

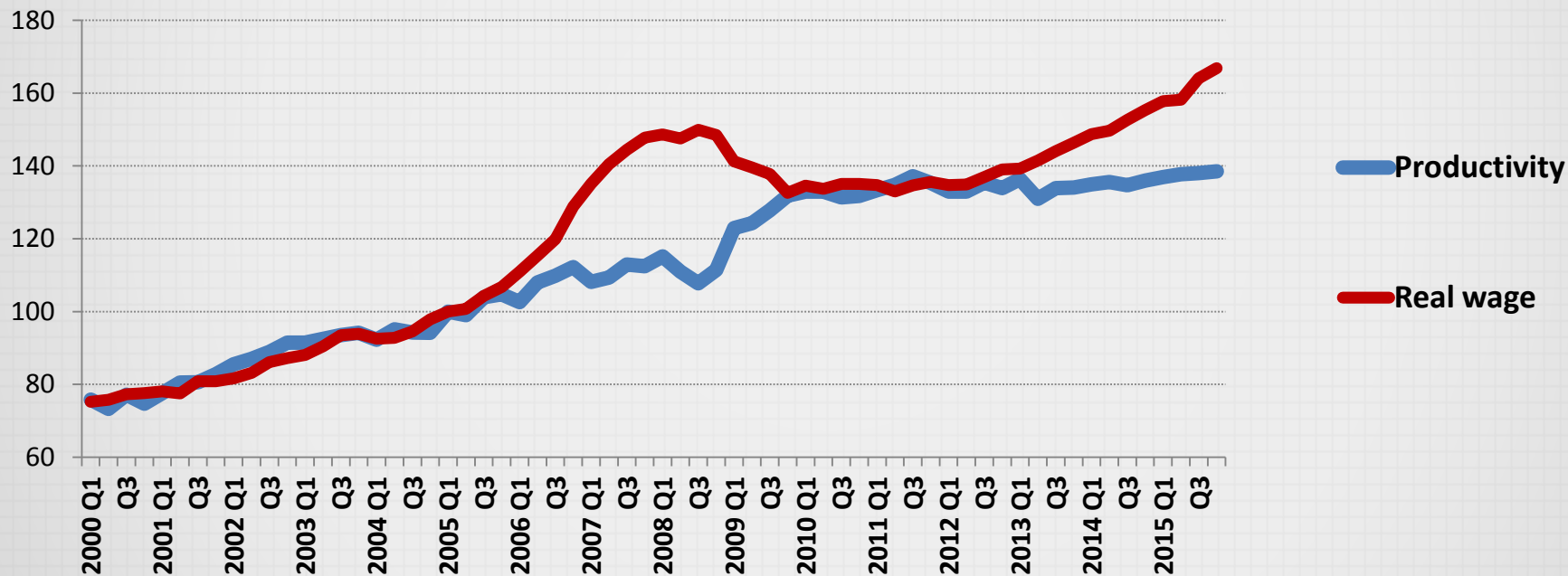
LATVIA'S LABOUR FORCE CHALLENGES: DÉJÀ VU ALL OVER AGAIN

Uldis Rutkaste

Head of Monetary Policy Department

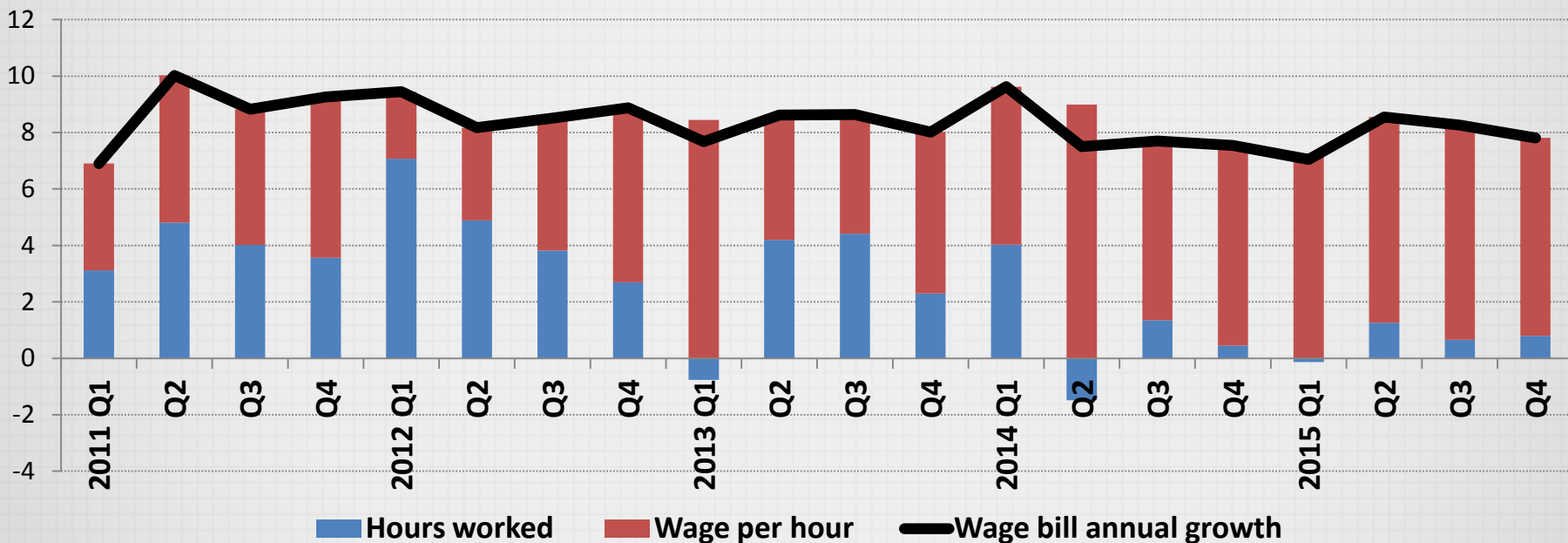
WIDENING WAGE-PRODUCTIVITY GAP IS A CONCERN FOR COMPETITIVENESS AND GROWTH

Real wages and productivity (Q1 2005 = 100)



