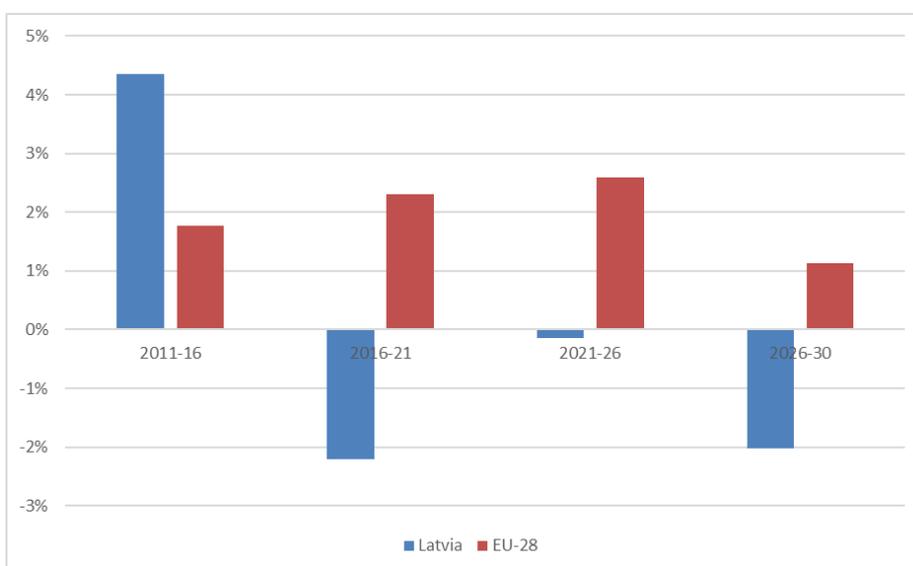


1. Employment outlook

After a significant increase in the period 2011-16, employment is expected to decline up to 2030, as shown in Figure 1. Employment is expected to decrease by 2% in 2016-21, to improve yet slightly decrease in 2021-26 and to drop back to a decrease of about 2% in 2026-30, far below the EU-28 average. Total employment will decline by 4.3% over the forecast period 2016-30, the lowest value among all Member States.

Figure 1 Percentage employment growth in Latvia and the EU-28, 2011-30



Source: Cedefop (2018 Skills Forecast)

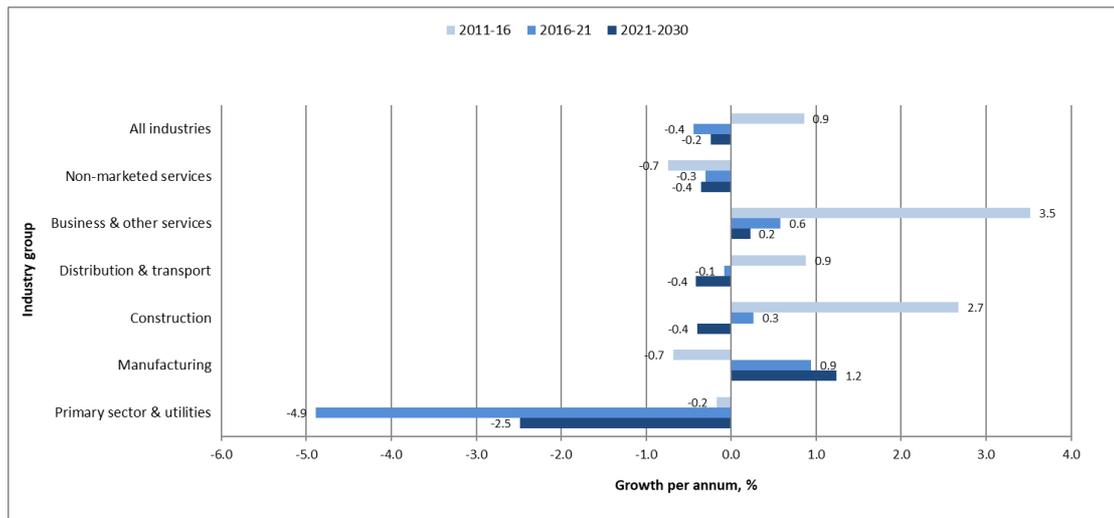
2. Labour force overview

Latvia's labour force is expected to decline by 15% over the period up to 2030, a rate close to Greece. The decline is driven by a similar decline in the overall working age population (-12%) All age cohorts show a decrease over time except those aged 15-19 and those aged 65+, both age groups with a low participation rate (around 8-10%). It is therefore expected that the available labour force declines at a higher rate than the decline in the population.

