



CEDEFOP

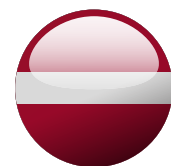
European Centre for the Development
of Vocational Training

EN



2023 skills forecast

Latvia





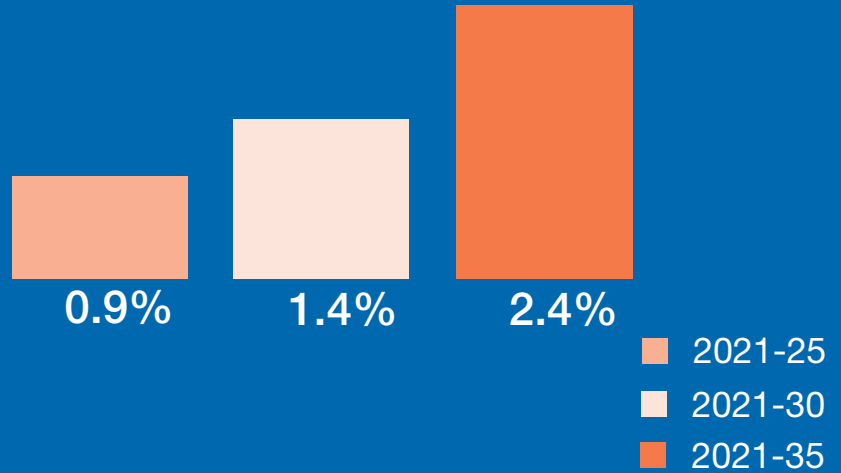
Employment in 2035

875 000

2.38%

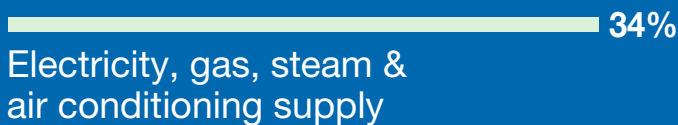
increase 2021-35

% Employment growth 2021-35



Fastest-growing sectors

2021-35% growth



Total job openings, 2021-35

560 000



Highest-demand occupations

Largest creation of new jobs, 2021-35



Information & communications technology professionals

increase in high-skilled labour demand 2021-35

21%

Total job openings by skill level 2021-35



- High-skilled non-manual occupations (47%)
- Skilled non-manual occupations (17%)
- Skilled manual occupations (21%)
- Elementary occupations (15%)



3.4%

employment increase in 2021-35



Fastest growing occupation
Legal, social and cultural professionals



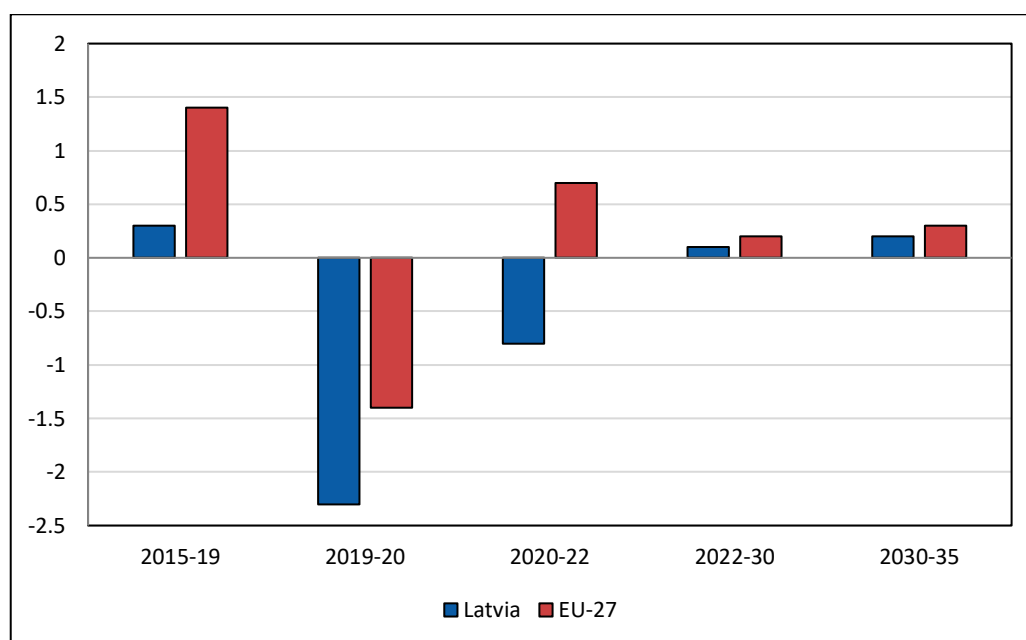
Fastest growing sector
Information and communication

