,1	7,6	1,8	9,5	2,1	7,6	2,7	9,2
Service workers, store and market sales workers	5,6	20,3	6,0	19,6	5,6	20,3	6,0	19,6	6,0	22,3
Skilled agriculture and fishery workers	6,9	5,9	5,4	4,6	6,9	5,9	5,4	4,6	5,2	2,9
Craft and related trade workers	26,9	6,7	27,3	6,1	26,9	6,7	27,3	6,1	19,2	4,0
Plant and machine operators and assemblers	17,2	3,2	16,7	2,8	17,2	3,2	16,7	2,8	17,7	2,2
Elementary occupations	12,1	11,6	12,6	11,9	12,1	11,6	12,6	11,9	14,7	13,5

Source: Central Statistical Bureau of Latvia

Annex 9: Employed persons working full-time and part-time work

	2006		2007		2008		2009		2010 3 q.	
	men	women	men	women	men	women	men	women	men	women
Total %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100%
Full-time workers	95,3	91,6	95,1	92,0	95,3	91,6	95,1	92,0	91,3	
Part-time workers	4,7	8,4	4,8	8,0	4,7	8,4	4,8	8,0	8,6	

Source: Central Statistical Bureau of Latvia

Annex 10: Employed persons by hours actually worked per week

	2005	2006	2007	2008	2009	2010'3 q.
Total %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
0 hours	3.2	3.8	3.2	5.1	5.7	6,8
1-39 hours	15.1	12.9	12.0	14.9	16.8	12,3
40 hours	55.1	57.5	63.8	63.8	63.7	70,9
More than 41	26.7	25.6	20.1	15.8	13.1	9,2
Not indicated	...	0.2	0.9	0.4	0.8	0,8

Source: Central Statistical Bureau of Latvia

Annex 11: Breakdown of self-employed (employers, self-employed, unpaid persons) by age and gender

	2008		2009	
	men	women	men	women
Total %	100.0%	100.0%	100.0%	100.0%
15-24 years
25-34 years	17.6	13.6	18.2	13.6
35-44 years	30.7	25.5	29.9	22.6
45-54 years	26.2	31.7	25.5	30.9
55-64 years	12.5	15.2	15.4	20.8
65-74 years	6.4	12.0	5.8	8.4

Source: Central Statistical Bureau of Latvia

Annex 12: Participation in life-long learning within 4 weeks before survey

	2008			2009		
	total	men	women	total	men	women
Total	6.8	4.3	9,0	5.3	3.6	6,9
25-34	11.7	8.4	15.1	10.1	7.7	12.5
35-54	5.8	2.9	8.4	4.7	2.6	6.6
55-64	2.2	1.4	2.9	1.5	1.0	1.9

Source: Central Statistical Bureau of Latvia (share in total number in corresponding age group)

Annex 13: Unemployment rate in Latvia and the EU

	Unemployment rate in Latvia	Average in EU
2002	12,2	8,9
2003	10,5	9,0
2004	10,4	9,1
2005	8,9	8,9
2006	6,8	8,2
2007	6,0	7,1
2008	7,5	7,0
2009	17,5	9,0
I quarter 2009	14,3	8,8
II quarter 2009	17,2	8,9
III quarter 2009	18,6	9,1
IV quarter 2009	20,1	9,4
I quarter 2010	20,7	10,2
II quarter 2010	19,8	9,6
III quarter 2010	18,2	

Source: Eurostat, %

Annex 14: Registered unemployment rate and number of unemployed

Year	Month	Registered unemployment rate (%)	Number of unemployed	Trend (pp for previous period, year or month)
2002		7,6	89735	
2003		8,6	90551	+ 1,0
2004		8,5	90800	- 0,1
2005		7,4	78482	- 1,1
2006		6,5	68944	- 0,9
2007		4,9	52321	- 1,6
2008		7,0	76435	+ 2,1
2009	January	8,3	90436	+ 1,3
	April	11,0	123127	+ 0,3
	July	11,8	132519	+ 0,3
	October	14,1	157897	+ 1,0
	2009	12,1	134513	+ 5,1 comparing to 2008
2010	January	16,6	186295	+ 0,6
	February	17,1	192032	+ 0,5
	March	17,3	194253	+ 0,2
	April	16,7	189881	- 0,6
	May	16,2	183476	- 0,5
	June	15,6	176879	- 0,6
	July	15,3	173301	- 0,3
	August	15,0	169676	- 0,2
	September	14,6	165386	- 0,4
	October	14,3	162497	- 0,3
	November	14,3	161816	0,0
	December	14,3	162463	0,0

