Country fiche

Latvia

EURES Report on labour shortages and surpluses 2023

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Abbreviations

Acronym	Full title
CBS	Central Statistical Bureau
ICT	Information and communications technology
JVR	Job vacancy rate
MoE	Ministry of Economy
NCO	EURES National Coordination Office
PES	Public employment service
STEM	Science, technology, engineering, and mathematics
VET	Vocational education and training

1.0 Labour market imbalances

1.1 Overview

The Latvian labour market is influenced by a multitude of factors. An ageing population, low birth rates, and significant outward migration flows are directly affecting the labour force, reducing its size and impacting its composition. Due to the COVID-19 pandemic, the number of employed individuals and the employment rate have declined. The Latvian economy has been growing since 2021 although recovery slowed down in 2023 and the employment rate is still lower than pre-pandemic levels. Likewise, unemployment has decreased and the number of job vacancies has grown (although with some fluctuations), while still remaining below the pre-pandemic level (Ministry of Economy, 2023a).

Importantly, structural trends are worsened by disparities in the labour market across regions, collectively impeding the labour market's recovery. While regional imbalances are gradually diminishing, the pace of this convergence remains slow. Persistent challenges have been particularly evident in the Latgale region, where the unemployment rate is nearly double the national average. This, coupled with limited geographical mobility among the workforce, heightens the risks of structural unemployment (Ministry of Economy, 2023a). When looking at the regional breakdown of job vacancies in 2023Q3, data show that the largest share is concentrated in the Riga area, confirming that new employment is concentrated in some areas of the country.

Over the past decade (from 2012Q3 to 2023Q3), Latvia experienced an overall increase in the number of available jobs. The most significant growth was observed in human health and social work activities, information and communication, and administrative and support service activities. Conversely, the largest reductions in employment occurred in the retail sector and transportation and storage services (Ministry of Economy, 2023a). Examining job vacancies in 2023Q3, the highest share of openings was for technicians and associate professionals, skilled agricultural, forestry, and fishery workers, and craft and related trades workers. Compared to the previous year, the most significant increase was seen in the category of skilled agricultural, forestry, and fishery workers, marking a rise of 1.8 percentage points (CBS, 2023a).

The changes in job openings and occupied positions underscore the impact of the digital transition on the labour market, a transformation that has been accelerated by the pandemic. The adoption of automation in labour-intensive industries led to a decrease in demand for low- and medium-skilled workers without professional qualifications while increasing the proportion of jobs requiring higher qualifications, particularly in information and communication services. These changes in the employment structure mean that although unemployment rates are decreasing, there remains a risk that some individuals may struggle to find jobs. This is because the full recovery in sectors that previously provided most employment opportunities may take time, whereas in sectors experiencing job growth, previously acquired skills may not necessarily be in demand (Ministry of Economy, 2023a).

The ratio between the job vacancies and the unemployment rate shows a certain level of tightness in the Latvian labour market. Growth in labour demand relates to both short-term and long-term unemployed individuals (Migunovs et. al., 2023). In line with the recovery of economic activity following the pandemic, labour shortages are becoming more prominent, despite the slowdown in the last year. As pressure from the labour supply side rises, it is becoming progressively challenging for employers to generate new jobs and attract employees.

Based on data provided by the Latvian EURES National Coordination Office (NCO), the EURES Report on labour shortages and surpluses 2023 identifies 37 shortage occupations in Latvia. Among these, crafts occupations are the most sought after (14), followed by professionals, but with a considerable gap (6). Most shortage occupations are in the construction and health sectors. In the construction sector, occupations are in shortage especially at the craft (e.g., bricklayers and related workers, building and related electricians, electrical line installers and repairers, floor layers and tile setters), and elementary level (e.g., civil engineering labourers and building construction labourers). In addition, 45 occupations are classified as surplus occupations. Surplus occupations are typically linked with medium to high levels of education but are not concentrated in a specific sector. Technicians alone contribute to over 40% of the total surplus occupations, including business and administration associate professionals, and legal, social, cultural, and related associate professionals. Managers represent the second broad surplus occupation group, including chief executives, senior officials, legislators, and administrative and commercial managers.