Cedefop skills forecast: Latvia

1. Employment outlook

Employment in Latvia is forecast to grow slowly over the forecast period. Figure 1 shows that employment in Latvia grew slowly over 2015-19, compared with fairly strong growth in the EU-27 as a whole over the same period, and fell more sharply than the EU-27 in 2020 as the Covid-19 pandemic hit. Employment in Latvia is also estimated to have continued falling over 2020-22, while it is estimated to have bounced back in the EU-27 as a whole over the same period. Across the forecast period, employment in Latvia is forecast to grow slowly, by around 0.1-0.2% pa compared with growth of around 0.2-0.3% pa for the EU-27 as a whole.

Figure 1. Annual percentage employment growth in Latvia and the EU-27, 2015-35



Source: Cedefop (2022 Skills Forecast).

2. Labour force overview

Figure 2 shows Latvia's labour force by age group in 2005, 2020 and 2035. Changes in the labour force in Latvia over the forecast period will continue to be driven by the ageing population and increasing participation rates in most age groups. The rather dim population projections are based on the EUROPOP forecast. Currently, national sources expect lower declines in population and thus lower overall labour force declines. In the remainder of this country fiche, the population expectations as they were given in EUROPOP will be used. The total labour force in Latvia is projected to fall by around 11.5% over 2020-35, compared with a fall of 10% over the previous 15 years. This compares with an expected increase in the labour force of just under 3% over 2020-35 for the EU-27. The total participation rate in Latvia is forecast to increase by 1 pp over 2020-35, the same as the change in the total rate for the EU-27. The total population is forecast to fall by more than 12% over 2020-35, compared with a fall of 16% over 2005-20.

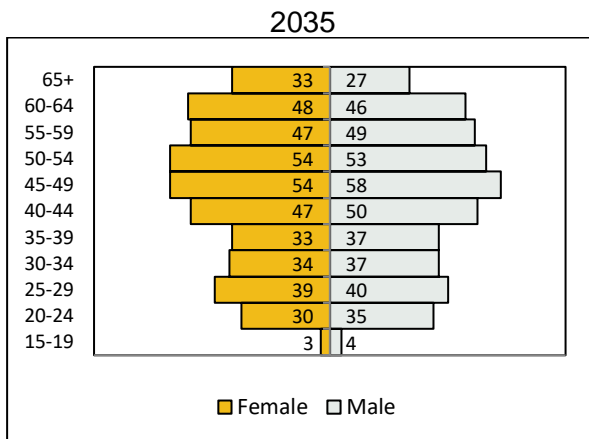
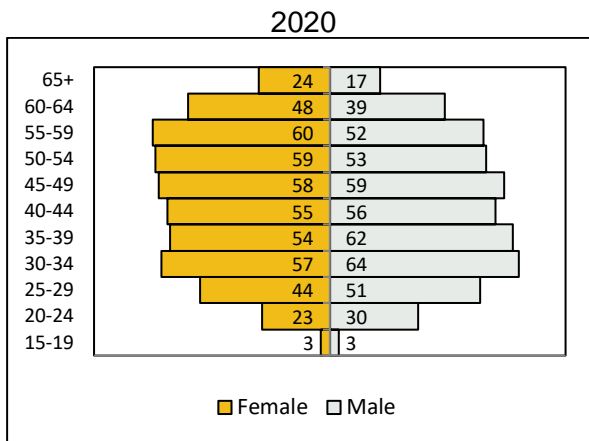
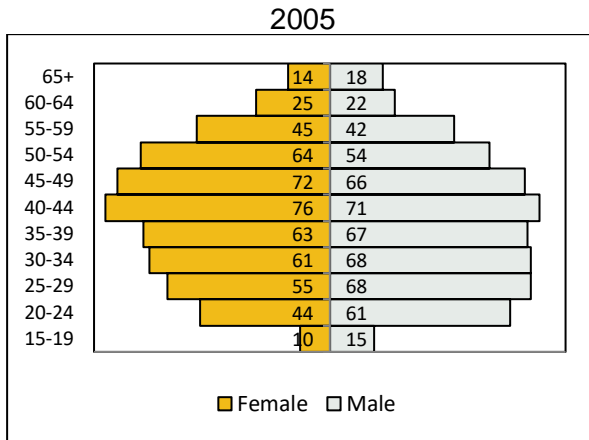
Demand pressures and the still ongoing pension age increase in Latvia (up to 65 years in 2025, compared to 63 years and 9 months in 2020) could encourage more people move to labour force, thus increasing the participation rate further.

