Employers’ Confederation of Latvia

Hamburg, March 18, 2019
Unemployment: 7.4%
Inflation: 2.3%
Economic Growth: 5.1%

Source: Central Statistical Bureau of Latvia, latest data
Lack of labour force
Shadow economy
Tax reform
Reputation of financial sector
LDDK priorities 2019
Employer competitiveness
Availability of skilled labour force
Electricity price competitiveness
Health care system reform
Social dialogue
Consultation mechanism as a channel to improve business environment

LDDK
GOVERNMENT
LBAS

THE NATIONAL TRIPARTITE COOPERATION COUNCIL (NTSP)

VOCATIONAL EDUCATION AND EMPLOYMENT
LABOUR ISSUES
TRANSPORT, COMMUNICATIONS AND INFORMATION
PUBLIC SAFETY
REGIONAL DEVELOPMENT

SOCIAL SECURITY
HEALTH CARE INDUSTRY
ENVIRONMENT PROTECTION
BUDGET AND TAX POLICY
COMPETITIVENESS AND SUSTAINABILITY
Latvia's economy currently is growing at a rate of 5.1%. Growth covers most sectors (excluding financial services, railways and ports).
The wage fund grows faster than added value.

Absolute salary levels are still low.
Less people enter into labour market than retire

No equivalent generational changes in the labour market
- Reforms in education system to ensure the availability of skilled labor
- Internal labor mobility
- Involvement of older people in the workplace
- Reduction of shadow economy and «envelope» wages
- Social guarantees of employees (including by sectoral collective agreements)
- Competitive labor taxation
- Competitiveness by raising productivity and continued EU Cohesion policy to prevent depopulation
Thank you!
EU-28

Economy is growing ↑

employment is growing ↑

unemployment is decreasing ↓
Unemployment is decreasing in all EU countries
Number of unemployed persons in EU is approaching all-time lowest level

Free movement of labour within EU countries is extra tool to solve lack of workers

Source: Eurostat
Similar situation in Latvia

Source: Central Statistical Bureau of Latvia
But Latvia (and other ‘new’ countries) can’t compete with ‘old’ countries in terms of wages. Europe (where higher remuneration is available) is still a tempting target for workers from Latvia. Indirectly also exerts pressure on wage growth in Latvia.
The wage fund in Latvia grows faster than added value.

Gradually increasing threat to the international competitiveness of Latvian manufacturers.

Source: Central Statistical Bureau of Latvia
Salaries are growing practically everywhere - by sector and region

### Average monthly gross wages and salaries of employees by kind of activity

<table>
<thead>
<tr>
<th>Total</th>
<th>Total</th>
<th>1Q 2016</th>
<th>1Q 2017</th>
<th>1Q 2018</th>
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<td>€ 827</td>
<td>€ 884</td>
<td>€ 961</td>
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<tr>
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<td>(S) Other service activities</td>
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### Average monthly gross wages and salaries of employees by statistical region

<table>
<thead>
<tr>
<th>LV</th>
<th>1Q 2016</th>
<th>1Q 2017</th>
<th>1Q 2018</th>
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<td>LATVIA</td>
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<td>€ 603</td>
<td>€ 671</td>
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Source: Central Statistical Bureau of Latvia
Minimum ‘wishing level’ of salary for emigrants can partly be explained by ‘envelop wages’.

Absolute salary levels are still low.

Contribution of migration and natural population change to long-term population growth in Europe, 1990–2017

Latvia: among the countries with higher emigration rate

Source: Wittgenstein Centre for Demography and Global Human Capital (IIASA, VID/ÖAW, WU)
Most popular destination countries for emigrants from Latvia:

UK
IRELAND
GERMANY

Source: Eurostat
Number of jobs in Latvia is gradually increasing. However, this increase is slower than economic growth, since...
Latvian population (15-74) by labour status, thsd.

.. number of economically active population is DECREASING

Source: Central Statistical Bureau of Latvia
The number of registered unemployed has reached the lowest level in the last 10 years. Unemployed in Latgale region are not available in Riga (where there are workstations) – internal mobility problem.
Less people enter into labor market than retire

No equivalent generational changes in the labor market

Source: Central Statistical Bureau of Latvia
Big challenge for Latvia – how to involve ‘economically inactive population’ into labor market

Source: Central Statistical Bureau of Latvia