1. Policy, economic and institutional/legal background in Latvia

1.1. Labour market context

Rapid economic growth (annual increase of GDP by 6.4% in the period 1996-2004, \(^1\) 10.6% in 2005, 11.9% in 2006\(^2\)), has favoured labour market in Latvia. In 2005\(^3\), economically active population (employed and jobseekers) formed 69.5% of population aged 15-64, or 62.6% of population aged 15-74. The share of economically active population differs among age groups and genders. It is notably lower than average in age group 15-24 (37.4% of population in the group), and higher for men in all age groups (74.3 for men and 65% for women aged 15-64, 69.1% for men and 56.8% for women aged 15-74).

63.4% of population aged 15-64 or 57.1% of population aged 15-74 were employed. Employment rate is notably lower (32.6%) in age group 15-24, and it is higher for men (in age group 15-64 years 67.6% for men and 59.5% for women). Since 1996, the average share of employed persons has constantly increased in average and for population aged 55-64, but decreased for population aged 15-24.

In the age group 55-64, 54.2% were economically active, and 48.2% were employed.

In end of 2006, 1.1 million people were employed, and 71.8 thousand were unemployed \(^4\). Unemployment rate was 6.1% for people aged 15-74% (6.4 for men and 5.9% for women) or 6.3% for people aged 15-64 (6.4% for men and 6.1% for women). At the same time there were 20.4 thousand vacancies, of which almost 4.5 thousand vacancies were in manufacturing, 2.3 thousand in trade, 2.6 thousand in transport sector, and 3.9 thousand in public administration.

Wage level has been constantly increasing. Real wage and salary index was 7.8% in 2003, 2.4% in 2004, 9.7% in 2005, and 15.6% in 2006; average gross monthly salary was just 430 EUR.

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\(^1\) National Action Plan for Employment (NAPE) 2005, Informative part, p. 7 (in Latvian)
1.2. Relevant policy development

In Latvia, employment policy is responsibility of the LR Ministry of Economy. Implementation of employment policy is responsibility of the State Employment Agency (SEA), assistance in professional orientation is responsibility of the Professional Career Counselling State Agency (PCCSA). The Social Integration Centre is training and rehabilitation centre for people with special needs. These organisations are under supervision of the LR Ministry of Welfare. The Vocational Education Development Agency (VEDA) operates under supervision of the LR Ministry of Education and Science. The main task of VEDA is to facilitate education, further education and science.

Main policy documents are National Action Plan for Employment (NAPE) and National Development Plan (NDP). Employment policy in Latvia is built on the approach, that state employment institutions’ services must be available, affordable and within reach for all population who need assistance in order to get job or to get better job.

Disadvantaged people are identified as a special target group in the national employment policy. People from disadvantaged groups benefit from the mainstream services such as information services about job vacancies, training, career development services and other. The employment policy also includes specific tasks regarding disadvantaged groups.

Labour Law, the main legislation act that regulates industrial relations, prohibits any discrimination in recruitment and selections, and sets forth obligation for employer to adjust working environment and provide equal rights principle regarding disabled people (rights to establish working relationship, to career development and professional training and other), unless this obligation does not create for employer incommensurate burden.

Law on support to unemployed and job seekers sets forth general framework for assisting unemployed people. The law establishes definition of unemployed person, determines two main groups of employment policy measures, namely, active employment measures and preventive employment measures, and describes measures in each of the group. Active employment measures include: professional training, re-training and increasing qualification; paid temporary work; measures for increasing competitiveness; measures for selected population groups; measures for encouraging starting of commercial activities or self-employment. Selected population groups are: population in age 15-24 (including); disabled persons, persons with mental disadvantage (measure “Supported job”); parents after child care leave; persons within five years before retirement; long-term unemployed (recorded as unemployed with the SEA more than one year); persons after imprisoning and others according with definition of the NAPE.

Preventive measures are professional orientation and counselling services.