The population aged 25-64 in Latvia is forecast to fall quite strongly during 2020-35, especially among the younger age groups, with only the population in the age groups 15-24 and 65 and over projected to increase, reflecting trends in the relevant younger cohorts in preceding periods.

Apart from the 15-19 and 65 and over age groups, which make up only a small percentage of the total labour force, participation rates of all age groups in Latvia are forecast to grow quite strongly (5 pp and higher) over 2020-35, with the strongest increases projected for the 60-64 (17 pp), and 20-29 (12 pp) age groups.

As elsewhere, female participation rates in Latvia are generally forecast to increase more than male rates due to the lower starting point, although the total participation rate for males and females is forecast to increase by 1 pp over 2020-35. This small increase reflects that although participation rates by age group are generally increasing, the population in the age groups with higher participation rates is falling more strongly.

Figure 2. Distribution of the labour force (thousands), 2005-35

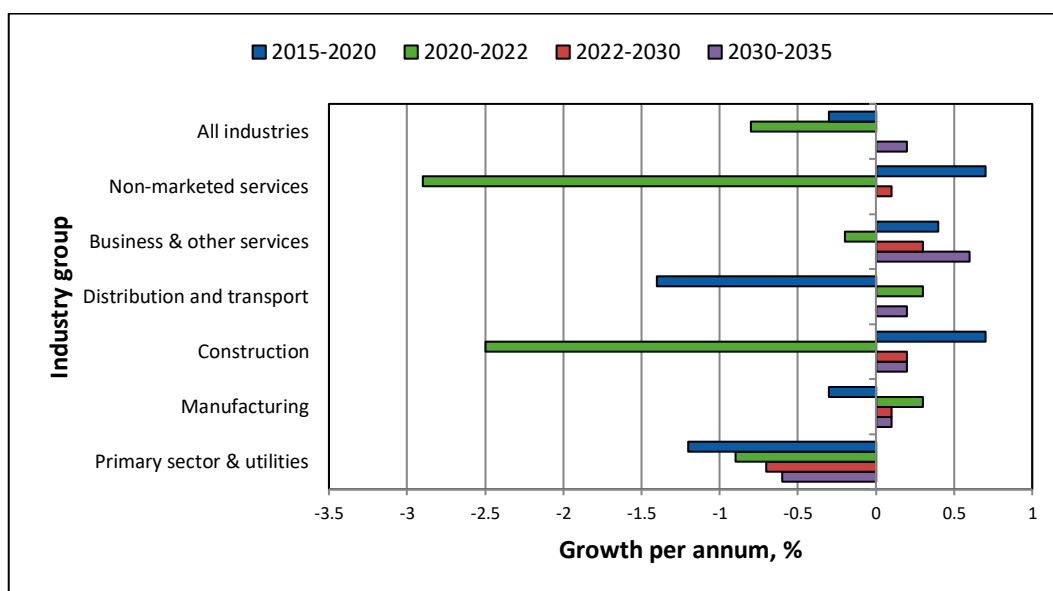


Source: Cedefop (2022 Skills Forecast).