Source: State Employment Agency of Latvia

Annex 15: Announced vacancies⁵ and number of unemployed

Year	Month	Registered announced vacancies in the PES	Number of registered unemployed	Number of unemployed per one vacancy
2007	October	21986	52383	2,38
	November	20342	51660	2,54
	December	18147	52321	2,88
2008	January	17662	53325	3,02
	April	12535	52897	4,22
	July	10321	55436	5,37
	August	11001	56333	5,12
	November	5337	67065	12,57
	December	3205	76435	23,85
	2009	January	2549	90436
April	2409	123127	51,11	
July	2027	132519	65,38	
October	1836	157897	86,00	
December	1389	179235	129,04	
2010	January	1594	186295	116,87
	February	1560	192032	123,10
	March	1696	194253	114,54
	April	2111	189881	89,95
	May	2533	183476	72,43
	June	2672	176879	66,20
	July	3279	173301	52,85
	August	3551	169676	47,78
	September	3395	165386	48,71
	October	3237	162497	50,20
	November	2837	161816	57,04
	December	2259	162463	71,92

Source: State Employment Agency of Latvia

⁵ There are several internet portals and other sources providing information about newly created workplaces, therefore in table provided data allows to see common trends on the labour market, but does not completely feature the situation on the labour market (at present, only vacancies registered by PES are analyzed).

Annex 16: Classification of ALMP Measures in Latvia

	Implemented since	Crisis alleviation measures	Special measures for vulnerable groups of unemployed	Special measures for young unemployed	Allowance is payable during the participation period (LVL)	Wage subsidy is payable during the participation (LVL)	Additional support for persons with special needs	Short-term training courses	Voucher system is used or will be used starting with 2011	Lifelong learning initiatives for adults
1. Placement and job-search assistance	1991									
2. Vocational training, requalification, qualification improvement and non-formal training	1991				70 LVL					
3. Measures to enhance competitiveness	1991									
4. Career counselling and vocational guidance	1991									
5. Subsidised employment for the most vulnerable groups of unemployed	2002					max 200 LVL*				
6. Measures to support the unemployed to enter self-employment or entrepreneurship	2007				commercial grant 2000 LVL and 6 months minimum monthly wage (200 LVL)					
7. Lifelong learning programmes for adults	2010									
8. Workplaces with stipend emergency public works programme	2009				100 LVL					
9. Training vouchers for employed with reduced working hours	2009-2010				70 LVL					
10. Complex inclusion measures	2007									
11. National project "Training and working practice for assistants of SEA inspectors"	2010-2011									
12. Training for the unemployed with unfinished tertiary education	only in 2010									
13. Public works programme	2012									
14. Youth workshops	2011				40 LVL (60 LVL')					
15. Support for youth volunteer work	2011				40 LVL (60 LVL')					
16. Workplace for a young unemployed	2011					6 x 100 LVL (150 LVL) 3 x 50 LVL (100 LVL)^				

* the wage subsidy amounts 50% from the monthly wage expenses, but do not exceed minimum monthly wage amount; for people with special needs, the wage subsidy amounts the minimum monthly wage in the country

^ 6 months 100 LVL wage subsidy (per month) is payable or 150 LVL subsidy for young unemployed with special needs; another 3 months - 50 LVL or 100 LVL wage subsidy

