

European Employment Observatory

EEO Review: Youth Employment Measures, 2010

Latvia

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And

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This article is the sole responsibility of the author(s)

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1. Trends

The youth unemployment rate, which had been on a downward trend up until 2007, rose sharply during the crisis years of 2008 and 2009. As can be seen in Figure 1, the increase was most significant for the younger, less qualified groups of young people: 15-19 year olds and 20-24 year olds. This could be attributed to the collapse of many sectors that in the boom years offered relatively high salaries to young people for low-skilled work – notably, in construction and retail. Employment rates (Figure 2) have been less volatile than unemployment rates, but these too have experienced a sharp drop in 2008-2009. As shown in Table 2 in the annex, the unemployment rates for the low-skilled in 2009 and 2010 are in the 25-50 % range, compared to 20-35 % for the medium-skilled and 25 % and below for the high-skilled workers.

60.0
50.0
40.0
30.0
20.0
Between 15 and 19 years
Between 20 and 24 years
Between 25 and 29 years

Figure 1: Youth unemployment rates by age group (percent)

Source: Eurostat; authors' calculations.

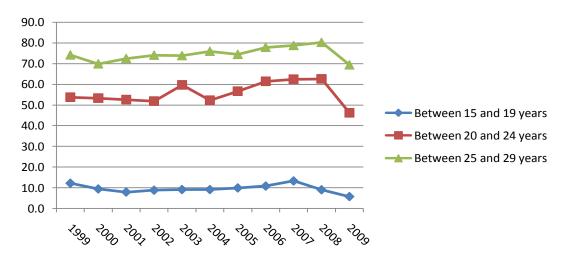


Figure 2: Youth employment rates by age group (percent)

Source: Eurostat; authors' calculations.

The solid employment and salary prospects for low-skilled labour during the boom years created a situation where some young people chose to leave school to take up well-paid jobs in, for example, the construction sector. This is reflected in a high rate of early school leavers – more than 15 % in 2008 (see Table 4 in the Annex), which has dropped as economic conditions have worsened. According to the State Employment Agency, these young people, who were without qualifications, were among the first to lose their jobs. The recession has also meant that young people who graduate from university have difficulties in finding employment – often because they lack work experience [18]. Together with a very high youth to adult unemployment ratio and one of the highest youth unemployment rates in the European Union, these developments have prompted the government to provide opportunities for young people to gain practical experience, to link education standards with the demands of the labour market and to promote vocational education and training in life sciences and engineering-related subjects.

Long-term unemployment remains high among young people (see Table 1 in the annex). The long-term unemployed made up nearly 34 % of all the unemployed people in the 20-24 age group in 2010, up from 19 % a year earlier. Similarly, long-term unemployment constituted 35 % of total unemployment in the 25-29 age group, up from 20 % in 2009. This illustrates that the low level of economic activity has prevented young people from finding jobs (either after school or after losing their previous jobs) and has forced them into a prolonged spell of unemployment. This may make it difficult for these young people to get back into the labour market as economic conditions improve.

Figure 3 shows that there does not appear to be a consistent gender pattern in youth unemployment over time. The period of high economic activity (roughly 2004-2007) is characterised by more female unemployed than male unemployed in the 20-24 age group, while the reverse is true before 2004 and after 2007. The 25-29 age group appears to exhibit a similar pattern; furthermore, the 25-29 age group had a greater bias towards males than the 20-24 age goup in terms of the unemployment rate before 2004, while the 20-24 age group has a greater bias towards males after 2007. Data for the 15-19 age group are scattered and unreliable. The male-to-female employment ratios (Figure 4) show greater stability: in the 20-24 and 25-29 age groups the ratio had converged to one by 2009, while the 15-19 age group has persistently seen higher employment rates for males (with the male-to-female ratio mostly above 1.5).