The job vacancy rate (JVR) is a good proxy for labour market imbalances in the country and can be used to triangulate the findings from data collected in the EURES report. The JVR in the country is above 1% in all economic sectors, with many sectors (i.e., industry, construction, manufacturing, public administration, defence, education, human health, and social work activities) maintaining an average rate between 2020Q4 and 2023Q3 above 3%. Hence the JVR suggests that labour shortages occur across all economic sectors (Eurostat, n.d.). Additionally, the JVR is higher than 1% in all broad occupation groups, except for the 'managers' group, which consistently remains below 1% and has only shown a slight increase since 2016 (CBS, 2023b). While this indicator confirms a surplus at the managerial level, it highlights a much broader challenge in recruiting personnel across the Latvian economy.

One of the main national data sources to identify labour market imbalances is the Ministry of Economy's forecast on the correspondence between labour demand and supply.[1] In the country, the labour supply exceeded the labour demand. However, the difference between labour demand and supply is projected to decrease by 2040. This is due to an increase in the number of vacancies and a contraction of the labour supply, which could potentially increase the possibilities of a mismatch in the labour market. According to the Ministry of Economy (MoE), two sectors are affected by labour shortages, information, communication, and services, and health and social care (Ministry of Economy, 2023b). This is only partially in line with the findings of the EURES report as no shortage of occupations was identified in the ICT sector. The discrepancy is probably due to the data sources used, as PES administrative data – used by the Latvian EURES NCO – tend to underestimate demand in these occupations which are usually advertised in the open market.

On the other hand, the MoE confirms the challenges in matching the demand and supply of labour in the health sector, which lacks workers at the professional level (e.g., specialist medical practitioners and health professionals not elsewhere classified) and technicians. According to CBS, the sector recorded one of the highest increases in job vacancies between 2022 and 2023 (+3 900 vacancies or 5%), probably as a consequence of the pandemic (CBS, 2023a). The Ministry of Health confirms the difficulties "in attracting and retaining healthcare workers in the required number, geographical location and with appropriate skills". Challenges are increasing as the labour demand in the sector rises but workers' numbers decrease, as many are reaching retirement age. The Ministry of Health is using EU funding to attract workers in key occupations, namely doctors, doctor's assistants, nurses, midwives, and physiotherapists (Ministry of Health, 2023; EuroHealth, 2023).

Labour shortages also exist in sectors where the demand for labour is decreasing, but where number of workers in demand is still higher that its supply. The agricultural sector is one example. While the number of people employed in this sector has significantly decreased since 2010, the labour supply has followed the same trend.[2] This is expected to continue in the coming years, with the labour supply decreasing at a faster pace than the labour demand, likely resulting in increasing labour shortages in the sector (Ministry of Economy, 2023b). According to data provided by the Latvian NCO, agricultural and fisheries occupations are already in demand at the elementary level (e.g., agricultural, forestry, and fishery labourers) and higher skilled levels (e.g., field crop and vegetable growers). It is also worth noting that the sector will require a significant number of workers to replace current workers reaching retirement age. CBS data reveal that the agricultural sector experienced the sharpest rise in average earnings between 2022 and 2023, likely as a means to attract workers (CBS, 2024).

The MoE projections indicate a shortage of workers with upper-secondary and doctoral level education. Indeed, when comparing the breakdown of the employed individuals by education levels and occupational qualification groups, it is evident that part of high-qualification occupations are filled by employees with secondary education. Particular concerns also arise in the overall provision of workers with vocational education (Ministry of Economy, 2023b). The Ministries of Economy and Education collaborate to align educational outcomes with labour market needs. Based on projections, these ministries provide recommendations and adjust state funding toward specific educational branches and upskilling initiatives. The ministries highlight that in the past five years, the education supply has become more balanced due to this practice (Ministry of Economy, 2023a).

1 - The labour demand is composed of the total vacancies in the forecasted period, while labour supply is the total number of active population during the same period (for more information on the methodology see: https://prognozes.em.gov.lv/en/methodology).

2 - 2023 is an exception as CBS recorded a sharp increase in vacancies between 2022 and 2023.