In 2007, Latvian Saeima adopted amendments to this law introducing new measures for increasing competitiveness of unemployed persons and job seekers and financing of these measures. In active employment measures, the agreement for individual planning will be switched to the individual job seeking plan for active seeking for job. Parents after child care will be assisted for six month period after end of the paid child care leave (before two month period).
National Action Plan for Employment (NAPE) 2005 includes wide spectrum of measures for assisting disadvantaged groups. The plan includes 10 groups of measures, of which two are directly focused on unemployed. The first group includes active and preventive measures for job seekers (unemployed persons) and passive population. The group includes mainstream services, such as professional training and retraining of unemployed, professional orientation services and others. Wide spectrum of services is offered for disadvantaged groups, for instance, measures for increasing competitiveness for youngsters (employment in summer) and in cases of collective redundancies, as well as special measures for target groups of unemployed persons (increasing of motivation to work, instructorship, consultations on starting business and other), paid temporary works, measures for special groups, such as subsidised works for disabled persons and subsidised works for other ‘problem’ groups.

Measure 7 refers to facilitating of integration of population groups that are exposed to social exclusion risk, and extermination of any discrimination. The groups of people exposed to high risk in the labour market are long-term unemployed, unemployed youngsters, elderly unemployed, disabled persons, ex-convicted persons, persons after child care, people without skills in the official – Latvian language, people with low education level.

In 2004 the scale of such population groups was as follows. 23.2 thousand unemployed (25.6% of total) were long-term unemployed. 11.6 thousand unemployed (12.8%) were population in age 15-25. 3.3 thousand unemployed (3.6%) were disabled persons. 9.9 thousand unemployed (10.9%) were persons after child care. 8.3 thousand unemployed (9.1%) were persons within five year before official retirement age. 562 unemployed (0.6%) were ex-convicted persons. The unemployment level was higher (15.2% compared with 9.2%) for people without skills in Latvian.

Measures for special groups include: practices with employer for young unemployed persons, subsidised work places for persons over 55, subsidised work places for unemployed disabled persons, subsidised employment measures for disabled persons, social business enterprises for workers with less competitiveness, measures for persons with mental disorders.

National Development plan (NAP) focuses on facilitating of economic growth on the basis of knowledge, and on the strategic goal - an increase in the quality of life of population. Three priorities are set forth in the NAP – (1) an educated and creative individual, (2) technological excellence and flexibility of companies and (3) development of science and research. Eight groups of measures are distinguished as prerequisites of the growth. The conception of the NAP focuses on better employment and therefore contributes to the discussed policy indirectly.

Employment issues are specifically treated in several of these measures. Measure 1 ‘An educated and creative individual’ sets forts special activities that ensures the availability of education in all of its forms and at all levels to persons with special needs, as well as activities for preparing labour force to meet the demands of the labour market, that will help young people to enter the labour market. It is planned to expand through better accessibility of life-long learning measures the opportunities for obtaining formal and informal education for people with low level of education, for social groups with limited opportunities to obtain education or for those who do...
not appreciate learning. Measure 6 ‘Improvement of welfare’ includes activity 6.2.1 ‘Inclusive and steady labour market’ which sets forth task to promote access to jobs for economically inactive working age persons and especially for youngsters and for population groups at risk of social exclusion – parents after child care leave, persons of pre-retirement age, persons with dependable persons, persons with special needs, persons who have been unemployed for a long time, etc. The activity 6.2.2. ‘Support for increasing the employment rate’ includes six tasks; all of them are focused on people from disadvantaged groups. It is envisaged to improve and diversify active and preventive employment measures, ensuring an individual approach aimed at facilitating people’s competitiveness in the labour market (especially by providing training and consultations to the unemployed to meet their particular needs in conformity with the causes of unemployment); to reduce undeclared work, to ensure involvement in the labour market of population groups at risk of social exclusion (motivation programmes, internships and creation of specifically accommodated working places); to develop initiatives promoting local employment and partnerships favouring employment, especially by encouraging employers to hire persons from population groups at risk of social exclusion; to institute flexible working hours and forms.

The **State Employment Agency** implements employment policy measures through its regional subsidiaries. Each regional subsidiary has its own employment promotion plan. In 2007, these plans focus on increasing integration in labour market of social groups exposed to social exclusion (‘problem’ groups in NEP).