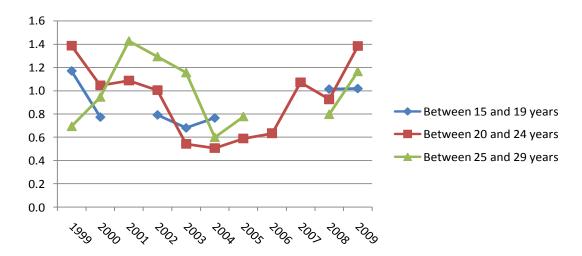
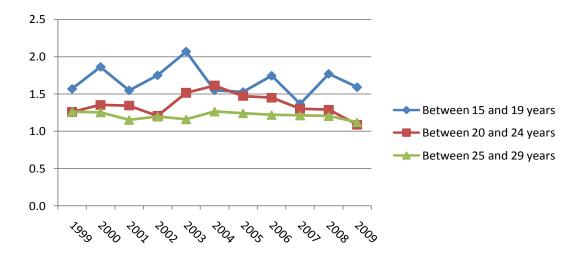


Figure 3: Youth male-to-female unemployment ratios by age group

Source: Eurostat; authors' calculations.

Figure 4: Youth male-to-female employment ratios by age group



Source: Eurostat; authors' calculations.

2. Measures taken to promote youth employment

2.1. School education and training policies

The need for reform in the Latvian educational system has long been recognised. Among the most prominent issues relating to the current system is that, firstly, the share of people pursuing higher education has historically been higher in Latvia than in most European countries, while vocational education and training (VET) has remained relatively unpopular. Secondly, employers have often claimed that both VET and higher education fail to take into account labour market needs [1]. Below we describe the main areas of education reform since 2008, focusing on the policies that have been implemented by the Ministry of Education. Measures relating to education, apprenticeships and training that have been implemented in the context of labour market policy are discussed in the subsections.

2.1.1. Preventing early school leaving and ensuring that all young people acquire basic skills

As of 2008, the Ministry of Education has introduced stricter controls on primary and secondary education programmes. These include a rule that pupils who have failed to obtain a passing grade in a subject must take obligatory end-of-term exams and consultations¹ in that subject; there are now also limits to the number of subjects that pupils may fail before they have to retake a school year. The Ministry of Education claims that the number of students who had to retake fell by 20 % in the year following the introduction of the reform and the number of pupils with failing grades in particular subjects fell by slightly more than 30 % [2]. By providing incentives for young people to maintain some constant level of performance during primary and secondary education, it is expected that these changes will ensure that a greater number of young people obtain basic skills for further studies or for participation in the labour market.

2.1.2. Ensuring that the vocational training system enables young people with only basic education to enter the labour market

Since 2008, there have been many measures that channel additional funding to increase the importance, recognition, and quality of VET qualifications and institutions. Notably, LVL 7 million (around EUR 10 million) of European Social Fund (ESF) financing has been allocated in the 2008-2011 period to raising the qualifications of VET teachers [4], LVL 6 million (EUR 9 million) in the 2008-2012 period for measures to encourage young people to enter VET [5], LVL 10 million (EUR 14 million) in the 2008-2013 period for stipends to VET pupils in natural sciences and engineering [6], and, finally, LVL 4 million (EUR 6 million) has been allocated in 2010 for one-year VET programmes to young people with secondary education who have not begun higher education [7].

While the aforementioned measures broaden young people's pathways into employment by improving the accessibility and quality of basic VET, they must be viewed in conjunction with the reorganisation of the education system, which was spurred by the economic crisis and the ensuing budget cuts. In 2009, a total of eight VET institutions were reorganised by merging them with other institutions, and one VET institution was closed; it is planned to continue the reorganisation of the school network until there are 38 VET institutions in the country – less than half of the 86 institutions that existed in 2008 [2]. These changes have been driven mainly by considerations of cost-efficiency, and concerns have been raised that VET will no longer be available to young people in remote regions.