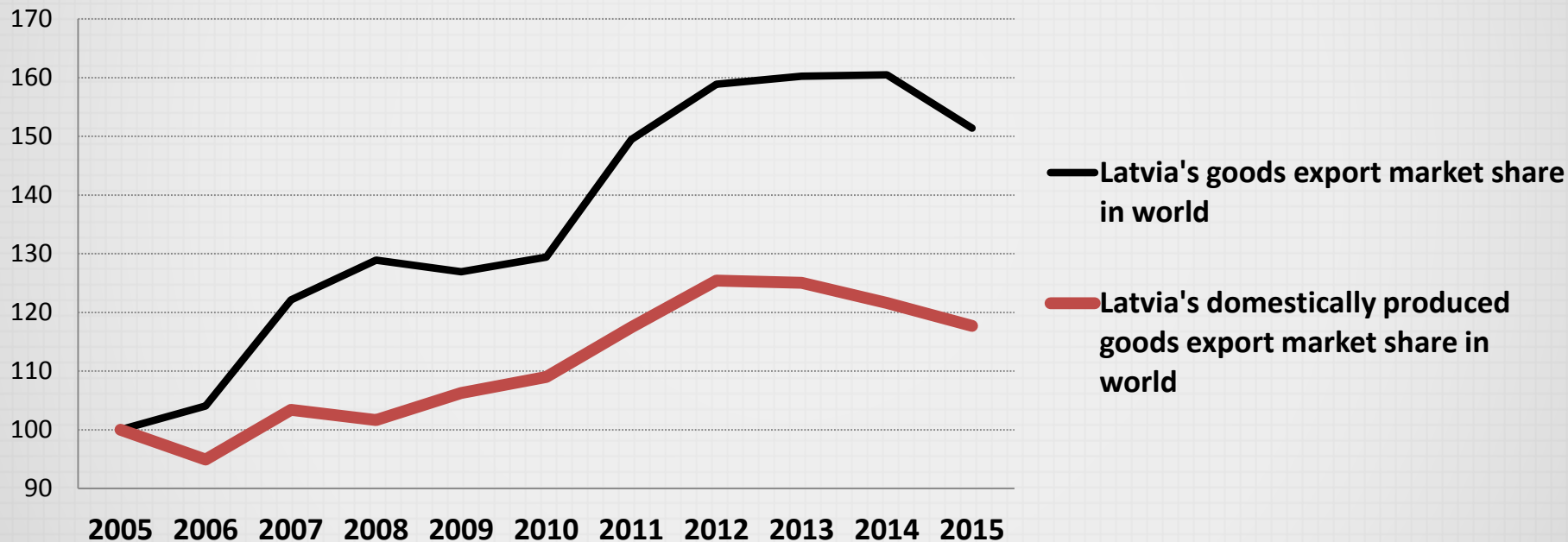
LABOUR MARKET TIGHTENING: A SHIFT FROM EMPLOYMENT GAINS TOWARDS WAGE INCREASES

Wage bill y-o-y growth decomposition (pp)



EXPORT MARKET SHARE GOES DOWN – A SIGN OF WEAKENING COMPETITIVENESS

Merchandise export shares in world import (2005=100)