3. Sectoral employment trends

Figure 3 shows annual average employment growth by broad sector in Latvia between 2015 and 2035. Total employment in Latvia is expected to grow only slowly over the forecast period, and the picture among the broad sectors is fairly similar. Employment in *Business & other services* is forecast to grow the strongest of the broad sectors, but even this is only by 0.3% pa over 2022-30 and 0.6% pa over 2030-35. Employment in *Primary sector & utilities* is forecast to fall over the forecast period by around 0.6% pa.

Figure 3. **Employment growth by broad sector of economic activity, 2015-35**



Source: Cedefop (2022 Skills Forecast).

In terms of sub-sectors (i.e. below the level of the six broad sectors discussed above), the growth pattern is much more mixed. Within the *Primary sector & utilities* sector, for example, the *electricity* sub-sector is forecast to see relatively strong growth over 2022-30. However, employment in the *agriculture* sub-sector (which accounted for 7.5% of total employment in Latvia in 2020), is forecast to continue falling over the same period. Within the *Manufacturing* broad sector, *other machinery & equipment*, *optical & electronic equipment*, *motor vehicles*, *other chemicals*, *electrical equipment*, *other transport equipment* and *pharmaceuticals* are all forecast to see relatively strong employment growth (more than 1% pa, over 2022-30), while employment in the relatively large sub-sector of food, drink & tobacco (2.8% of employment in 2020) is forecast to fall by more than 1% pa over the same period. Within *Distribution & transport*, employment in *accommodation &*

catering services and *warehousing & postal services* (which accounted for 3% and 2.4% of total employment respectively in Latvia in 2020) are forecast to grow strongly over 2022-30. On the other hand, *wholesale & retail trade* (16% of employment in 2020) is forecast to see a decline in employment over the same period. In *Business & other services*, the sub-sectors of *research & development*, *computer programming & information services*, *telecommunications*, *media*, *financial & insurance services* and *legal, accounting & consultancy services* are all forecast to grow by more than 1% pa over 2022-30. In *Non-marketed services*, employment in the *health* sub-sector (6% of employment in 2020) is forecast to grow by 1% pa over 2022-30, but employment in *public administration & defence* (6% of employment) and *education* (9% of employment) is forecast to fall slightly over the same period.

4. Job openings by occupational group

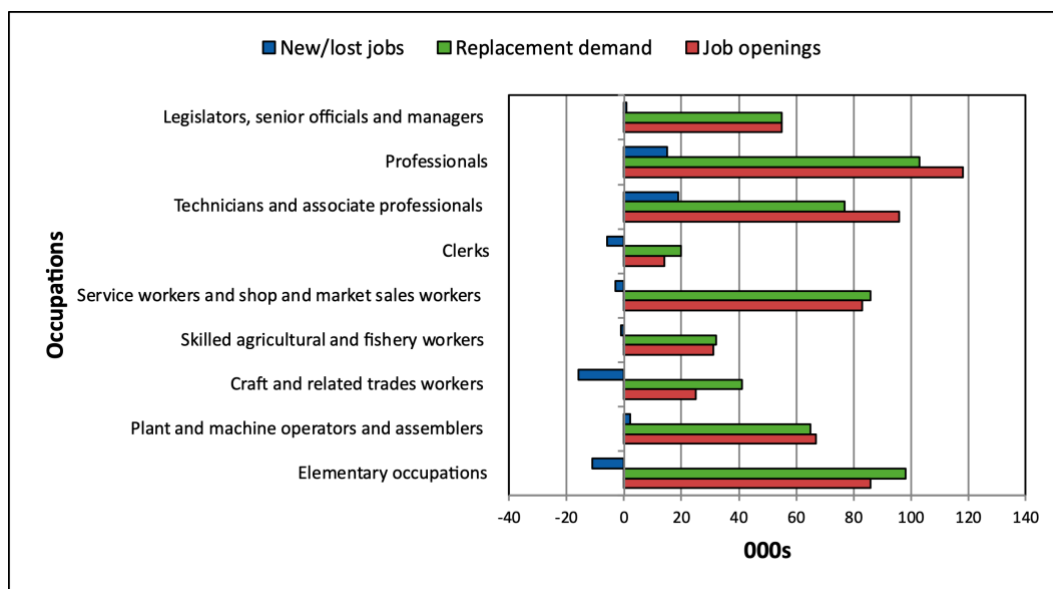
Cedefop skills forecasts estimate the total job openings by occupational group as the sum of net employment change and replacement needs. Net employment change refers to new jobs created or jobs lost due to the expansion or contraction of employment in that sector or occupation. Replacement needs arise 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 4 shows the total job openings by broad occupational group over 2020-35. The number of job openings indicates the number of jobs that are required to be filled due to lost/newly created jobs and those that require replacement workers. Although only *Technicians & associate professionals* and *Professionals* are forecast to see any substantial expansion in jobs over this period, all broad sectors are expected to see a substantial number of job openings due to replacement demand. *Professionals* is expected to see the greatest number of job openings, followed by *Technicians & associate professionals*. Overall, the total number of jobs is forecast to fall slightly, while the number of job openings is forecast to be 574,000 due to replacement demand.