3. Sectoral employment trends

Employment is expected to have declined in most sectors by 2030, as shown in Figure 2. However, after a decrease in 2011-16, *manufacturing* is expected to be the fastest growing sector in all periods up to 2030, followed by *business and other services* after a big increase in 2011-16. All other sectors are expected to stagnate or decline, with *primary sector and utilities* being by far the fastest shrinking sector in all periods up to 2030, especially in the initial forecast period 2016-21. In terms of subsectors, *rest of manufacturing, banking and insurance and other business services* are expected to have the highest increase in employment over 2016-30, driving the increase in their respective broad sectors (*manufacturing* and *business and other services*). The subsectors expected to decrease the most are *agriculture and transport*.

Figure 2 Employment growth by broad sector of economic activity, 2011-30



Source: Cedefop (2018 Skills Forecast)

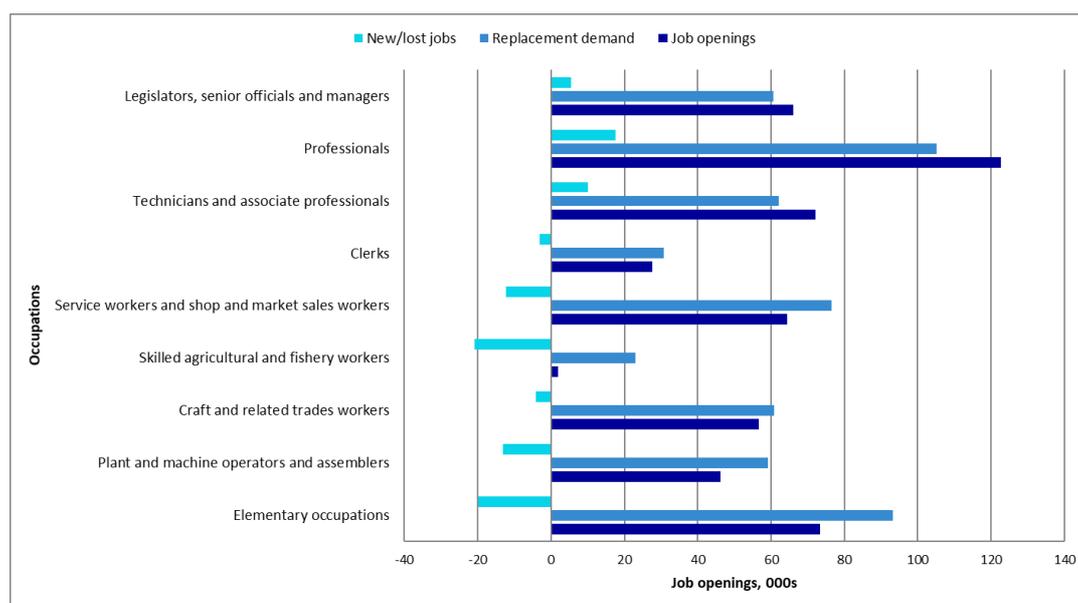
4. Job openings by occupational group

Cedefop skills forecasts estimate the total job openings by occupational group as the sum of net employment change and replacement needs. Net employment change refers to new jobs created due to the expansion of the employment in that sector or occupation. Replacement needs arise as the workforce leaves the occupation due to retirement or career changes. Replacement needs, generally, provide more job opportunities than new jobs, meaning that significant job opportunities arise even in

occupations declining in size (i.e. agricultural workers are a typical example, as ageing workers employed in the sector will need to be replaced).

Figure 3 shows the total job openings by broad occupational group over the period 2016-30. The number of job openings is determined by the amount of jobs lost/newly created and by the amount of jobs that are created following the retirement of old workers. Most jobs will come from the need to replace workers retiring or changing occupations. The occupation expected to have the highest number of job openings, 14% of which are due to new jobs, is *professionals*, which accounts for 23% of total job openings in Latvia, followed by *technicians and associate professionals*, which also contribute a large share of new jobs. All the remaining occupations are expected to shrink in employment, although the need to replace retiring workers will still provide job openings, except *skilled agricultural and fishery workers* where retirement needs are expected to barely offset the decrease in employment.

Figure 3 Job openings by broad occupational group, 2016-30



Source: Cedefop (2018 Skills Forecast)

The more detailed analysis of occupational groups shows that most of the **new jobs** are expected to be created for high-skill occupations such as *business and administration professionals, legal, social, cultural and related associate professional as well as administrative and commercial managers*. The highest number of **total job openings** among detailed occupational groups is expected among *labourers in mining, construction, manufacturing and transport, business and administration professionals as well as teaching professionals*.

5. Drivers of occupational change

Within the Cedefop skills forecasts, future employment growth (or decline) of occupations is further broken down by separating national economic components from regional industrial and economic effects, helping to interpret what is driving the change. From this perspective employment growth can be explained by three possible drivers: (a) overall trends of the economy (i.e. growth or decline), (b) shifts of employment between sectors and (c) changes in the occupational structure within sectors (i.e. factors making some occupations more important/ others).