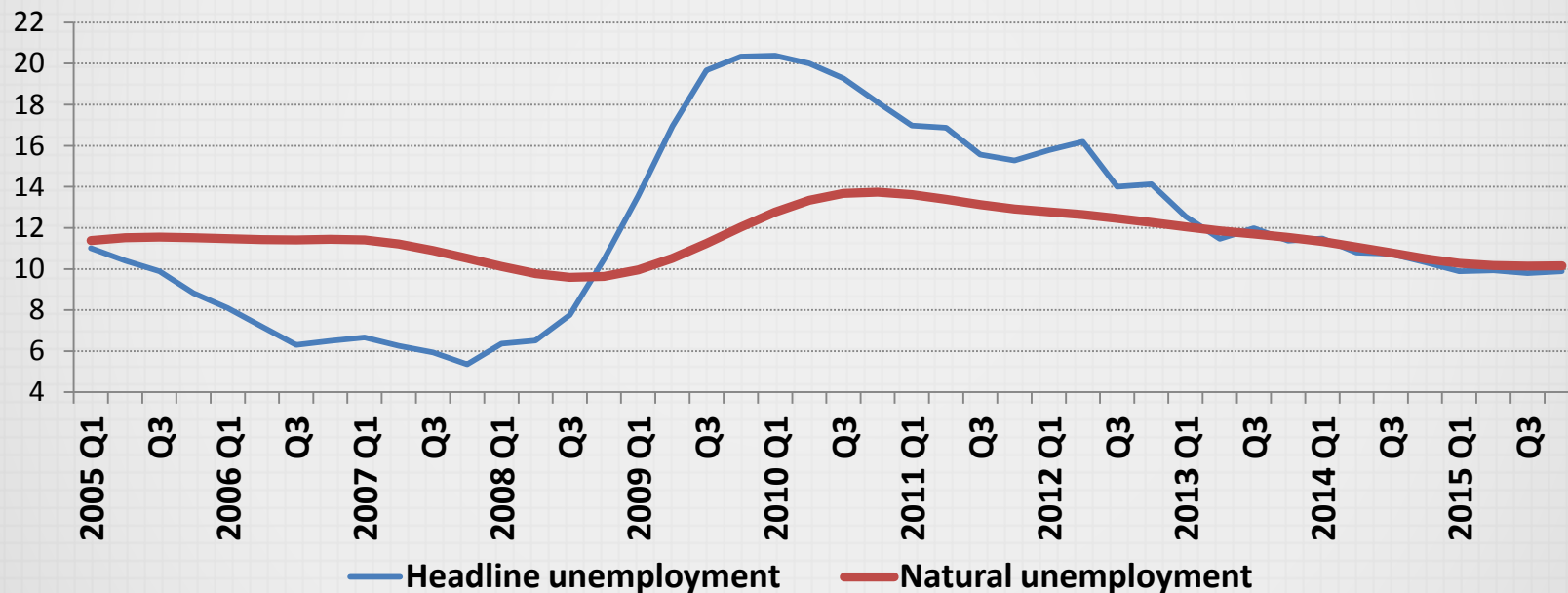
THERE ARE ONLY TWO SOLUTIONS AVAILABLE

- To do something about quantity
- To do something about quality

QUANTITY

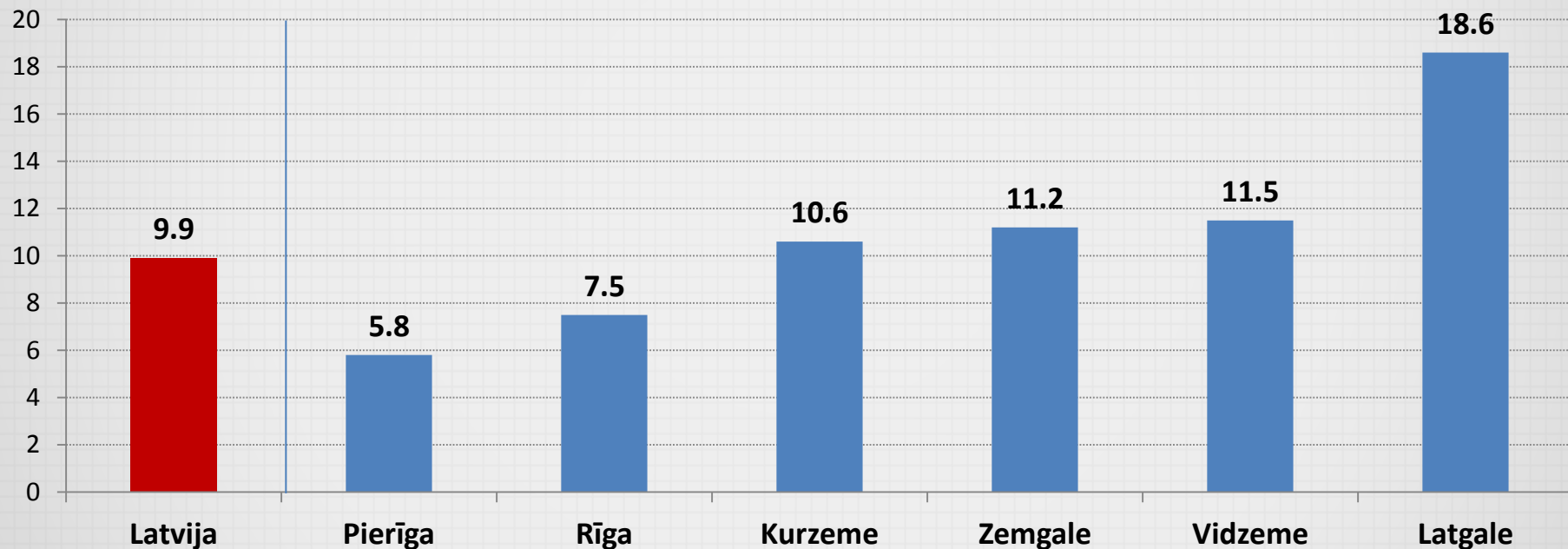
REDUCE HIGH STRUCTURAL UNEMPLOYMENT ...

Headline and natural rate of unemployment
(% of economically active population; seasonally adjusted)



