

Ministry of Economics
Republic of Latvia

FUTURE OF THE LABOUR TRENDS AND CHALLENGES

Arvils Ašeradens

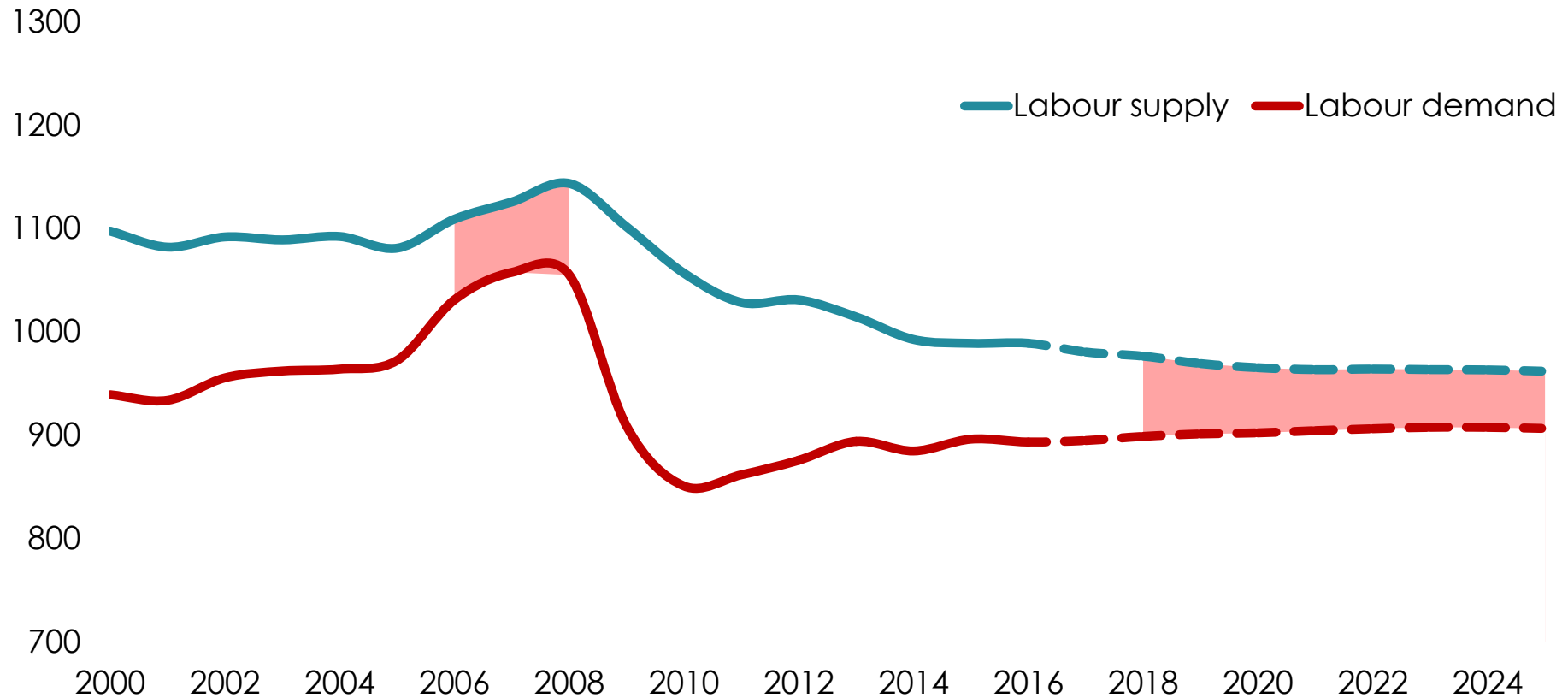
Deputy Prime Minister, Minister for Economics

