



6 June 2008

Workforce planning and Labour issues

1. Executive Summary

Results of the FICIL *labour market study* clearly show and confirm FICIL member company initial views that workforce quality in Latvia requires immediate attention and is a critical aspect for the country's economic growth and welfare.

FICIL recommends the Government to focus on the education system at national level to urgently develop and secure the country with a high quality and motivated workforce. FICIL calls for efforts to integrate Latvia's economic development strategies with plans that improve workforce education and training delivery systems.

2. Recommendation/Suggestions

1. Improvement of quality of education, motivation of graduates & quality of workforce:
 - The scoring system for schools and universities together with the quality and reputation of persons employed in the education sector must be a key focus for government.
 - Stronger cooperation between education facilities and industry.
 - Promotion for internships.
 - Introduce a dual education system, traditional learning and "apprenticeship", similar to that of German speaking countries.
2. Prevent workforce emigration:
 - Need of more positive and visible PR for Latvia in general.
 - More focused and visible advertising of job opportunities in Latvia.
 - Website with job portal to encourage return to home country
3. Improve efficiency of state administration:
 - Limit and reduce number of civil servants.
 - Implement e-government services to increase efficiency and speed of administrative procedures.

3. Rationale

During last year's High Council meeting it was agreed that the labour market situation should be improved and FICIL suggested focusing on four main areas: migration, quality of education, efficiency of state administration and use of financial instruments.

It should be noted that during the past half a year the situation of the labour market in Latvia has changed mainly due to the global economy, inflation, and measures introduced by the Government to tackle rising inflation.

Availability of labour resources for unskilled jobs needed in simple production operations, warehousing, shop assisting, etc. has increased, hence unemployment rate has also slightly increased. With the construction industry having reached its peak, a downward trend in activity can now be seen with resources being released from the building & construction sector.

In contrast to the above, the demand for skilled workers and specialists has increased. Employers are still having problems finding qualified, competent and motivated, specialists and skilled workers.

FICIL's Study Of Labour Market In Latvia

In order to facilitate the Governments labour issues incentives, during last year's High Council meeting it was suggested that FICIL survey its member companies in order to gain first hand information of its member's needs and opinions of the current labour situation in Latvia. FICIL executed the survey of its members with the objective to:

- Identify if FICIL member companies are satisfied or are having problems with finding the appropriate labour skills for their industry.
- In the case of workforce problems, determine the types of workers and specific professions that are needed and that will be needed in the future;
- Identify main and common labour problems of researched companies;
- Draft recommendations, proposals, to resolve workforce shortages identified.
- Draft recommendations of how education institutions could contribute to increase the availability and quality of the workforce in Latvia.

Main Conclusions Of The Study

Taking into account, that the majority of FICIL member companies were surveyed back in autumn of 2007, when the background situation of the labour market in Latvia was different, it can be concluded that the results of the survey show a clear need for the workforce situation in Latvia to be addressed and that the findings and conclusions have not lost their impact reflecting the true views/needs of FICIL member companies, as listed below:

Market

- Lack of motivated and qualified labour.
- Deficit of specialist and skilled labour workforce to be prominent for the next 5-7 years.
- Graduates of the largest Universities of Latvia have a satisfactory level of theoretical, organizational and communication skills, but motivation in most cases very moderate.

Company

- Need of employees with high professional skills, personal qualities and experience.
- Industry associations do little to help resolve company workforce needs.
- On average companies invest 40% of their operating income for employee training programs.

Solutions proposed by FICIL

In response to the issues raised by the workforce survey report FICIL proposed the following measures to improve the specific problem areas:

- Quality of education, motivation of graduates & quality of workforce:
 - The scoring system for schools and universities together with the quality and reputation of persons employed in the education sector must be a key focus for

- government.
- Stronger cooperation between education facilities and industry.
- Promotion for internships.
- Introduce a dual education system, traditional learning and “apprenticeship”, similar to that of German speaking countries.
- Workforce emigration prevention:
 - Need of more positive and visible PR for Latvia in general.
 - More focused and visible advertising of job opportunities in Latvia.
 - Website with job portal to encourage return to home country.
- Efficiency of state administration:
 - Limit and reduce number of civil servants.
 - Implement e-government services to increase efficiency and speed of administrative procedures.

Summary

The results of the FICIL labour market study clearly shows and confirms FICIL member company initial views, that the quality of the workforce in Latvia is in critical situation, which is a barrier for the countries economic growth and welfare.

Whilst FICIL still advocates for pursuing the same four directions that were named and agreed as priorities last year, migration (of qualified specialists), quality of education, efficiency of state administration and use of financial instruments, from the survey we can see one clear issue, which needs to be addressed immediately and that is **quality of workforce**. Education is one tool for resolving the problem, but immigration of qualified and talented specialists, including the remigration of Latvians working abroad, has to be made realistic and as simple as possible.

Therefore FICIL recommends Government to focus on the education system at national level to urgently develop and secure the country with a high quality and motivated workforce.

FICIL calls for efforts to integrate Latvia’s economic development strategies with plans that improve workforce education and training delivery systems.