1.2 Expected future developments

According to the MoE forecast, by 2030 the demand for labour will increase in all sectors except trade and public services, while it will remain the same in the agricultural sector. Over the years, the increasing use of technology will polarise the labour market by creating high-skilled, well-paid jobs on the one hand and sustaining low-skilled, low-paid jobs unchanged on the other hand. Automation will especially affect occupations that require routine manual work, hence worsening labour surplus among retail salespersons cashiers, call centre operators and similar occupations (Ministry of Economy, 2022).

By 2040, employment demand will continue shifting towards specialist occupations with higher education levels, and the strongest growth is expected in commercial services and trade, as well as in manufacturing and construction. Demand for middle-skilled occupations will decline in both the medium- and long-term. The demand for highly qualified workers will remain high. According to projections, by 2040, STEM occupations (higher education and VET secondary education) will experience the strongest shortage of labour, especially at the VET level (Ministry of Economics, 2022).

Cedefop (2023) forecasts the future development of job openings and the drivers of such occupational changes. According to the analysis, by 2035 job vacancies will open in all aggregated occupation groups. Technicians and professional occupations will also experience substantial expansions in the labour demand. On the other hand, the demand for elementary occupations – e.g., labourers in mining, construction, manufacturing and transport, and cleaners and helpers – will be solely driven by replacement demand. In line with the overall trend at the European level and in line with national projections, growth in employment demand will be mainly directed at highly educated individuals. High-skilled non-manual occupations – e.g., business and administration associate professionals, teaching professionals, chief executives, senior officials and legislators, business and administration professionals, and science and engineering associate professionals – will be in demand (Cedefop, 2023).

Among the low-skilled occupations that will be in demand by 2035 are labourers in mining, construction, manufacturing, and transport (due to challenges in replacing existing workers). Some intermediate occupations that are foreseen to become more in demand in the next decade are assemblers and personal, care, and protective services. In this context, shortages might occur at the vocational education level. Medium- and low-level occupations such as elementary, as well as plant, machine operators and assemblers, and craft and related trades workers, are expected to experience higher hiring difficulties in the coming years. According to the study, skilled agricultural and fishery workers might experience a high degree of hiring required linked with strong difficulties in hiring (Cedefop, 2023).

Latvia set a target for 2024 to ensure that at least 39% (45% in 2027) of the total number of students acquiring secondary education are in vocational secondary education programmes. The share of vocational education students has slightly grown in recent years, reaching 37.4% in the academic year 2019-2020 (Ministry of Economy, 2022).

In 2021, the Education Development Guidelines 2021-2027 'Future Skills for the Future Society',[3] developed by the Ministry of Education and Science of Latvia in 2021,[4] was approved, covering all the types and degrees of education. The importance of aligning education provision to mitigate skills imbalances in the country is emphasised. The priority of reducing skills shortages is particularly crucial in science, technology, engineering, and mathematics (STEM), as well as health fields (Jākobsone, 2022).

Furthermore, Latvia developed a 'Human Capital Development Strategy' that encompasses policies in various fields, including education and migration from third countries, to address shortages in occupations. The strategy, which is still undergoing development, aims, among other things, to establish a 'Green Corridor' to facilitate the entry of third-country nationals into selected occupations facing shortages.[5] [6]

3 - Par Izglītības attīstības pamatnostādnēm 2021.–2027. gadam (likumi.lv)
4 - See for more information the priority 3 of the guidelines, available at: https://www.izm.gov.lv/sites/izm/files/data_content/5oecd_skills_strategy_implementation_guidance_for_latvia.pdf
5 - Qualitative interviews with ministry representatives.
6 - The initiative will incorporate and further develop the 'Green Corridor' initiative, which is a fast-track programme designed to facilitate high value-added investments in Latvia, including workforce attraction. More information can be found at: https://www.liaa.gov.lv/en/article/minister-economics-latvia-new-fast-track-green-channel-will-significantly-contribute-latvias-economic-breakthrough?utm_source=https%3A%2F%2Fwww.bing.com%2F

2.0 The construction sector

In Latvia, the growth of the construction industry is largely subject to cyclical fluctuations, which have been closely linked to changes in public investments and the availability of EU funds. As construction is a labour intensive sector, there is a close relationship between changes in the volume of constructions and the labour demand. Looking at job vacancies, changes in construction activities had the greatest impact on civil engineers, construction auxiliary workers, and construction workers (Dienests, 2023)