2.1.3. Promoting the recognition of non-formal and informal learning

Up until now, there has been no official recognition of non-formal or informal learning in Latvia. In July 2010, the parliament approved changes in the VET law that will allow people with non-formal and informal training to take examinations and obtain certification for their

¹ Consultations typically entail performing additional tasks and exercises, and attending question and answer sessions. Consultations are given by the same teacher who taught the particular course throughout the school year.

level of professional competence. This will have to be completed in the framework of existing VET standards, and the evaluation may be delegated to existing formal education institutions or examination centres. However, the manner in which these examinations will take place is yet to be defined by the Cabinet of Ministers [23].

2.1.4. Ensuring that the education system meets qualification demands of the labour market

There has been a major policy push to shift the focus of the education system from humanities to natural sciences, mathematics and engineering, which are perceived as skills that can promote sustainable economic growth in Latvia. A total of LVL 22 million (EUR 31 million) has been allocated to developing new educational standards which focus on individual research activities and experimentation in the study process, involve modern technologies in learning and build links between primary and secondary education institutions, universities, research institutes, entrepreneurs and established businesses in shaping the content of education, informing young people about- and motivating them to pursue - career paths in the natural sciences, mathematics, and engineering. The implementation period of this measure is from 2008 until 2011 [2, 8].

2.2. Labour market and employment-related policies and access to benefits

2.2.1. Active Labour Market Policies (ALMPs)

Since 2008, a number of active labour market policy measures have been introduced by the State Employment Agency and the Welfare Ministry, such as a community jobs programme, subsidised workplaces for members of socially excluded groups, subsidised VET for unemployed people and others. However, only a few measures are targeted specifically at young, unemployed people and in these cases young people are most often one of several target groups. Representatives of the State Employment Agency have also noted that unemployed young people, while raising important concerns, are not the most vulnerable group, because they have more flexibility in changing their profession and qualifications [18].

In 2009, the state employment agency announced that it would put on hold the summer employment activity of pupils of lower secondary, upper secondary and VET institutions, where the state together with the private sector employed young people starting from age 15. In the summer of 2008, more than 11 000 young people took part in this activity however, it was discontinued due to the lack of financing. Currently, there are no longer any dedicated employment events for young people who are still undergoing basic education [19, 20].

2.2.1.1. Practical training with an employer

In March 2010 the Cabinet of Ministers approved the Welfare Ministry's initiative to offer practical training with an employer to young unemployed people aged between 18 and 24 who have finished primary, secondary or higher education but have been unable to find a job or whose total accumulated work experience is less than six months. The length of the training may be from 6 to 12 months and the participant receives a monthly stipend of LVL 120 (EUR 170) [9].

Essentially, this was an additional programme in the context of the State Employment Agency's Measures for Specific Target Groups. As of September 2010, nearly 2 500 young people had applied, and more than 1 000 of them had already begun practical training in a

range of diverse, but generally low-skilled professions involving more than 500 participating enterprises. For example, many participants have received training as farmers, interviewers, cashiers, assistant accountants, and office administrators [9].

2.2.1.2. Complex support measures

The aforementioned youth-specific measure overlaps somewhat with the State Employment Agency's complex support measures, which include practical training with an employer for a wide variety of target groups, including young people aged between 15 and 24 years. Those who undergo training by this route obtain a salary equal to the minimum wage (LVL 180, or EUR 250), and the employer receives half of the salary as compensation for the expenses associated with the practical training. It is planned to involve a total of 13 900 people in this activity, with a focus on people from the most poorly developed regions of Latvia [10].

The complex support measures also include a series of systematic psychological and/or medical consultations, and other support activities to help unemployed people deal with the problems that prevent them from being fully integrated into the labour market. These activities include, but are not limited to, vocational guidance counselling, activities to raise motivation and self-confidence, financial support for ensuring geographic mobility during the job-search phase, as well as child minding services for unemployed people with children who are less than eight years old [10].