' for young unemployed with special needs

Annex 17: Expenditures on ALMP Measures (mio LVL) and number of participants

	2007	Persons	2008	Persons	2009	Persons	2010	Persons	2011	Persons	2012*	Persons	2013*	Persons
Training measures	3,5	3 551	3,9	8 657	14,9	31 171	24,93	51 423	16,75	32 323	2,37	6 693	1,37	3 411
Lifelong learning training vouchers	-	-	-	-	-	-	0,90	5 060	1,68	9 564	1,72	7 000	1,15	5 443
Training of employed at risk of losing a job	-	-	-	-	0,68	2 421	3,41	5 798	-	-	-	-	-	-
Measures to enhance competitiveness	3,2	56 207	1,4	17 338	0,33	37 164	0,59	57 529	0,6	57 075	0,6	57 075	0,6	57 075
Career counseling and vocational guidance	0,54	44 252	n/a	67 939	n/a	55 084	0,38	91 364	0,27	66 295	0,27	66 295	0,27	66 295
Business and self-employment start-ups	-	-	0,15	93	0,24	270	0,44	239	0,62	567	0,62	618	0,62	649
Regional mobility	-	-	0,0007	18	0,003	13	-	-	-	-	-	-	-	-
Practice at a workplace	2,06	691	0,35	550	-	-	-	-	-	-	-	-	-	-
Workplaces with stipend	-	-	-	-	8,1	18 062	27,24	68 919	14,02	32 304	-	-	-	-
Public works	1,87	10 284	3,0	9 983	3,5	11 137	-	-	-	-	-	-	-	-
Subsidized employment for the most vulnerable	3,2	3 088	2,3	1 136	2,4	1 805	2,57	3 132	4,77	2 668	3,99	1 919	2,61	1 199
Complex inclusion programme (complex inclusion measures)	-	-	-	-	1,9	3 624	3,30	4 035	5,88	6 600	4,48	5 775	2,48	4 190
Other small-scale measures	0,08	89	0,07	10	-	-	0,23	311	-	-	-	-	-	-
TOGETHER:	14,5	118 162	11,1	105 724	32,04	160 751	63,99	287 810	44,59	207 396	14,05	145 375	9,10	138 262
ESF	6,05		1,7		25,26		57,40		38,26		7,64		2,96	
State budget	8,44		9,4		6,77		6,59		6,33		6,41		6,14	

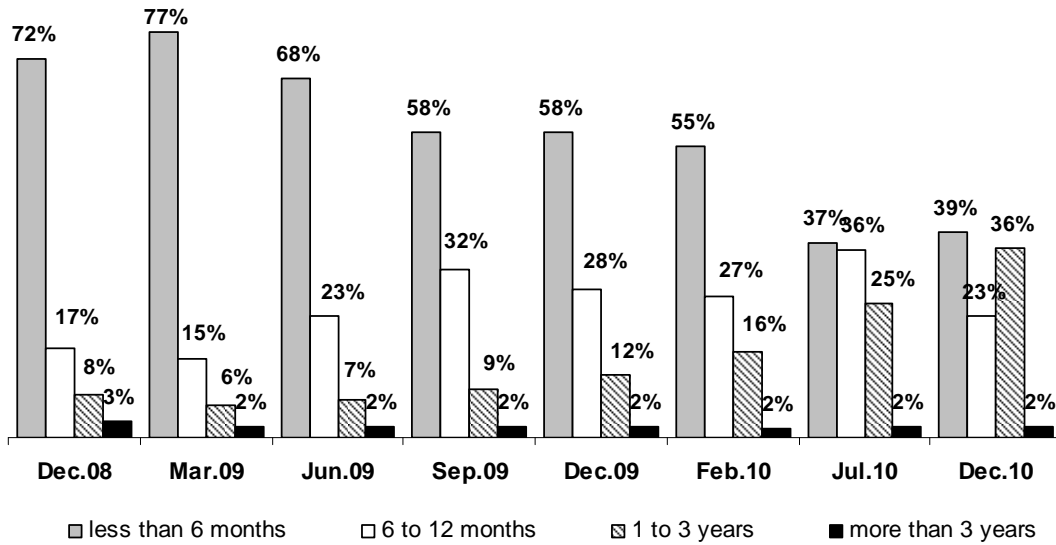
- these measures were not implemented in the corresponding year

Planned ESF financing and special state budget, without accounting of possible reduction due to budget consolidation; planned number of participants is not known exactly, calculated