At the more detailed level, most job openings (taking both new/lost jobs and replacement needs together) are generally expected to be in high-skilled non-manual occupations such as *business & administration associate professionals*, *teaching professionals*, *chief executives*, *senior officials & legislators*, *business & administration professionals* and *science & engineering associate professionals*.

The greatest number of job openings are forecast for the skilled manual occupation drivers & mobile plant operators, due to strong replacement demand. The elementary occupations of *labourers in mining, construction, manufacturing & transport* and *cleaners & helpers* are also expected to see a large number of job opportunities due entirely to replacement demand.

Figure 4. Job openings by broad occupational group, 2020-35



Source: Cedefop (2022 Skills Forecast).

Drivers of occupational change

Within the Cedefop skills forecast, 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 than others).

Employment composition in Latvia is mainly characterised by changes in the level of specialisation within occupations, and, in fewer cases, by changes in industry size. Stronger occupation-specific and industry effects will increase the share of *some categories of professionals, senior officials, legislators and managers, technicians and other associates*, but also in occupations which support the production process, such as *assemblers*. The increase in industry size has a

decisive positive impact, alongside a negative but modest occupation effect, only on *science & engineering professionals*. High-skilled occupations that can benefit from these trends are, for example, *chief executives, senior officials & legislators* and *business & other professionals*, and, in particular, *science & engineering associate professionals*.

Therefore, the overall effect of occupational change depends on several factors that need to be considered together. Increasing automation and digitisation, moves towards a service-oriented economy, including within *manufacturing*, lead to a greater use of higher-level occupations at the expense of some medium and low-level occupations.