2.2.2. Access to social security benefits

Beyond the measures described previously, young people have access to social security benefits on the same terms as older age groups. Unemployment benefits are available to people who have made social security contributions for at least one year and have done so in 9 out of 12 months before becoming unemployed. For unemployed people with 1 to 9 years of work experience – which would include most young people – the monthly unemployment benefit amounts to 50 % of their average salary; in this case, the benefit is paid in full for the first two months of unemployment, 75 % of the benefit is paid for the next two months, and LVL 45 (EUR 60) per month is paid afterwards [11, 22].

Because the duration and size of the unemployment benefits are very limited, there is little risk of 'benefit traps'. However, the status of an unemployed person and, consequently, the receipt of unemployment benefits, are tied to the unemployed person actively searching for a new job. The process of searching for a new job is supervised by the State Employment Agency; the agency helps the unemployed person develop a job search plan, which may entail obligatory consultations with the agency to evaluate job search progress and a set of labour market measures that the unemployed person has to participate in [11].

2.2.3. Tax systems and labour market legislation

Beyond the aforementioned labour market and education measures, there have not been any tax systems or labour market legislation to promote the hiring of young people. A number of measures are being implemented to promote self-employment, entrepreneurship, and microenterprises, which, though they are not specifically targeted at young unemployed people,

have a major focus on this group. These measures include LVL 20 million (EUR 28 million) in financing to business incubators between 2009 and 2011, LVL 23 million (EUR 32 million) for start-up loans to 600 new businesses, and LVL 2 million (EUR 3 million) for the promotion and encouragement of self-employment and entrepreneurship. The last measure is most directly targeted at young people, since it will involve improving the capacity of teaching personnel to motivate young people (including organising practical training in primary and secondary school about starting businesses, support for mentoring programmes of entrepreneurs and business plan competitions) [12].

2.2.4. Promoting mobility

Apart from the measures to promote geographical mobility associated with the State Employment Agency's active labour market policies, there have been no other measures to promote the geographical mobility of young people. Before 2009, some limited compensation of travel expenses was available to students of higher education institutions who studied away from home (but within Latvia). These compensations were discontinued as a result of budget cuts; however, students and pupils still enjoy discounts for public transport within city limits [13]. Also, there is still limited compensation of travel expenses in regional primary and secondary education institutions.

Promoting international mobility of young people has not been a priority for the Latvian government, given the large numbers of young people who have already emigrated to seek employment and education elsewhere in the European Union. Latvia has been a long-standing member of the Bologna process, which, together with the ERASMUS programme, has helped ensure international comparability of higher education qualifications gained in Latvia [13,14]. At the same time, no Latvian higher education institution has been represented in the ranking of leading world universities [15].

2.3. Addressing problematic features of youth employment

Part-time and temporary employment is sometimes seen as a sign of flexibility and sometimes viewed as a problem because of employment insecurity. In practice both forms of employment are rather low in Latvia and labour legislation makes it difficult to employ people on non-standard contracts. Accordingly, the prevalence of both part time and temporary employment in Latvia is less than in the EU-15, although for younger people the share of both employment forms is quite high. Thus, 41.0 % of employed persons in the 15-19 age group work part time, compared with 12.4 % in the 20-24 age group and 8.2 % of people aged over 25 (for the EU15, the percentages are 47.3 %, 25.1 %, and 20.6 %). Similarly, young people are much more likely to work on temporary contracts (20.7 % of the 15-19 age group, 6.32 % of the 20-24 age group and 2.8 % of people aged over 25), but less so than in the EU-15 (where the percentages are 54.2 %, 38.56 %, and 10.7 %, respectively). It is unclear whether these are necessarily problematic features of youth employment, and it is plausible that these differences are associated with the high share of the undeclared economy in Latvia, which has been estimated to be as high as 32 % [21].