* taking into account data available for 2011

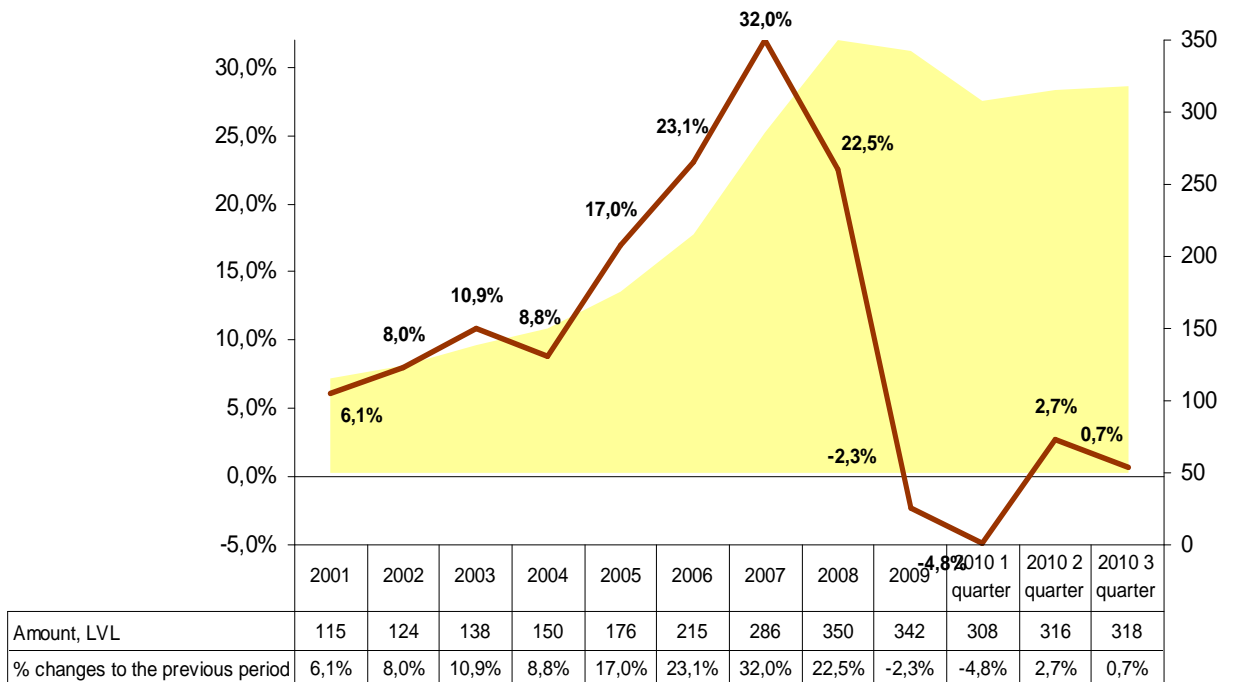
Source: State Employment Agency of Latvia