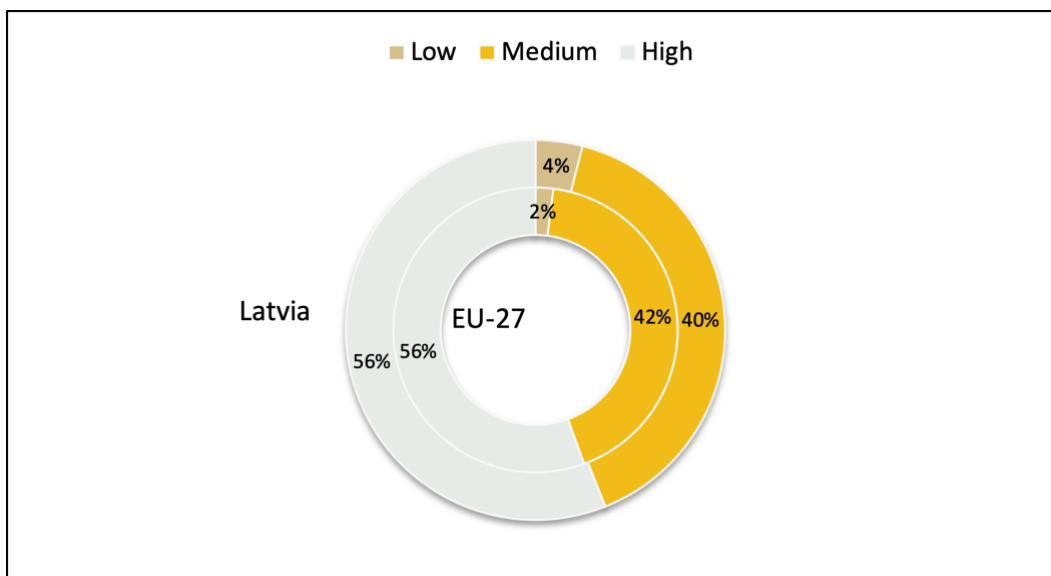
Labourers in mining, construction, manufacturing & transport is the only low-skilled occupation expected to increase. Even though both intermediate and lower-level occupations will experience an overall decrease, the projected reductions are expected to be more than compensated by the positive growth. The main intermediate occupations that will become stronger in the next decade are, for example, *assemblers* and *personal, care, protective services*.

5. Demand for and supply of skills

Within the Cedefop skills forecast, skills are proxied by the highest level of qualification held by individuals in the labour force and in 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 5 shows the shares of total job openings by qualification level for Latvia and the EU-27 over 2022-35. In Latvia, almost two-thirds (56%) of job openings are expected to require a high qualification, exactly on par with the EU-27 average. A slightly higher share of job openings in Latvia is expected to require low qualifications (4% versus 2% at EU-27), while the share of the medium level is slightly below the EU-27 average (40%).

Figure 5. **Shares of total job openings by level of qualification, 2020-35**



Source: Cedefop (2022 Skills Forecast).

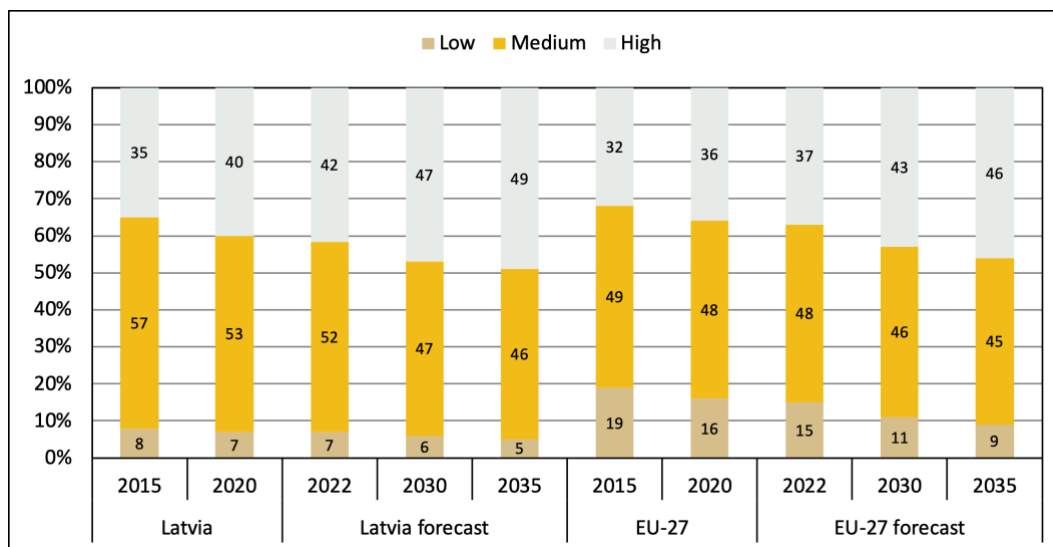
Future labour supply trends depend on the size of the working age population (defined as aged 15 or older), the labour market participation rates, and the extent to which people acquire formal qualifications.

