



Latvia: Forecast highlights up to 2025

Between now and 2025:

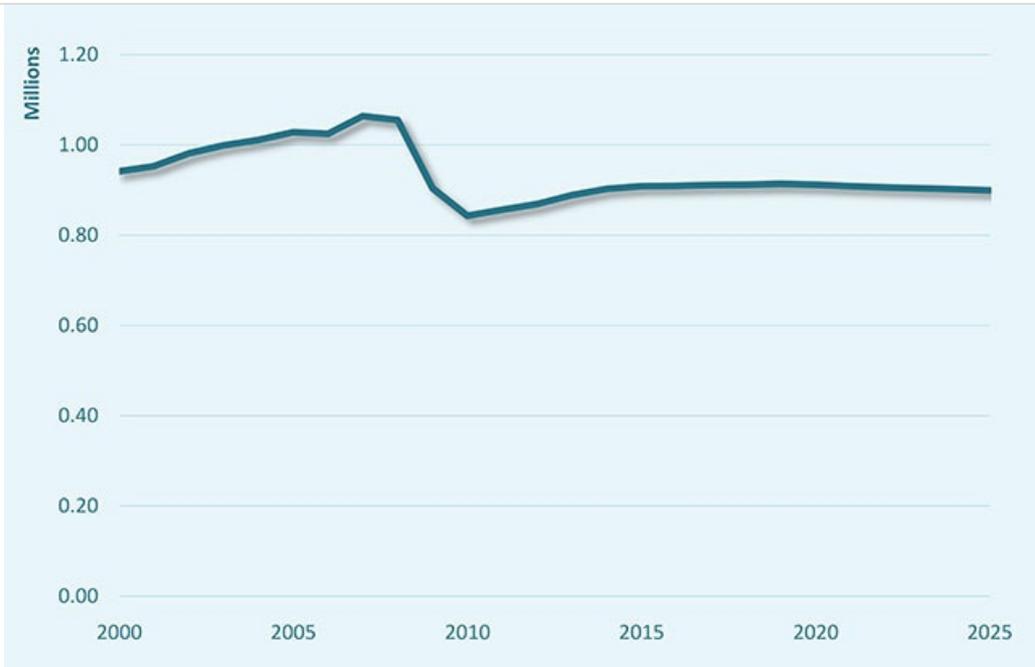
- Employment is forecast to increase slightly, but remain below its 2008 pre-crisis level.
- Most employment growth will be in business and other services.
- Most job opportunities, around 28%, will be for professionals.
- Around 46% of the labour force will have high-level qualifications compared to 34.6% in 2013.

Following the economic crisis in 2008, Latvia's GDP started to recover in 2011. In 2013, Latvia's unemployment rate was 11.9%, close to the European Union (EU) average of 11%. The European Commission forecasts GDP growth for Latvia of 2.9% in 2015 and 3.6% in 2016.

Employment outlook

According to Cedefop's skill supply and demand forecasts ([see scenario assumptions](#)), economic growth will have only limited effects on job growth in Latvia and employment is not expected to reach its 2008 pre-crisis level by 2025 (Figure 1). This is slower than employment growth forecast for the EU as a whole, where average employment is expected to reach its pre-crisis level in 2020.

