Ministry of Economics
Republic of Latvia

FUTURE OF THE LABOUR TRENDS AND CHALLENGES

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Deputy Prime Minister, Minister for Economics

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LABOUR MARKET SHORTAGE WILL REMAIN IN MEDIUM TERM

Labour force supply and demand (thousands)

Source: Central Statistical Bureau, MoE forecast (2018)
INCREASE IN WAGES WILL HAVE A POSITIVE IMPACT ON MIGRATION SALDO

Average gross wage in Latvia and minimum wage in main emigration target countries

- Minimum wage in Great Britain: £1379
- Minimum wage in Ireland: €1462
- Minimum wage in Germany: €1440

Increase by 5% annually
Increase by 7% annually

Average gross wage can reach minimum wage of emigration target countries after 5-6 years.

Source: CSB, OECD
THE GAP BETWEEN PRODUCTIVITY AND LABOUR COSTS IS WIDENING

- Increase of labour costs is inevitable in the open labour market
- Latvia can lose competitiveness in low cost segments faster than gain advantages in production of high value added products

Lack of labour force and knowledge

- Increase of wages
- Business costs increase faster than productivity
- Competitiveness is worsening
- Risk for long-term economic growth

MEDIUM INCOME «TRAP»!

Source: Eurostat
SUPPORT FOR FOSTERING PRODUCTIVITY

- 0% CIT for reinvested profit, more opportunities to develop new, innovative and exportable products and services;
- Support for companies who already have a sound proven track record in Latvia – fast track support mechanism for new investment projects.
- Boosting capacity for investment and innovations through EU structural funds 406 M EUR – development for new products and technologies, investment in infrastructure and financial availability.
- Support for competitiveness through EU structural funds 63 M EUR – promotion of exports, including export credit guarantees availability.
- Support for attracting high level experts in large companies in order to promote change and increase in productivity.
- Client oriented public services – Zero bureaucracy for companies and Consult at first. Openness of business environment and digitalization of public state services.
- Development of innovation economy ecosystem, closer synergy among existing businesses and start-up companies.

Productivity
Sectoral productivity, EU28=100

Productivity 43 (2015) → 52% (2020)
from EU-28 average

Source: CSB
PRODUCTIVITY AND EMPLOYMENT BY SECTORS


<table>
<thead>
<tr>
<th>Sector</th>
<th>Employed</th>
<th>Productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2.3</td>
<td>3.6</td>
</tr>
<tr>
<td>A - Agriculture</td>
<td>0.6</td>
<td>3.2</td>
</tr>
<tr>
<td>C - Manufacturing</td>
<td>-2.4</td>
<td>1.0</td>
</tr>
<tr>
<td>F - Construction</td>
<td>2.8</td>
<td>3.0</td>
</tr>
<tr>
<td>G-I - Trade, transport and utilities</td>
<td>6.3</td>
<td>3.3</td>
</tr>
<tr>
<td>J - ICT services</td>
<td>2.2</td>
<td>-3.3</td>
</tr>
<tr>
<td>K - Financial Services</td>
<td>-0.6</td>
<td>1.7</td>
</tr>
<tr>
<td>L - Real estate</td>
<td>-2.2</td>
<td>2.1</td>
</tr>
<tr>
<td>M-N - Business Services</td>
<td>-2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>O-Q - Public Services</td>
<td>-3.0</td>
<td>1.2</td>
</tr>
<tr>
<td>R-U - Other Services</td>
<td>1.9</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Sectoral contribution to productivity increase, percent points

- O-Q - Public services: 0.7
- M-N - Business services: 0.9
- L - Real estate: 0.6
- K - Financial Services: 0.6
- J - ICT Services: 0.6
- G-I - Trade, transport and utilities: 0.6
- F - Construction: 0.6
- C - Manufacturing: 0.6
- A - Agriculture: 0.6
Thank you!

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