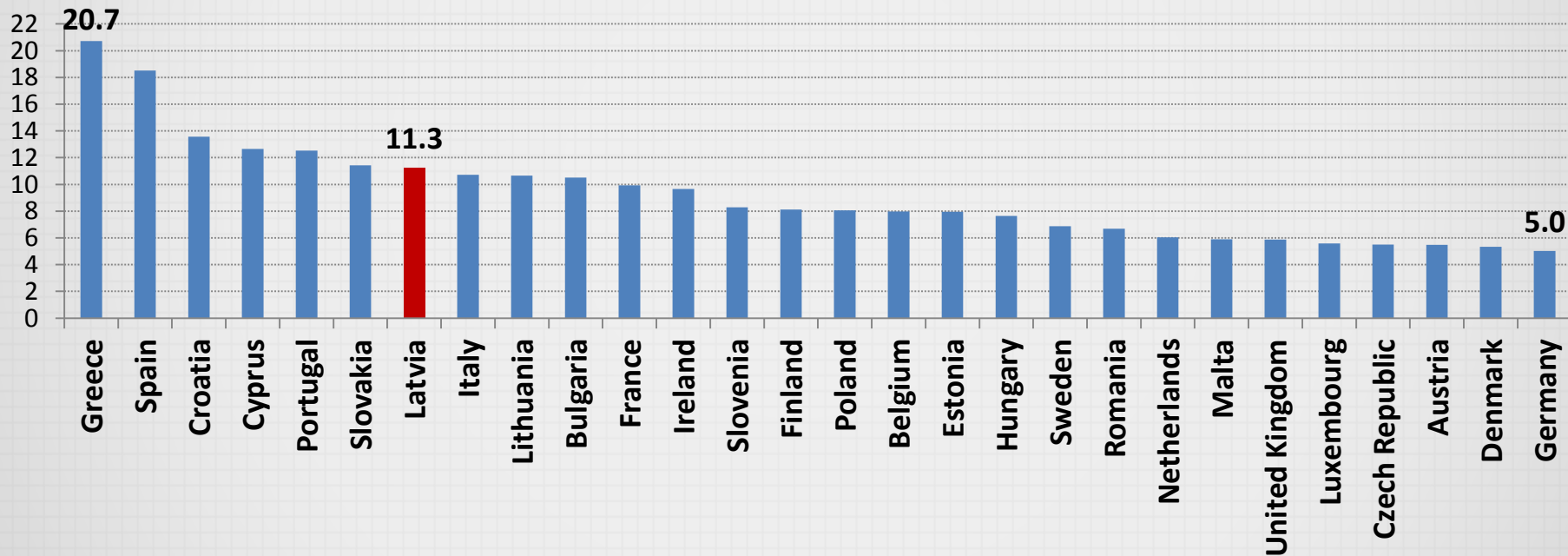
... AND ENDEMIC REGIONAL DISPARITIES

Job seekers rate (% of economically active population) in 2015



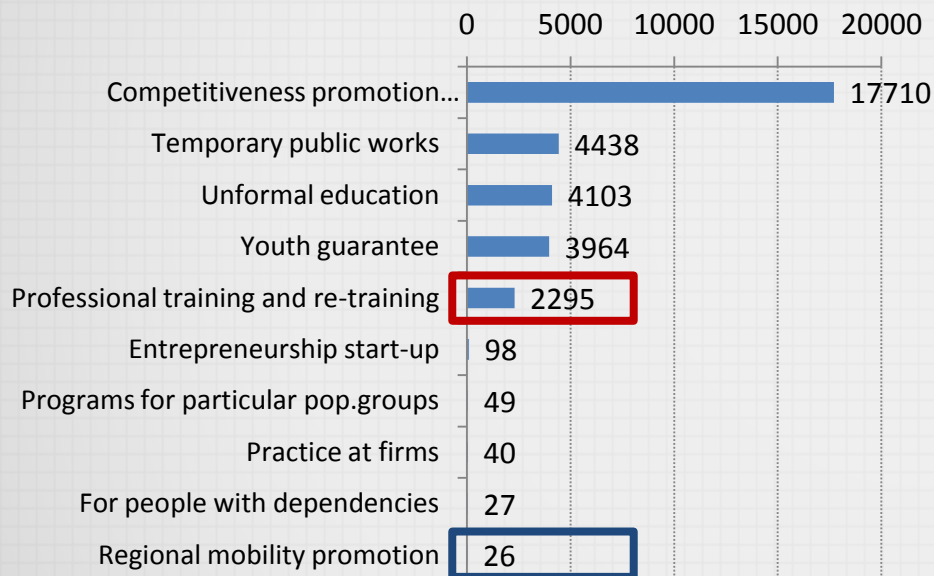
STRUCTURAL UNEMPLOYMENT IS AMONG THE HIGHEST IN EUROPE

Natural rate of unemployment in 2015 (% of economically active population)



SPEND ALMP FUNDING IN A MORE EFFICIENT WAY

Number of people who started participation in particular program during January-March 2016



Share of people who found a job in 6 months time after completing a particular program (those who finished participation during Oct 2014 – Sept 2015)