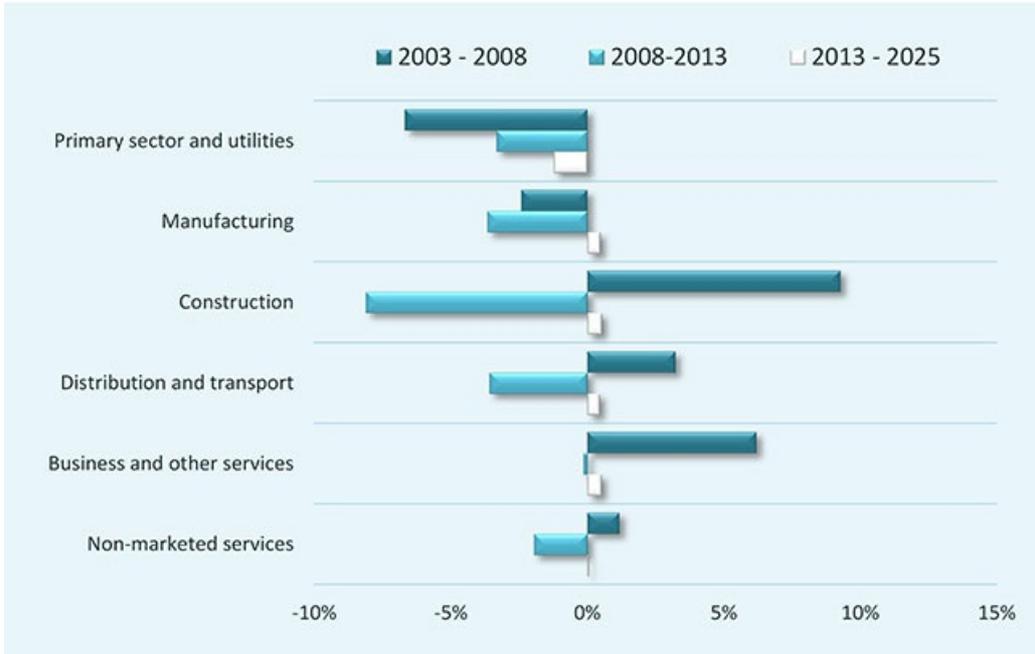
Figure 1 **Past and forecast employment, Latvia (millions)**



Sector developments

The economic crisis reduced employment in all sectors, notably construction and manufacturing between 2008 and 2013 (Figure 2). Future employment growth in Latvia up to 2025 will be in manufacturing, construction, distribution and transport, and business and other services. Employment in the primary sector is forecast to continue to fall but at a slower rate.

Figure 2 **Employment trends by sector, average annual growth rate, 2003-25, Latvia (%)**



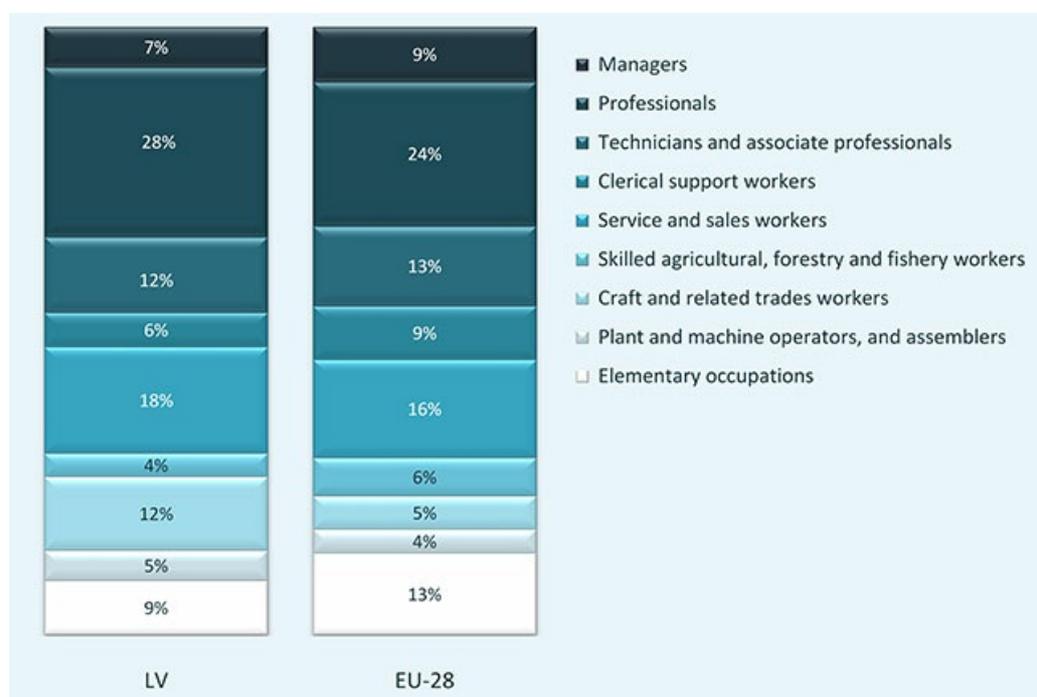
Source: Cedefop skills forecasts (2015)