Annex 18: Breakdown of registered unemployed by length in unemployment



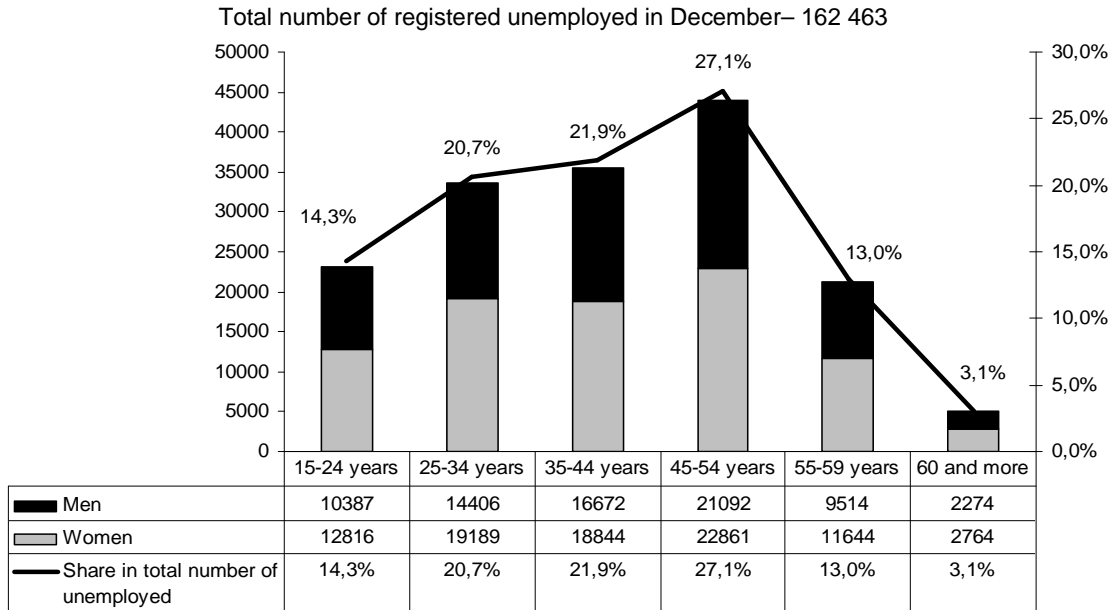
Source: State Employment Agency of Latvia