Professional training and re-training – 38.8%

Unformal education (excluding Latvian language) – 31.7%

Latvian language courses – 30.3%

2016 March:

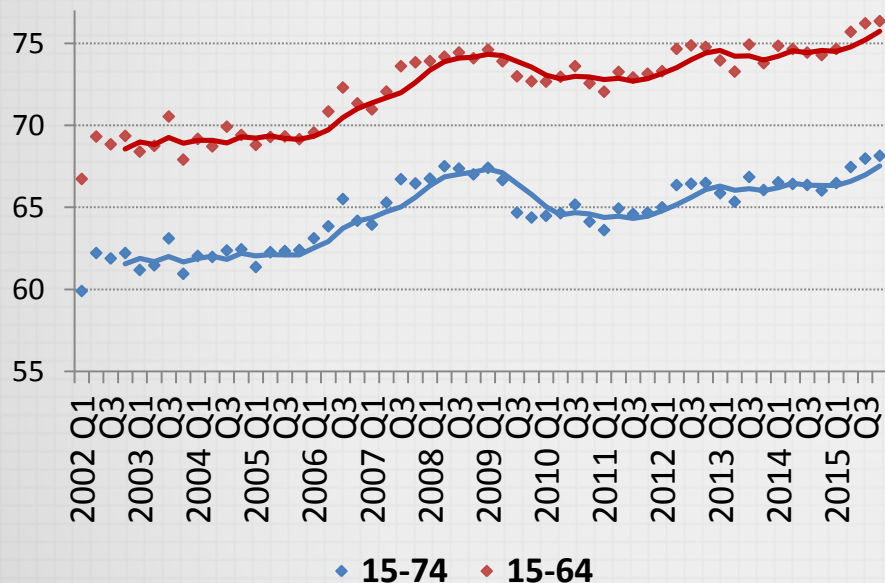
Registered unemployed: 82 thousand

Receive unemployment benefit: 42 thousand

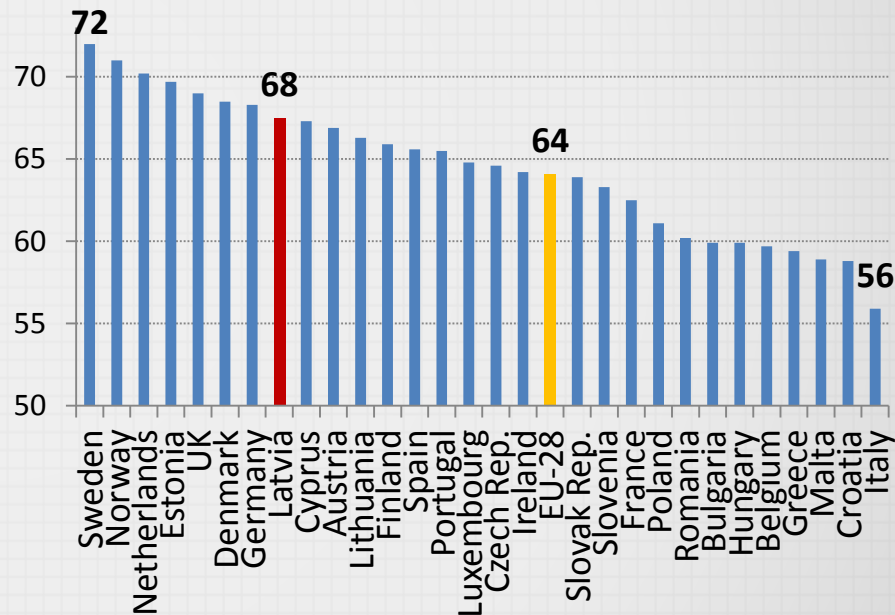
Participate in SEA programs: 20 thousand

BOOST PARTICIPATION EVEN FURTHER (AS DEMOGRAPHIC DIVIDEND VANISHES), BUT ...

Participation rate (4-quarter moving average; %)

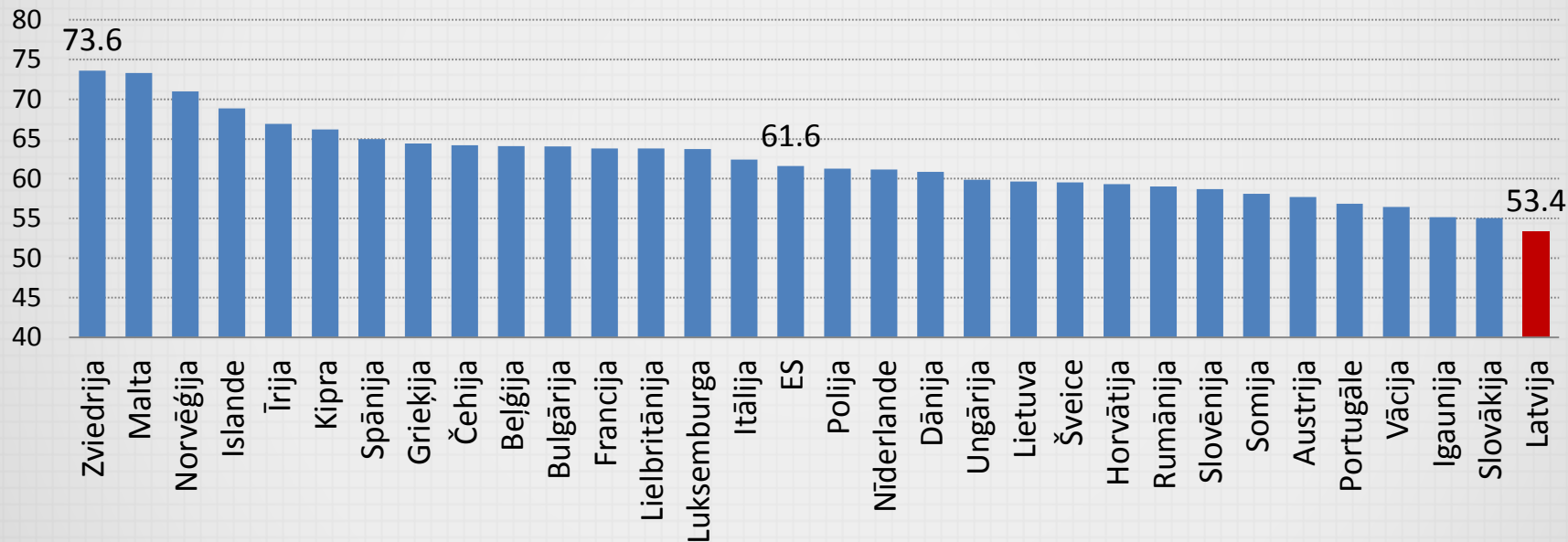


Participation rate in 2015 (%; 15-74)