Occupations and qualifications prospects

Cedefop's forecasts give insights on job opportunities between now and 2025 (Figure 3). Total job opportunities are the sum of newly created jobs (expansion demand) and job opportunities arising because of the need to replace people who either go on to other jobs or leave the labour market, for example due to retirement (replacement demand). Often, replacement demand provides more job opportunities than expansion demand, which means that there will still be job opportunities even if the overall level of employment falls. Slow employment growth and an ageing workforce means that between now and 2025, replacement demand in Latvia is forecast to provide almost all job opportunities.

In Latvia, most job opportunities, around 28%, will be for professionals (high level occupations in science, engineering healthcare, business and teaching), followed by around 18% for service and sales workers (Figure 3). The proportion of job opportunities for craft and related trades workers, in Latvia around 12%, is significantly higher than the 5% forecast for the EU as a whole.

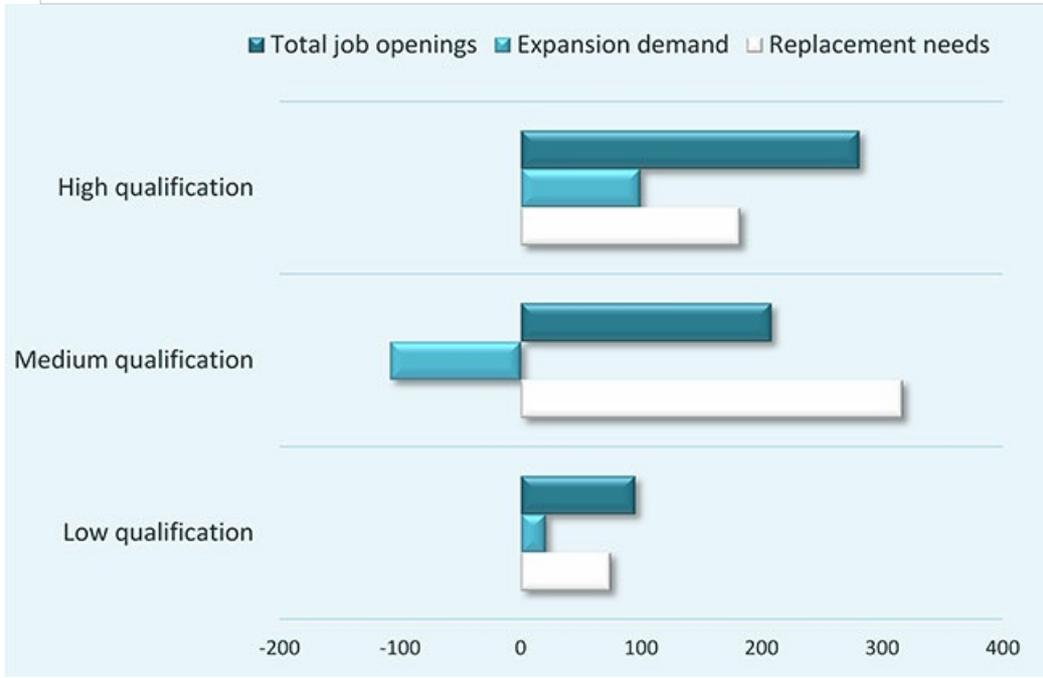
Figure 3 **Distribution of total job opportunities by occupation, 2013-25, Latvia and the EU (%)**



Source: Cedefop skills forecasts (2015)

Most job opportunities in Latvia will require high-level qualifications (ISCED 97 levels 5 and 6) (Figure 4). However, due to high replacement demand there will also be significant numbers of job opportunities requiring medium-level qualifications (ISCED 97 levels 3 and 4).