SEA has organised measures ‘Subsidised employment of unemployed disabled persons’ and ‘Subsidised employment of unemployed persons from the target groups’ in 2005 and 2006. On the basis of these measures it has prepared a measure “Subsidised employment of unemployed” in 2007. The target groups are: persons in age 15-24; disabled persons; persons within six month after child care; persons within five years before retirement; long-term unemployed; persons after imprisoning; other unemployed persons as set fort by regulations of the SEA.

The measure is implemented in three directions – practice (on-the-job training) with employer (for youngsters in age 18-24 with higher or vocational education), perfection of professional skills in subsidised work place (for people in age 25+ until official retirement age), and digestion of professional skills in the subsidised work place (for unemployed in working age).

28 projects with wide regional coverage supported by the EU Structural funds were implemented in 2006 in order to investigate situation of disadvantaged groups in the labour market.

Local governments are responsible for social services and basic education, and are important partners for the employment institutions in delivering services for disadvantaged groups. They provide information about disadvantaged groups and employment plans of local companies, work places for paid temporary jobs, customer friendly public infrastructure and some financial resources for implementation of target programs. For instance, Local governments of Riga city and surrounding municipalities participate in co-financing of several projects for people with mental problems, supported by the EU Structural funds. The role of NGO’s that deal with problems of disadvantaged groups should also be admitted.
2. Potential transferability of the reviewed policy to Latvia

Two papers offered for discussion differ in their approach. The ‘policy’ paper (written by Felix Borg) focuses on the services that Malta’s Public Employment Service offers to disadvantaged groups, while the discussion paper (written by Godfrey Baldacchino) reveals wider aspects of employment. Whereas the reviewed policy was clearly explained in the first paper, it was difficult to find convincing identification of it in the discussion paper. For this reason, expert relies more on the experience described in the first paper.

Many of policy measures that are described in the ‘policy’ paper and ‘discussion’ paper are being implemented in Latvia. Besides, direct implementation of Malta’s experience is questionable, because situation in Latvia and Malta differ in some important aspects. In Malta population growth is on decline but positive (population change 0.8 in 2005), while in Latvia population growth is negative (minus 0.5)\(^6\), what means that natural labour supply in Latvia is lower than in Malta. Immigration is low in Latvia, and emigration increases what eliminates labour supply even more. In Malta economic growth is 2%, in Latvia about 10%, what means that marginal labour demand in Latvia is much higher than in Malta. Education level and propensity to studies is high in Latvia (sixth highest number of graduates of tertiary education per 1,000 population aged 20-29 in EU25)\(^7\) – much higher than in Malta.

However, the unemployment levels are about the same in both countries – 6.9% in Malta and 6.8% (in 2006) in Latvia. The scale of disadvantaged population groups also is important in Latvia. At the same time the opposite phenomenon – acute lack of labour force can be observed. People from disadvantaged groups are seen as potential resource for labour market. In this, Latvia has declared goal to employ people in high quality jobs. Therefore some experience may be useful in Latvia.

Identification of disadvantaged groups. Some of disadvantaged groups that are identified in Malta are not specifically targeted in Latvia. These are: current/ex-substance abusers, lone parents, and youth in institutional care who are or want to be active in the labour market, victims of collective redundancies. Malta’s experience would be useful in expanding employment policies to these groups. Expanding of employment policy measures to mentioned groups would help to eliminate negative social phenomena.

The process and institutional setting. The valuable experience is organisation of the process through which ETC provides services to disadvantaged groups. The process is exclusively focused on the result (placement of a client in job), and it is based on clear individualised approach (case load, one-step shop service principle), institutional setting that provides firm division of responsibilities and control of results achieved at each stage of the process. Only one organisation (ETC) is primarily responsible for providing a public employment services. A single responsibility, as well as features such as Supported Employment Section, Placement section, Outreach programmes, Case Officer, job coach, Multi Disciplinary Team, Joint Working

Committee and their functions, Personal Action Plan, Personal Vocational Profile (Individual Training Plan), prevocational training may be considered in Latvia.