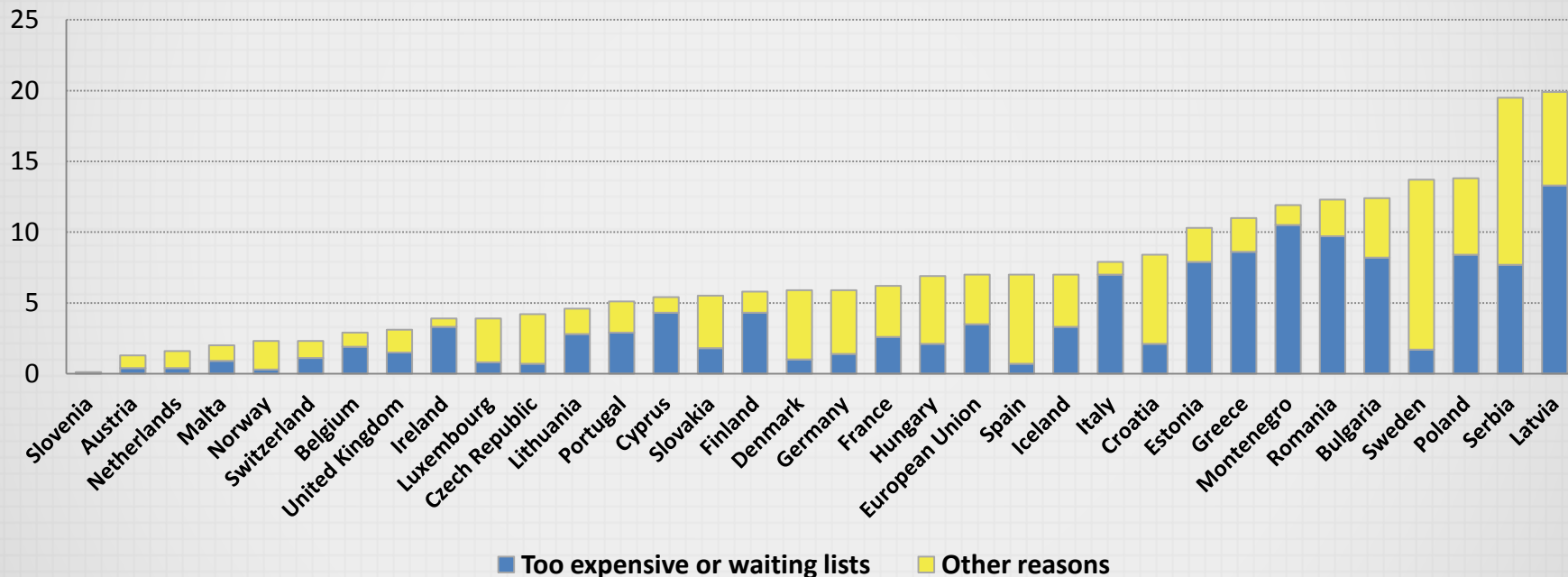
... ONE NEEDS TO BE IN A GOOD SHAPE TO WORK PRODUCTIVELY

Healthy life years, 2014



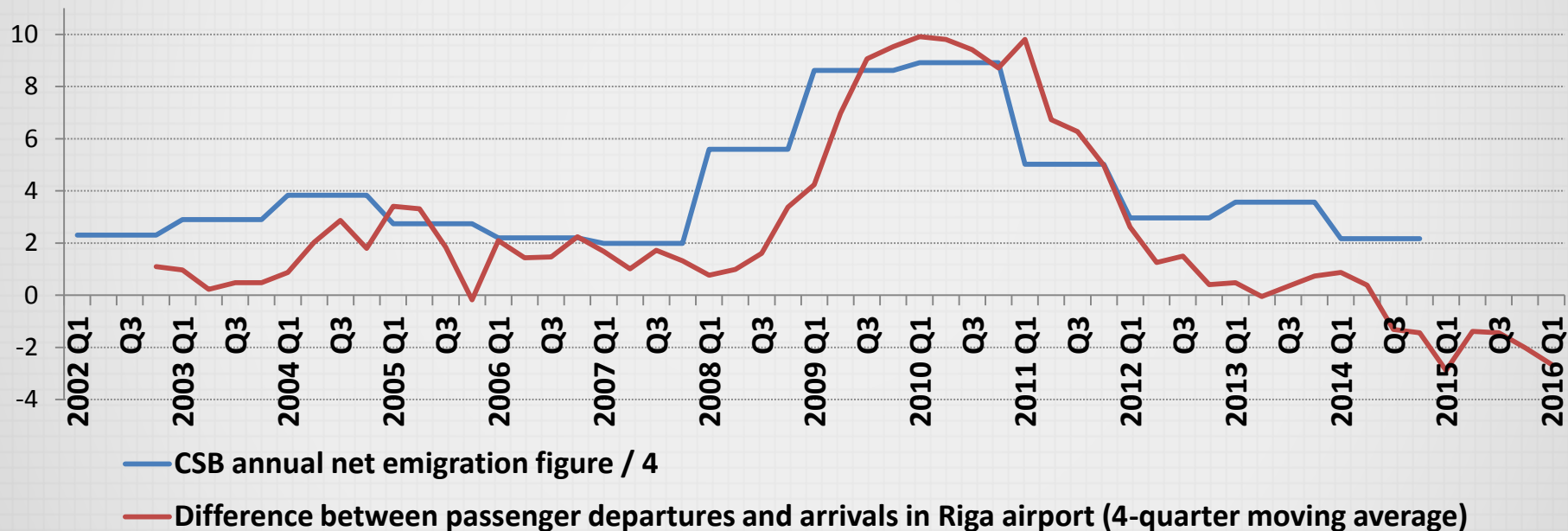
ACCESS TO HEALTHCARE IS PROBLEMATIC IN LATVIA

People who reported unmet needs for medical examination (% of population; 2013)