Figure 4 **Total job opportunities by qualification, 2013-25, Latvia (thousands)**



Source: Cedefop skills forecasts (2015)

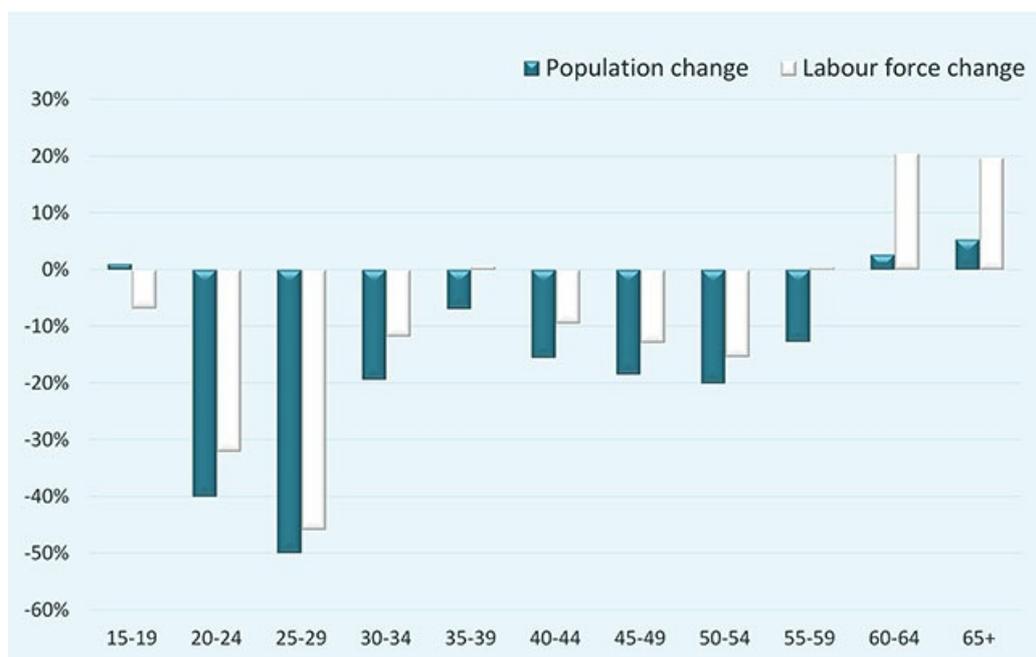
Labour force trends

Future labour supply trends depend mainly on demographics and the size of the working-age population (defined in the forecasts as people aged 15 and older), participation in the labour force (people in the working-age population either in or actively seeking work) and how quickly people acquire formal qualifications.

Eurostat's latest population forecast (Europop 2013) for Latvia reflects the current trends in fertility rates and net migration flows. Latvia's working-age population is projected to fall by about 14% between now and 2025. However, labour market participation is forecast to rise from 58.6% in 2013 to 59.3% in 2025, above the EU forecast average of 55.5%.

Following the EU demographic trend, Latvia's population is getting older (Figure 5). All age groups, except those aged over 60 are forecast to decline.

Figure 5 **Changes in working-age population and labour force by age, 2013-25, Latvia (%)**