**Co-operation with NGOs.** Malta’s experience in co-operation with NGO (Eden and Richmond Foundations, Caritas etc.) would be valuable in order to expand available human and financial resources for implementation of employment policies. Since public deficits are kept low in Latvia (less than 2% of GDP) and GDP per capita is much lower than in Malta, less public funds may be allocated for implementation of employment policies. Malta’s experience is particularly valuable in implementation of employment measures for persons with mental health problems – the sector which requires notable personal resources, time and patience.

**Pro-active attitude.** In Malta the services are provided to persons from the disadvantaged groups who are registered unemployed with the ETC. However the pro-active approach was adopted to reach prospective clients who are not yet in a position to approach ETC because they are institutionalised, but they will need to find jobs when leaving the institution. In Latvia, the pro-active approach is declared and being implemented. Malta’s experience validates significance of this approach.

**Schemes to assist in the placing of clients in employment.** The ‘policy’ report describes two placement schemes – the Employment Training Placement Scheme (ETPS) and the On-Line Scheme. The analogue of the ETPS is applied in Latvia, while On-Line Scheme (switched to the Bridging the Gap Scheme) is a new approach. The positive feature of this scheme is that participant is not employed during the on-the-job training period. However, Malta’s experience justify that this freedom instead of formal employment encourages employers to participate in the scheme, nevertheless many clients have not been subsequently employed by enterprise once the financial assistance to engaged company stops.

The ‘discussion’ paper adds the ETC Youth Employment Strategy and three schemes assisting school leaving youth, tax incentives to women returning to work and other measures. Some of them may be considered in Latvia.

**Failures.** Despite good organisation of the process, authors have discussed difficulties and failures to reach expected results. This information would be useful for Latvia.

For instance, the experience with the Disabled Persons (Employment) Act shows that enforcement method does not give expected results. Moreover, it comes out from both papers that even having applied special financial incentives, the real integration of disadvantaged groups in the labour market is difficult. Latvian economic policy is highly liberal, what means that employers’ participation in the implementation of governments’ policies depends on their economic interests even more.

Outcome of the proposal to change from placement schemes to the Ability Development Centre meaning focusing on abilities of disadvantaged persons rather than on disabilities also did not have success desired. Analysis of reasons of failure gives good lessons for institutions in Latvia, which tend to expand training process.
3. **Important issues debated in Latvia and future developments**

Opposite to Malta’s situation, in Latvia the general debate concerns improvement of labour supply. This is one of reasons why more attention is paid to engaging people from disadvantaged groups in the labour market. This is why topics such as liberalisation of labour law (including work contracts), flexibility concept, and measures such as summer work for children, youth employment, telework and distance work, temporary work agency institutions and other are being discussed.

Specific example is establishing of production workshops in prisons, where about 30% of prisoners are employed. Since 2005, the government implements EU project ‘New solutions for facilitating employment of ex-convicted persons’ that includes training and work practices for prisoners. The project is based on co-operation with education institutions and business companies.

Participation of employers in employment promotion measures for disadvantaged groups is another matter of discussion. Like in Malta, fiscal assistance of employers in Latvia is appointed for a temporary period, after which employers risk to cover higher labour costs than in case of ‘normal’ worker.

Labour market research reveals that low incentive of disadvantaged population to switch to gainful employment from receiving social benefits is also an important obstacle in implementation of employment policies.

Other big group of issues concerns exploring of employment policies in order to eliminate socially dangerous phenomenon, such as drug habit, alcoholism and others. In Latvia activities have started to engage people under risk of alcoholism in correction programs in order to return these people to the labour market.

Employment of immigrants and third party nationals (including refugees and asylum seekers) is not yet an acute problem in Latvia, but may become in future. Currently immigrants arrive for previously chartered jobs mainly in the low wage/low skill category, but after some time these people may wish to have better jobs and salaries.

The evaluation of applied policies is also discussed.
References


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Integration of minorities’ young people in the labour market. Baltic Institute of Social Sciences, 2006. Supported by ESF.