The sectoral shift toward *business and other services* and *manufacturing* is expected to create demand for high-skills occupations such as *information technology technicians* and *professionals* and low/medium-skills occupations such as *handicraft and printing workers* and *stationary plant and machine operators*. On the other hand, the decline in *primary sector and utilities* and *distribution and transport* is expected to decrease employment in *agricultural, forestry and fishery labourers* and *drivers and mobile plant operators*.

Developments in technology are expected to shrink in employment in occupations such as *other clerical support workers* and *food preparation assistants*, because of the routine content of their job, and *hospitality, retail and other service managers* and *sales workers* because of new ways of delivering the service remotely.

Taking into accounts both occupation and sector effects, the occupations which are expected to show the highest increase in employment are *legal, social, cultural and related associate professionals, information and communication technology technicians* and *professionals* and *business and administration professionals*. On the other hand, among *science and engineering professionals* there will be both positive (sectoral change) and negative effects (within occupation shifts); in the case of this occupation, the positive effects are expected to outweigh negative effects over the period up to 2030.

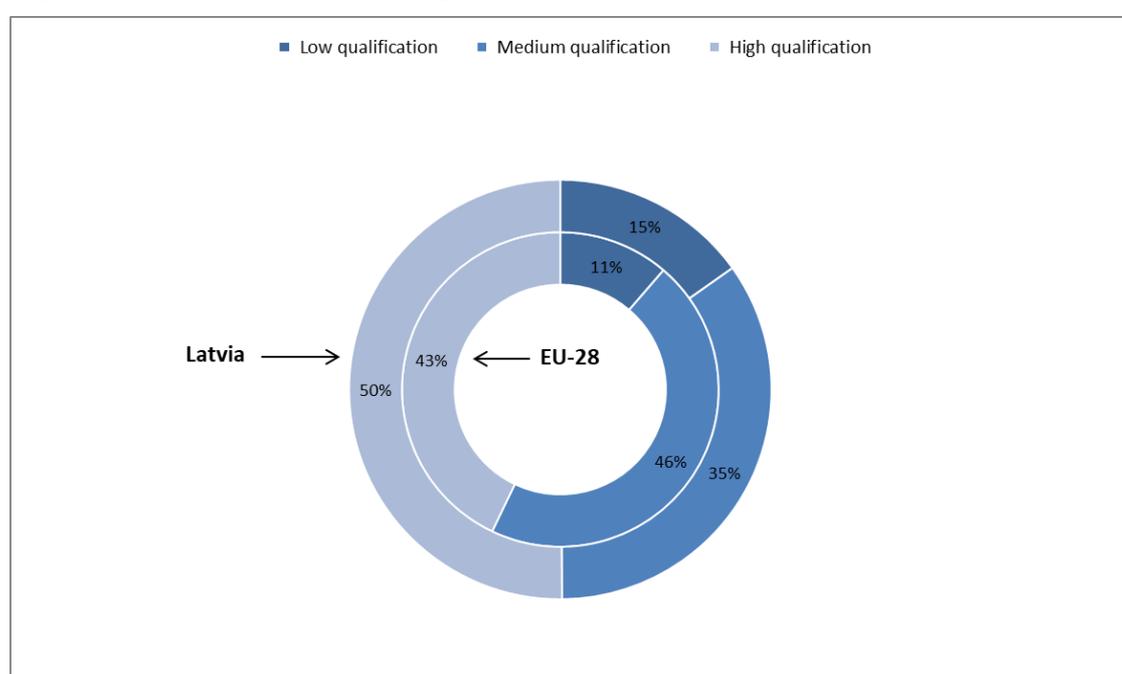
6. Demand for and supply of skills

Within the Cedefop skills forecasts, skills are proxied by the highest level of qualification held by individuals in the labour force and employment. Three levels are distinguished, high, medium, and low, which correspond to the official ISCED classification. The occupational group also offers an indication of the skill level

required, as some occupations (e.g. professionals) typically require high-level skills, while some others (e.g. elementary) typically require only basic ones. Therefore, occupational groups are also linked to a skill level.

Figure 4 shows the share of **total job openings** by qualification needs. The share of job openings requiring high-level qualifications is expected to be 50%, 7 pp above the EU-28 average, while 35% of job openings are expected to require medium-level qualifications, 11 pp below the EU-28 average. The share of job openings requiring low-level qualifications is expected to be 15%, 4 pp above the EU-28 average.