Figure 6 depicts the development of the qualification share of the labour force in Latvia and the EU-27. As in most countries, Latvia is increasing its share of higher qualified in the labour market. While the share was at 42% in 2022, it is expected to increase to 49% by 2035.

The increase in the share of higher qualified labour has predominantly been at the cost of older medium qualified workers. The share of medium qualified workers is expected to decrease from 52% in 2022 to 46% in 2035, while the share of low qualified workers is expected to remain broadly stable, going from 7% to

5%. Relative to the EU-27 average qualification mix, Latvia is expected to continue to have a higher share of higher qualified, but the share of medium qualified is below that of the EU-27 as a whole during the forecast period. The share of low qualified labour is also expected to remain lower than the EU-27 average.

Figure 6. Labour force share by level of qualification, 2015-35



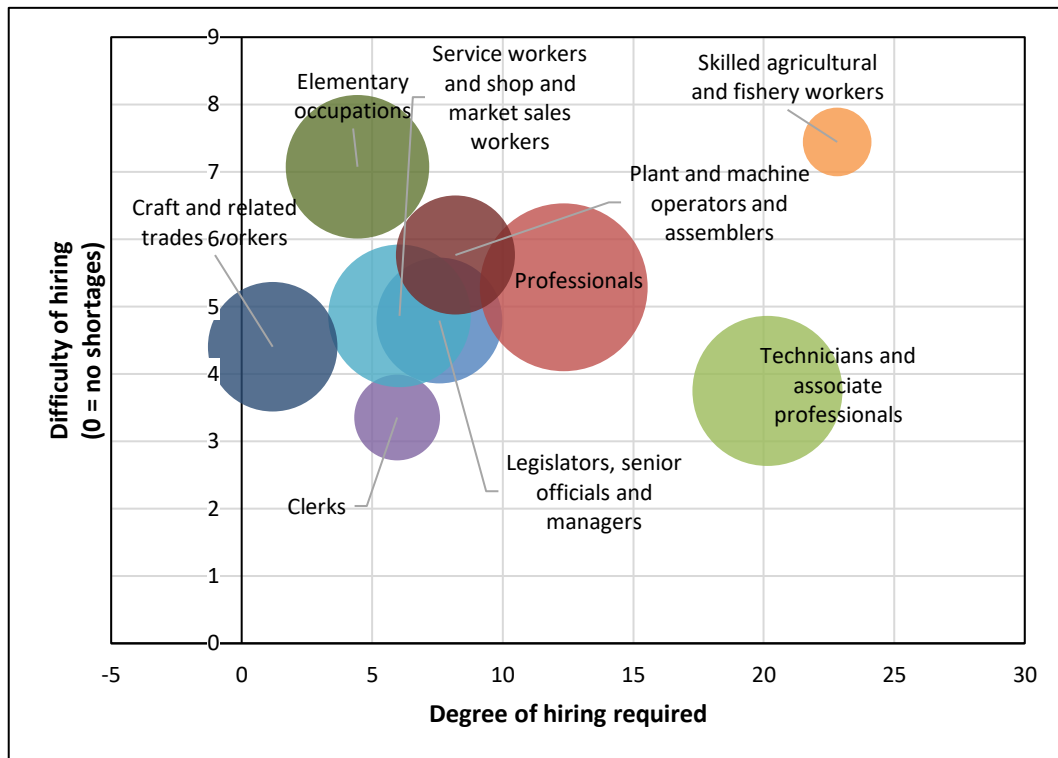
Source: Cedefop (2022 Skills Forecast).

Overall, the forecast implies an increasing shortage, especially among low qualified labour and medium qualified labour. On the other hand, the supply of higher educated labour is forecast to fill the demand within higher level occupations sufficiently. There will be variations within these broad qualification levels, and the Latvian National forecast suggests a significant labour shortage with specific vocational education.