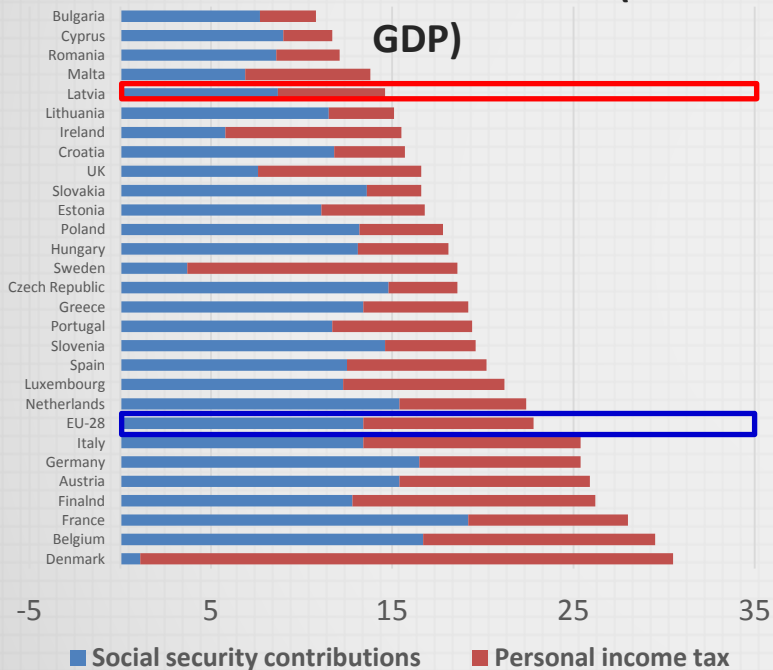
ADD MIGRATION POLICY TO THE TOOLBOX

Net emigration: official and flash indicators (thousand per quarter)



SET TAX INCENTIVES RIGHT

Labour tax revenue in 2014 (% of GDP)



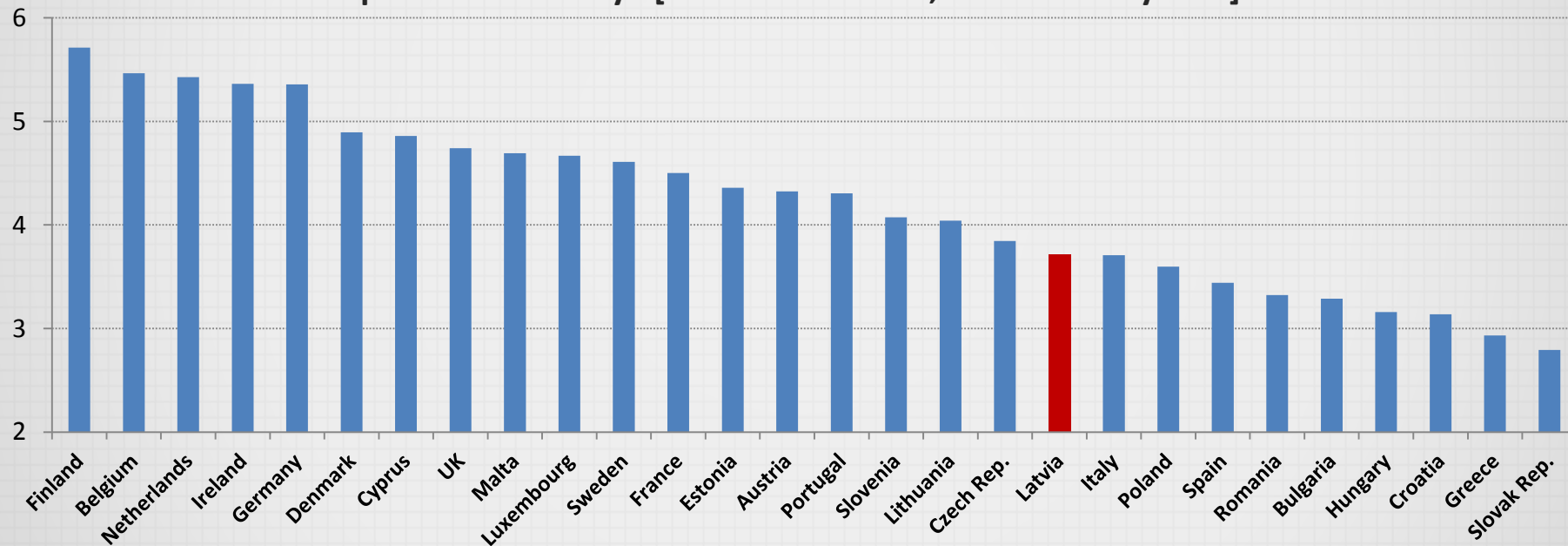
Tax wedge for person with average wage (%)