Between 2010 and 2021, a considerable increase in the number of occupied posts was observed in the sector (second only to human health and social work activities and ICT sectors). In 2021, the sector witnessed a significant decline in demand due to the global surge in construction costs, coupled with an overall decrease in activity, which also impacted the demand for the labour force, resulting in a reduction in the number of construction jobs. However, in 2023, the construction sector experienced a rapid recovery. Construction output saw a consistent increase in all three quarters of the year for which data are available at the time of writing. Notably, in 2023, the construction of buildings and specialised construction activities emerged as the driving forces behind the sector's development, whereas civil engineering activities exhibited slower growth (Ministry of Economy, 2023a).

As industry output increased, so did the demand for labour. However, vacancy data reveals a growing unsatisfied demand within the sector. Importantly, data pointed to labour shortages in the construction sector even during the period of economic downturn and linked to a decreased availability of the workforce willing to take on these jobs. The majority of unfilled vacancies are in low-skilled occupations, although there is also a significant share in medium-skilled professions. Conversely, there is a small proportion of unfilled vacancies in highly skilled occupations, particularly in managerial roles (Dienests, 2023).

While CBS data shows a slight decrease in the number of vacancies in the sector (from 61 300 in 2022Q3 to 60 000 in 2023Q3), according to national forecasts, the demand for workers in the industry will gradually increase until 2030 (CBS, 2023a, and Ministry of Economy, 2023a). According to national forecasts, the medium-term development of the construction sector will largely be driven by large infrastructure projects and private investments. In the long-term, the demand for energy efficiency and green construction will also impact on the development. Both in the medium- and long-term, the construction sector is expected to experience the most rapid increase in demand, increasing the concern about the lack of workers (Ministry of Economy, 2022).

It should be noted that in 2021 more than half of the total labour supply was over 45 years old in, among others, engineering, manufacturing and construction (55%), and the number of students in construction decreased by 16% between 2015 and 2021 (Ministry of Economy, 2023a). In absolute terms, the highest labour shortages are observed for concreters, floor layers and tile setters, masons, and sanitary technicians. The number of unemployed individuals in the sector is lower than the job vacancies, indicating the limited potential to fill vacancies with unemployed individuals (Dienests, 2023).

Labour shortages tend to be compensated by foreign workers. The number of employment permits issued to third-country nationals in construction increased almost threefold between 2017 and 2023. The main countries of origin are Ukraine, Belarus, Uzbekistan, and Tajikistan. (Dienests, 2023).

The availability of workers poses a significant concern, particularly given the importance of certain investments. For instance, the MoE has outlined a support programme aimed at constructing low-rent housing in Latvian regions. This programme addresses the critical issue of the shortage of affordable rental housing, which impedes labour mobility. Therefore, promoting the availability of rental housing in regions is a vital measure that could enhance the alignment between labour supply and demand (Ministry of Economy, 2023a).

While the sector experiences some positive changes, such as a decrease in the size of the shadow economy and the implementation of collective agreements (Sauka, 2020), efforts are still needed to attract workers to the sector, especially considering the existing shortages already experienced.

3.0 Conclusions

The Latvian labour market, in line with the country's economic performance, is gradually recovering from the impact of the COVID-19 crisis, but the repercussions of the pandemic remain evident and are intertwined with more structural weaknesses, driven by an ageing population and low birth rates, and exacerbated by insufficient compensatory migration flows. The increasing demand for workers that characterised the past decades, coupled with post-pandemic recovery, has resulted in a tightening of the labour market, which is characterised by several labour shortages. Shortage occupations are concentrated in sectors such as healthcare – which was heavily impacted by the pandemic and is facing an increased demand for workers, and the construction sector. Sectors experiencing a contraction and reduced workforce requirements are at risk of experiencing labour shortages, as the decrease in supply is higher than the decrease in demand. This is notably the case of the agricultural occupations. Challenges in recruiting workers for key roles are driving up worker compensation within the sector.

Medium-term projections anticipate significant job growth in professional, scientific, and technical services, information and communications, and construction. Of particular concern is the construction sector, which already faces numerous recruitment challenges according to data from the NCO and additional national data.