Figure 7 shows an indicator, *difficulty of hiring*, whose aim is to approximate shortages of supply by qualifications and its impact on occupations. This measure, shown along the vertical axis, indicates increasing difficulties to fulfil demand given the available supply of qualifications used in the occupation. Along the horizontal axis, the *degree of hiring required* in the occupation is depicted. Higher values indicate that to reach the forecast result that occupation will need to adjust more (in terms of workers with particular qualifications) relative to the base year (2022) levels. These changes (degree of hiring required) can be due to a change in the qualifications required or increases in

the number employed. The size of the bubble indicates the *overall employment level*, bigger bubbles indicate more employment while smaller bubbles less employment. Occupations with both a high *degree of hiring required* and a high *difficulty of hiring* (i.e. towards the top right of the figure) are likely to have the most difficulties in achieving a suitable workforce.

Figure 7. Indicators of future hiring difficulties, 2022-35



Source: Cedefop (2022 Skills Forecast).

Note: Indicators were calculated at the level of the underlying 2-digit occupation groups. Aggregation was based on the employment weights within each 1-digit occupation group.

The increasing supply of higher educated workers suggests there may be shortages, especially among the medium and the lower qualified. These shortages could therefore mean that some of the higher educated labour force might need to be employed within occupations at a lower level than they qualify for, or it will result in hiring difficulties. Medium and low-level occupations such as *Elementary*, as well as *Plant & machine operators & assemblers* and *Craft & related trades workers*, are expected to see higher hiring difficulties in the forecast (Figure 6). However, these are expected to be seen alongside relatively low levels of change by qualification, so low hiring levels are required within these occupations. Meanwhile, *Professionals*, *Legislators, senior officials & managers*, and especially *Technicians & associate professionals*, are expected to have lower hiring difficulties, as they

usually hire from the supply of higher qualified. They show a relatively high degree of hiring required in the forecast period. A low degree of hiring required, and modest difficulties are expected among *Clerks*.

Cedefop methodology

The Cedefop Skills Forecast offers quantitative projections of future trends in employment, by sector of economic activity and occupational group. Future trends in the level of education of the population and the labour force are also estimated. Cedefop's forecast uses harmonised international data and a common methodological approach allowing cross-country comparisons between employment trends in sectors, occupations and qualifications. The forecast and methodology is validated by a group of national experts. The forecast does 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 the forecast covers the period up to 2035. The forecast takes account of global economic developments up to May 2022. The European Economy experienced a sharp downturn in 2020 due to the global pandemic, and partially bounced back in 2021. However, the strength of the recovery in the short term is threatened by global factors such as supply chain disruptions, the consequences of the war in Ukraine and high inflation.

The key assumptions of the baseline scenario incorporate the Eurostat population forecast available in May 2022 (Europop 2019) ⁽¹⁾, and the short-term macroeconomic forecast produced by DG ECFIN in May 2022 ⁽²⁾. Several revisions to the data affect the Cedefop Skills forecast 2022, when compared to the 2019 update. For example, the population projections used in the 2022 update are generally more pessimistic than those used in the 2019 update (i.e. Europop 2015), with a corresponding impact on labour force figures. The source of historical labour force data is the European Labour Force Survey, which in 2021 underwent important methodological changes causing a break in the time series for several variables, including labour force. As a consequence, in many Member States the participation rates in 2021 are noticeably above/below historical trends, which causes the Cedefop Skills forecast 2022 to be revised in the same direction, compared to the 2019 update. Moreover, some Member States experienced significant revisions in the historical data series for sectoral employment from the National Accounts.

The Cedefop Skills forecast 2022 is made consistent with the objectives set by the European Green Deal by incorporating suitable assumptions in terms of additional investment, power sector technologies, energy balances and carbon pricing.

Energy and commodity price forecasts from the World Bank and the IEA are used as inputs to the Cedefop Skills forecast, which therefore incorporate the recent surge in prices.

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

(2) https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2022-economic-forecast_en

For the latest update and access to more detailed Cedefop skills forecast data visit our [Skills forecast project page](#).



The country fiche for Latvia has been developed in collaboration with Normunds Ozols, senior officer at the Ministry of Economics of Republic of Latvia.

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