Annex 19: Average net monthly wage developments



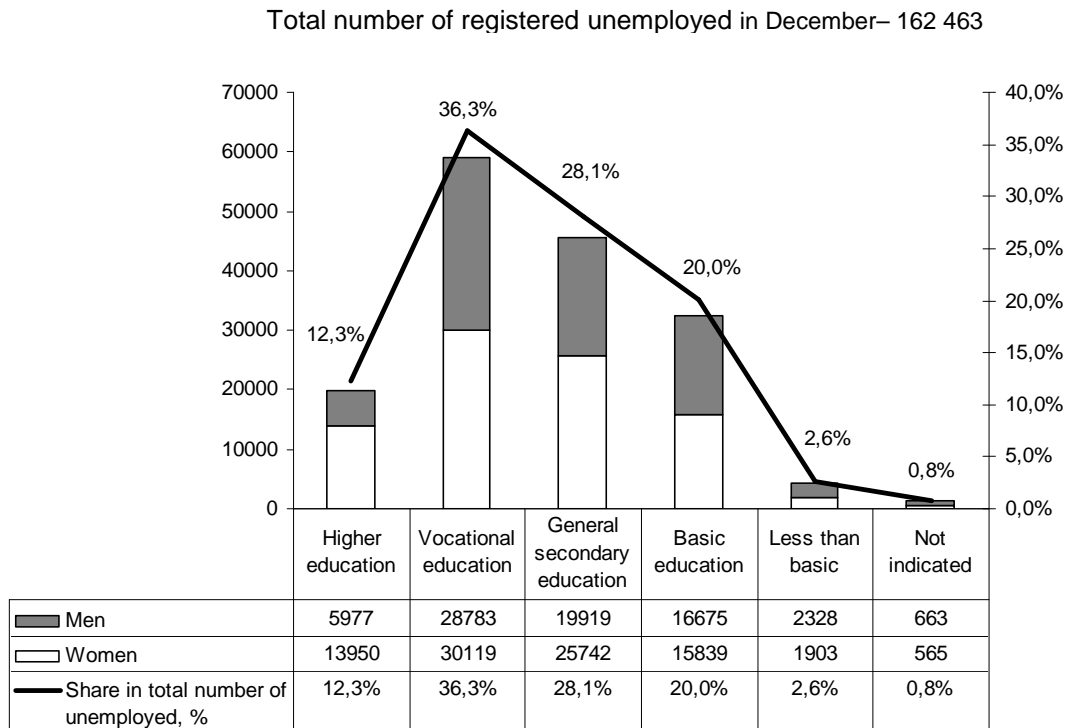
Source: Central Statistical Bureau

Annex 20: Breakdown of registered unemployed by age



Source: State Employment Agency of Latvia, December 2010

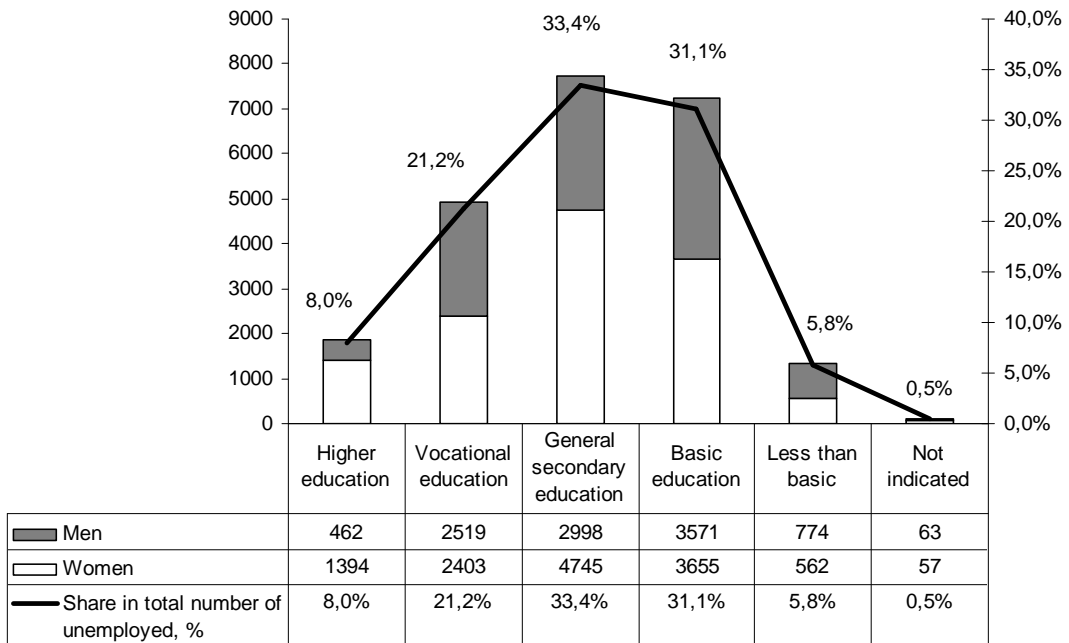
Annex 21: Breakdown of registered unemployed by education attained



Source: State Employment Agency of Latvia, December 2010

Annex 22: Breakdown of young registered unemployed aged 15-24 years by education attained