Figure 4 Share of total job openings by level of qualification, 2016-30



Source: Cedefop (2018 Skills Forecast)

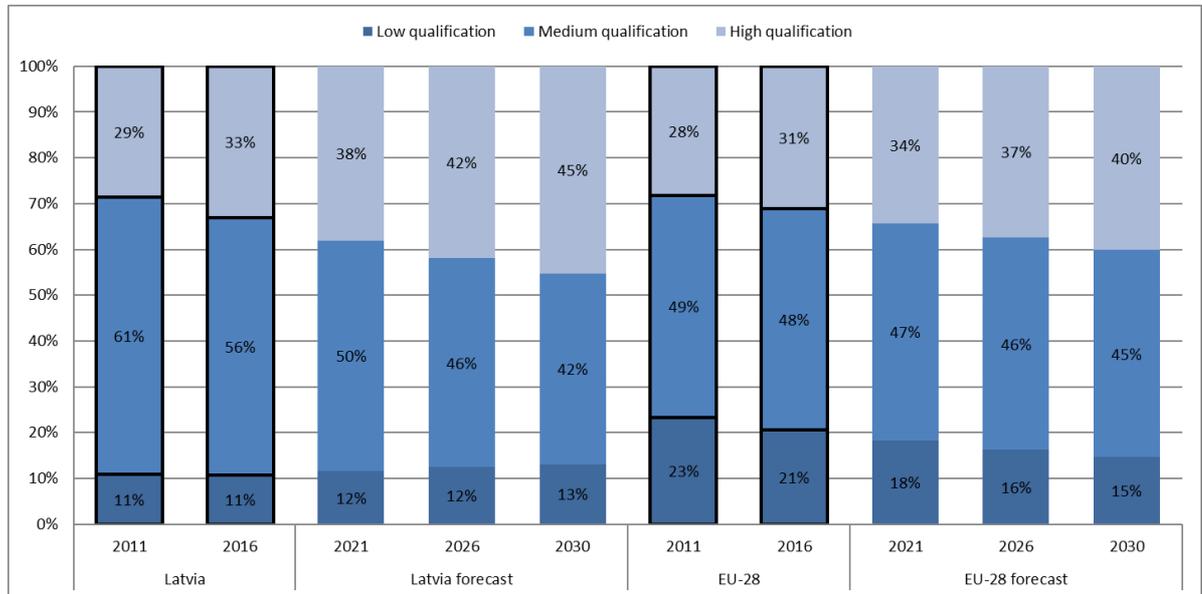
The number of job openings requiring high-level qualifications is expected to increase within occupations such as *teaching professionals*, *business and administration associate* and *professionals* and *legal, social and cultural professionals*.

Future labour supply trends depend on the size of the working age population (defined as aged 15 or older), the labour market participation rates, and the extent to which people acquire formal qualifications.

As seen in Figure 5, the share of workers with high-level qualifications is expected to increase to 45% in 2030, 5 pp above the EU-28 average. The share

of medium-qualified workers is expected to decrease to 42% in 2030, 3 pp below the EU-28 average. The share of low-qualified workers is expected to increase over time to 13% but still be below the EU-28 average by 2 pp in 2030.

Figure 5 Labour force share by level of qualification, 2011-30



Source: Cedefop (2018 Skills Forecast)

The demand for highly qualified workers is expected to exceed the supply, while the demand for medium-qualified workers is expected to be below the supply, possibly causing skills mismatches. The demand and supply for low-qualified workers are expected of broadly converge by 2030.

Cedefop methodology and scenarios

Cedefop skills forecasts offer quantitative projections of future trends in employment by sector of economic activity and occupational group. Future trends on the level of education of the population and the labour force are also estimated. Cedefop's forecasts use harmonised international data and a common methodological approach allowing cross-country comparisons about employment trends in sectors, occupations and qualifications. The forecasts and methodologies applied are validated by a group of national experts. These forecasts do not substitute national forecasts, which often use more detailed methodologies and data, while they also incorporate in-depth knowledge of a country's labour market.

The latest round of forecasts covers the period up to 2030. The forecasts take account of global economic developments up to May 2017. Despite cross-country differences, the EU economy as a whole is expected to show modest growth, after a better-than-expected performance in 2017. Over 2018 and 2019, the EU economy as a whole is expected to grow, albeit at a slower pace compared to 2017, supported by increased household expenditure and falling unemployment, although wage growth remains muted. Investment is also expected to pick up given favourable financing conditions and an improved economic outlook. The key assumptions of the baseline scenario incorporate the Eurostat population forecast available in 2017 (Europop 2015) ⁽¹⁾ and the short-term macroeconomic forecast produced by DG ECFIN in May 2017 ⁽²⁾.

For the latest update and access to more detailed Cedefop skills forecast data please visit:

<http://www.cedefop.europa.eu/el/events-and-projects/projects/forecasting-skill-demand-and-supply>



⁽¹⁾ <https://ec.europa.eu/eurostat/web/population-demography-migration-projections/population-projections-data>

⁽²⁾ https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2017-economic-forecast_it

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