QUALITY

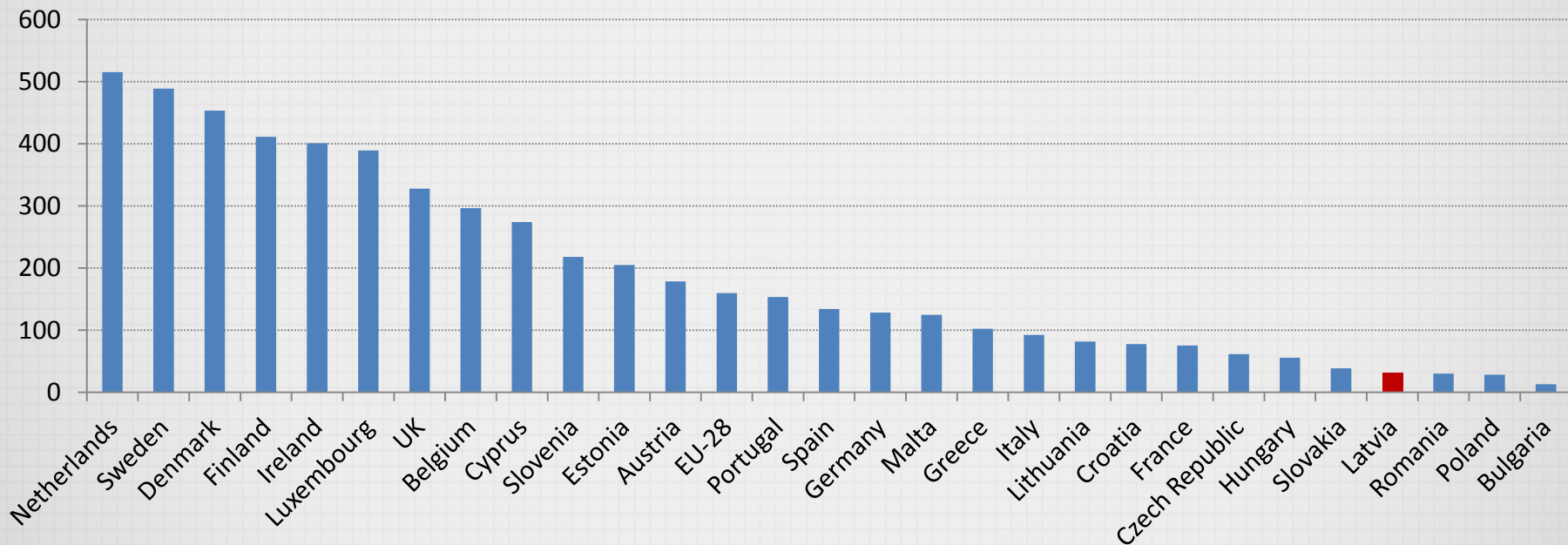
QUALITY OF EDUCATION APPEARS POOR

GCI pillar “Quality of education system”: How well does the education system in your country meet the needs of a competitive economy? [1 = not well at all; 7 = extremely well] . EU countries.



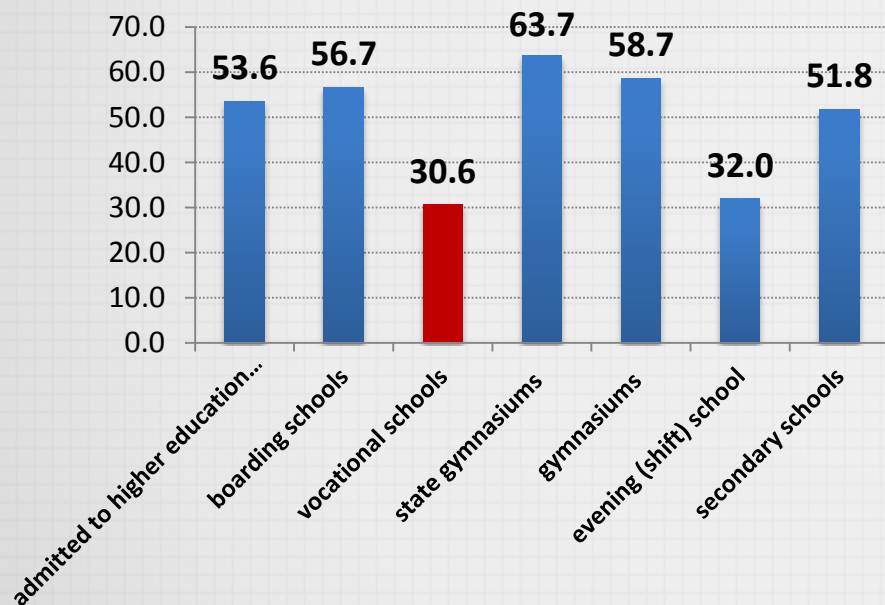
LOW PUBLICATION ACTIVITY MAY REFLECT POOR QUALITY OF HIGHER EDUCATION

Social Science Citation Index articles in English during 2014 (per million of population)

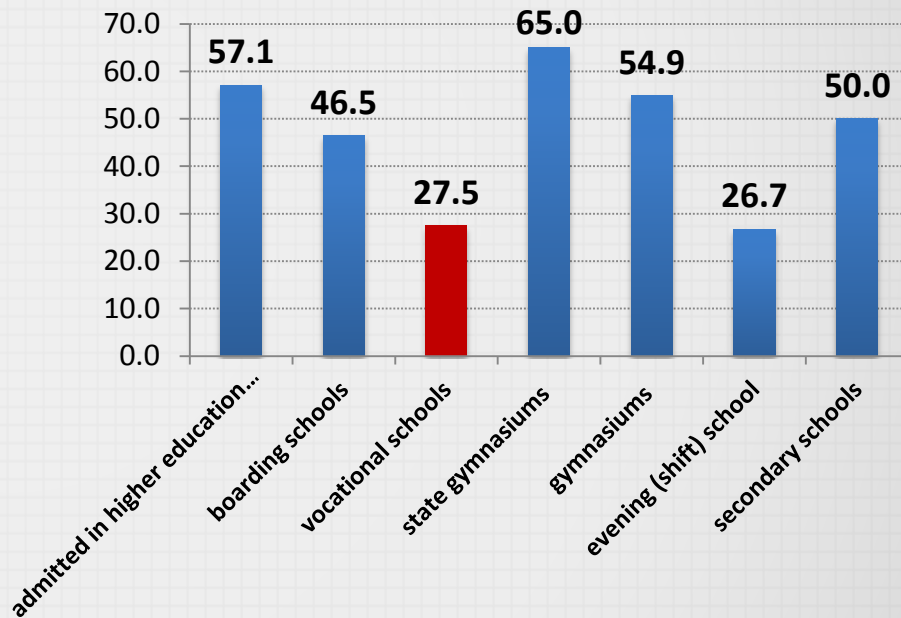


DESPITE RECENTLY UPGRADED INFRASTRUCTURE, VOCATIONAL SCHOOLS PROVIDE POOR GENERAL SKILLS

Average results of state exam in physics (2015), %



Average results of state exam in math (2015), %



CONCLUSIONS

- Challenges are well known
- Take a systemic perspective
- Shift focus from process towards outcomes
- But need to have ownership in the first place