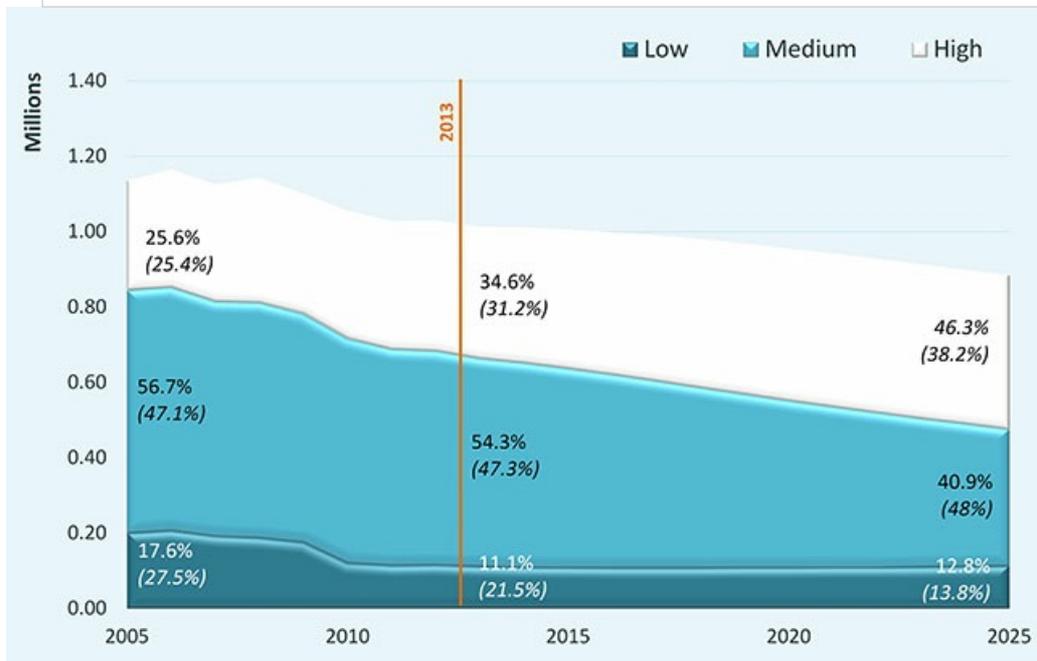


Source: Cedefop skills forecasts (2015)

Although older and smaller, Latvia's labour force is becoming more highly qualified (Figure 6). This is explained by older less-qualified people leaving and younger more highly-educated people entering the labour market. By 2025, the share of Latvia's labour force with high-level qualifications should rise to 46.3% compared to 34.6% in 2013 and 25.6% in 2005. People with medium-level qualifications in 2025 will account for 40.9% of the labour force compared to 54.3% in 2013. Contrary to the general EU trend, in Latvia the share of the labour force with low-level or no qualifications is forecast to rise from 11.1% in 2013 to 12.8% in 2025.

According to Cedefop's forecasts, by 2020, in Latvia around 62% of 30 to 34 year olds will have high level qualifications. This is significantly above the EU's educational attainment benchmark of 40% by 2020. On current trends around 73% of 30 to 34 year olds in Latvia will have high-level qualifications by 2025.

Figure 6 **Labour force trends by qualifications, 2005-25, Latvia (and EU) (%)**



Source: Cedefop skills forecasts (2015)

In 2013, in Latvia, 9.8% of young people left the education and training system with a low-level qualification, meeting the national target of reducing this to less than 13.4% by 2020. In the EU, the average, in 2013, was 11.9%, still higher than its benchmark of less than 10 % of young people leaving the education and training system with low-level qualifications by 2020.

Experts' view

*Cedefop's forecasts and their assumptions are regularly discussed with national experts, **Normunds Ozols, Head of Economic Development and Labour Market Forecasting Unit at the Ministry of Economics of the Republic of Latvia** considers the forecasts' underlying assumptions and results plausible.*

However, he adds that the Europop 2013 population projection assumptions, particularly those for net migration are pessimistic compared to national projections that show a slower population decline. This is reflected in the more rapid fall in unemployment that Cedefop forecasts in the coming years than foreseen by national forecasts. The European Commissions' macroeconomic forecasts are seen as broadly in line with national ones.

Cedefop's forecasts confirm the concerns highlighted by national forecasts that labour shortage may be major obstacles to Latvia's future economic growth.

Cedefop skills supply and demand forecasts' scenario

Cedefop skills supply and demand forecasts take account of global economic developments up to October 2014. Despite significant differences between countries, the forecasts generally assume that a modest economic recovery will slowly increase confidence in the EU, increasing investment, consumer spending and exports. Inflation stays in target range and interest rates low, while higher tax revenues help governments reduce debt.

The assumptions reflect the latest Eurostat population forecast (Europop 2013, published in spring 2014) and the short-term macroeconomic forecast produced by the European Commission in November 2014.

Cedefop's forecasts use harmonised data and methodology for all countries covered to allow cross-country comparisons. They do not substitute national forecasts. Total employment data correspond to those reported in national accounts.

Cedefop's latest skills demand and supply forecasts up to 2025 cover 28 EU Member States plus Iceland, Norway and Switzerland. Results are regularly updated and together with key assumptions and methodological developments are reviewed by national experts.

For the latest update and more detailed skills forecast data visit: www.cedefop.europa.eu/forecast

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