Further, the change in the structure of the economy will increase the demand for high-skilled employment and decrease the number of low- and medium-qualification jobs. This polarisation is linked to the digital transition, which has significantly impacted Latvia's economy, and was accelerated by the increased use and development of new technologies spurred by the pandemic.

Latvia's labour market is also characterised by several surplus occupations, as reported by the Latvian NCO – higher than the number of shortage occupations - particularly within the 'managers' category. Investigating the causes of such labour market imbalances, including skills mismatches, geographical disparities, and differences in job preferences, is imperative to guide workers towards occupations with higher demand. To this end, the Ministry of Economy and the Ministry of Education are already cooperating to ensure that education provides the right skills to support the labour market. Finally, to expedite the adaptation of the labour supply to future market needs, it is crucial not only to enhance labour supply but also to bolster the competitiveness of Latvian producers and facilitate the economy's transition from low- to medium- and high-technology sectors.

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Annex: List of labour market imbalances (Latvia)

ISCO code	Shortage occupation
7127	Air conditioning and refrigeration mechanics
7232	Aircraft engine mechanics and repairers
3153	Aircraft pilots and related associate professionals
7112	Bricklayers and related workers
7411	Building and related electricians
9313	Building construction labourers
9312	Civil engineering labourers
7114	Concrete placers, concrete finishers and related workers
9211	Crop farm labourers
5165	Driving instructors
7413	Electrical line installers and repairers
6111	Field crop and vegetable growers
9216	Fishery and aquaculture labourers
7122	Floor layers and tile setters
2269	Health professionals not elsewhere classified
8332	Heavy truck and lorry drivers
4225	Inquiry clerks
7124	Insulation workers
3211	Medical imaging and therapeutic equipment technicians
9311	Mining and quarrying labourers
7131	Painters and related workers
2111	Physicists and astronomers
7123	Plasterers
7126	Plumbers and pipe fitters
5413	Prison guards
2634	Psychologists
1344	Social welfare managers
2212	Specialist medical practitioners
7113	Stonemasons, stone cutters, splitters and carvers
7214	Structural metal preparers and erectors
4227	Survey and market research interviewers

ISCO code	Shortage occupation
2164	Town and traffic planners
3230	Traditional and complementary medicine associate professionals
5111	Travel attendants and travel stewards
4221	Travel consultants and clerks
2513	Web and multimedia developers
7212	Welders and flame cutters

Note: Information on the typology of labour shortages was not provided.

ISCO code	Surplus occupation
4311	Accounting and bookkeeping clerks
3313	Accounting associate professionals
1222	Advertising and public relations managers
310	Armed forces occupations, other ranks
4211	Bank tellers and related clerks
2113	Chemists
5151	Cleaning and housekeeping supervisors in offices, hotels and other establishments
3331	Clearing and forwarding agents
5162	Companions and valets
7549	Craft and related workers not elsewhere classified
3351	Customs and border inspectors
3251	Dental assistants and therapists
9629	Elementary workers not elsewhere classified
4415	Filing and copying clerks
5246	Food service counter attendants
3433	Gallery, museum and library technicians
6113	Gardeners, horticultural and nursery growers
3352	Government tax and excise officials
9121	Hand launderers and pressers
1212	Human resource managers
3321	Insurance representatives
3432	Interior designers and decorators
2642	Journalists

ISCO code	Surplus occupation
3411	Legal and related associate professionals
9212	Livestock farm labourers
1120	Managing directors and chief executives
7224	Metal polishers, wheel grinders and tool sharpeners
2652	Musicians, singers and composers
3134	Petroleum and natural gas refining plant operators
2262	Pharmacists
7321	Pre-press technicians
2163	Product and garment designers
8312	Railway brake, signal and switch operators
4226	Receptionists (general)
1420	Retail and wholesale trade managers
1112	Senior government officials
7533	Sewing, embroidery and related workers
5222	Shop supervisors
3422	Sports coaches, instructors and officials
1431	Sports, recreation and cultural centre managers
3314	Statistical, mathematical and related associate professionals
8182	Steam engine and boiler operators
1324	Supply, distribution and related managers
3240	Veterinary technicians and assistants
2651	Visual artists

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