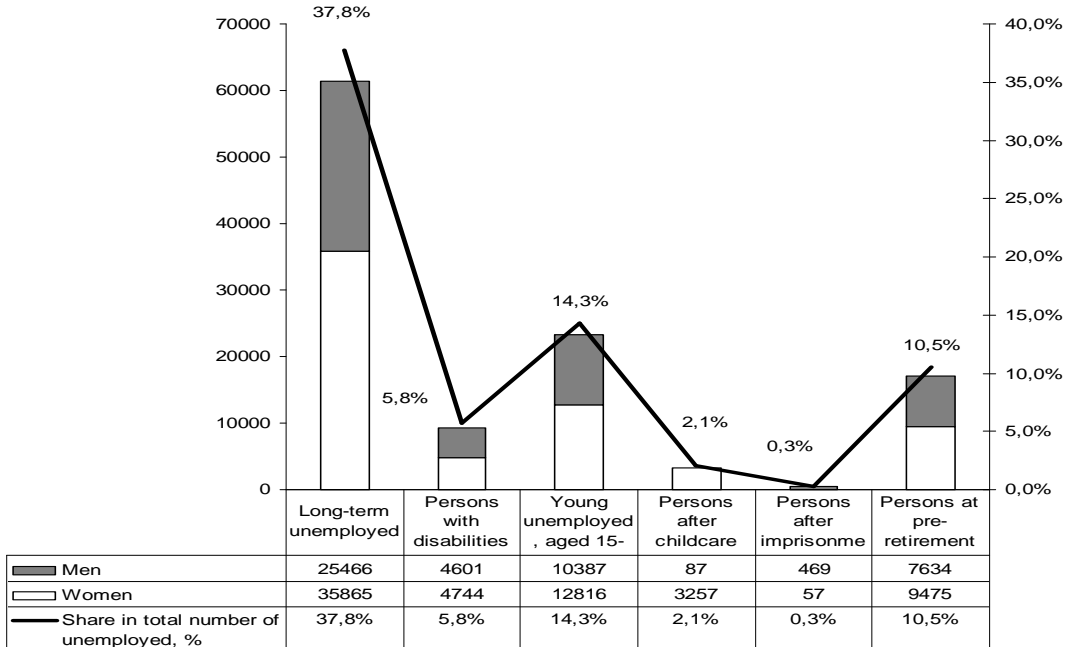
Young unemployed in December – 23 030



Source: State Employment Agency of Latvia, December 2010

Annex 23: Vulnerable groups of registered unemployed

Registered unemployed in December– 162 463, (54% - women, 46% – men)



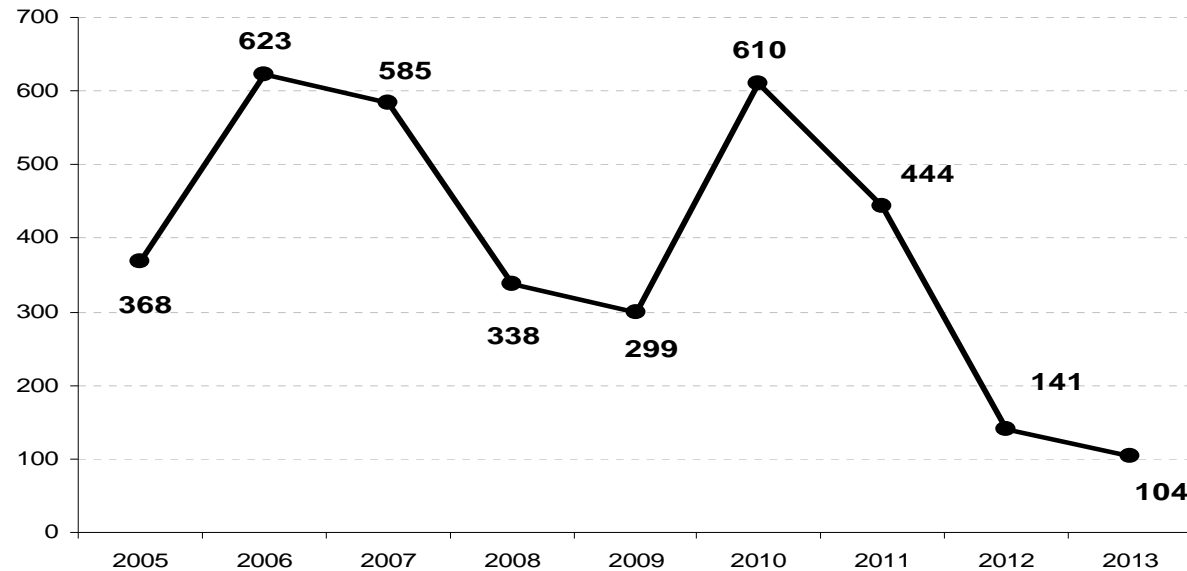
Source: State Employment Agency of Latvia, December 2010

**Annex 24: Changes in unemployment benefits and length of unemployment status
(from 1st July 2009 till 31st December 2011)**

Insurance period:	Unemployment benefit from average monthly income (6 months)	Payable part of unemployment benefit by month in unemployment								
		1	2	3	4	5	6	7	8	9
1-9 years	50%	100%	100%	75%	75%	64 EUR*	64 EUR*	64 EUR*	64 EUR*	64 EUR*
10-19 years	55%	100%	100%	75%	75%	50%	50%	64 EUR*	64 EUR*	64 EUR*
20-29 years	60%	100%	100%	100%	75%	75%	75%	50%	50%	50%
30 and more	65%	100%	100%	100%	75%	75%	75%	50%	50%	50%

* but not more than 50% from the granted amount of the benefit

Annex 25: Expenditures on ALMP measures per one registered unemployed (EUR)



Source: State Employment Agency of Latvia (yearly expenditures divided to the average number of registered unemployed in the corresponding year)