2.4. Roles of the labour market actors

Problems with youth unemployment have thus far been tackled in the framework of the existing institutions: the State Employment Agency and the Ministry of Welfare continue to develop and implement active labour market policies, which involve private businesses as

employers or providers of practical training, internships, and services to the unemployed; the Ministry of Education along with its agencies, such as the State Education Development Agency, develop educational standards, implement a lifelong learning strategy, finance public education institutions and promote the availability and popularity of various forms of education. The newly-established State Education Development Agency's primary goal has been cross-institutional coordination on new projects and measures in education [16].

3. Conclusions

Youth unemployment in Latvia – already one of the highest in the European Union – has risen sharply since 2008 and it is one of the many issues which the economic crisis has brought to the forefront of the policy agenda. A lack of appropriate qualifications, which was no obstacle to finding a job in 2004-2007, has become a major issue for young jobseekers. Lack of experience and the low level of economic activity often prevent university graduates from obtaining jobs, which creates a risk that they will either enter a prolonged spell of unemployment or emigrate. The weak link between educational standards and labour market needs has also been an issue.

The government of Latvia has taken some steps to address these issues. Largely with help from European Union funds, it has invested in VET and is shifting the focus of education to natural sciences, mathematics, and engineering – fields where there is a shortage of specialists in the Latvian labour market. On the employment policy front, measures have been introduced that offer a way for young people without any previous experience to obtain practical training with employers. It remains to be seen whether these steps are sufficient in scale and in scope.

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Annex

Table 1: YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS (Q1 data)									
Data	Age group 15-19		Age group 20-24			Age group 25-29			
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Employment rate (%)	11.1	6.1	3.6	66.3	49.4	41.9	82.5	72.0	67.4
Unemployment rate (%)	(21.7)	46.9	59.5	8.8	25.5	37.4	5.9	16.8	21.9
Long-term unemployment as a % of unemployed	-	(32.0)	-	-	18.9	33.9	-	20.0	34.3
Youth unemployment to population ratio	(3.1)	5.4	5.2	6.4	16.9	25.1	5.2	14.5	18.9

Source: Eurostat, Labour Force Survey

Data in brackets not reliable due to small sample size.

Table 2: YOUTH UNEMPLOYMENT TRENDS (Q1 data, %)						
Data	Age group 15-24		Age group 20-24		Age group 25-29	
	2009	2010	2009	2010	2009	2010
Unemployment for the low-skilled (ISCED 0-2)	53.7	51.7	44.3	50.4	31.7	24.0
Unemployment for the medium-skilled (ISCED 3-4)	18.7	37.3	18.5	35.6	20.2	24.0
Unemployment for the high skilled (ISCED 5-6)	14.2	24.9	14.2	24.9	7.1	18.4

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

Table 3: YOUTH TEMPORARY CONTRACTS (% OF EMPLOYEES) (Annual data)			
Data	Age group 15-19	Age group 20-24	Age group 25-29
	2009	2009	2009
Temporary work as a % of employment	-	7.4	4.1

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

^{-:} Data not available

^{-:} Data not available

Table 4: NEITHER IN EMPLOYMENT NOR IN ANY EDUCATION OR TRAINING (NEET) (Annual data)				
Data	Age group 15-19	Age group 20-24		
	2008	2008		
NEET rate (% of the age group) (annual averages)	7.5	15.0		

Source: Eurostat, EU Labour Force Survey, Annual averages

Table 5: EARLY SCHOOL LEAVERS* (Annual data)			
Data	Age group 18-24		
	2008	2009	
Early school leavers (% of the age group)	15.8	14.2	

Source: Eurostat, Labour Force Survey

^{*} Percentage of the population aged 18-24 having attained at most lower secondary education and not being involved in further education or training.

Table 6: DIFFERENCE IN YOUTH UNEMPLOYMENT RATE BETWEEN Q4-2009 AND Q4-2007				
Data	Age group 15-19	Age group 15-24		
Difference in youth unemployment rate between Q4-2009 and Q4-2007	-	32.6		

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

^{-:} Data not available