24.05.2018



LABOUR MARKET SHORTAGE WILL REMAIN IN MEDIUM TERM

Labour force supply and demand
thsnds

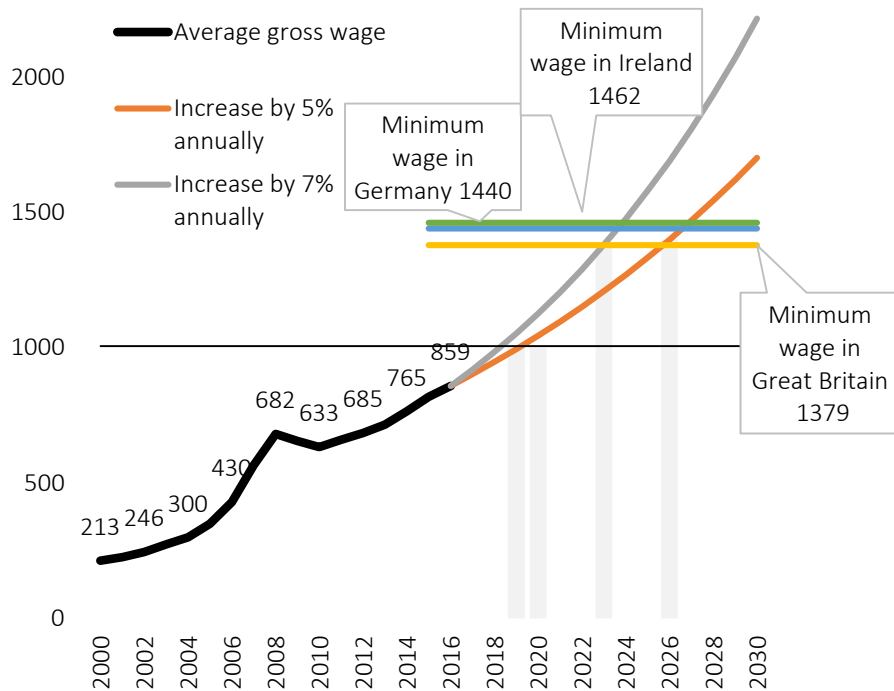


Source: Central Statistical Bureau, MoE forecast (2018)

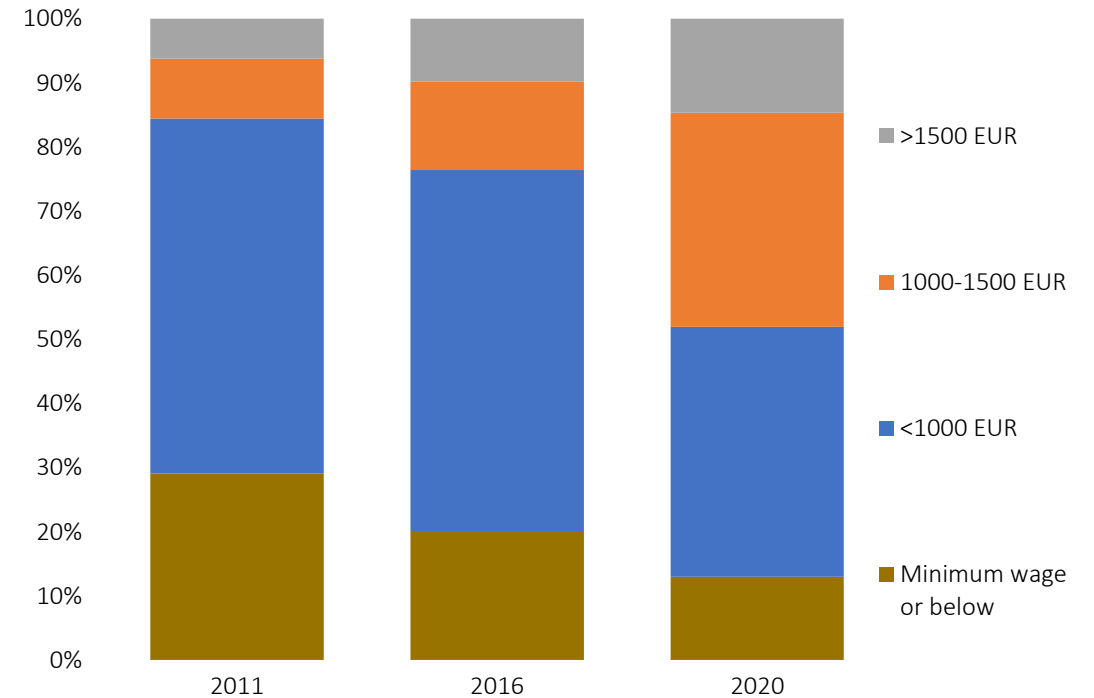


INCREASE IN WAGES WILL HAVE A POSITIVE IMPACT ON MIGRATION SALDO

Average gross wage in Latvia and minimum wage
in main emigration target countries
EUR per month



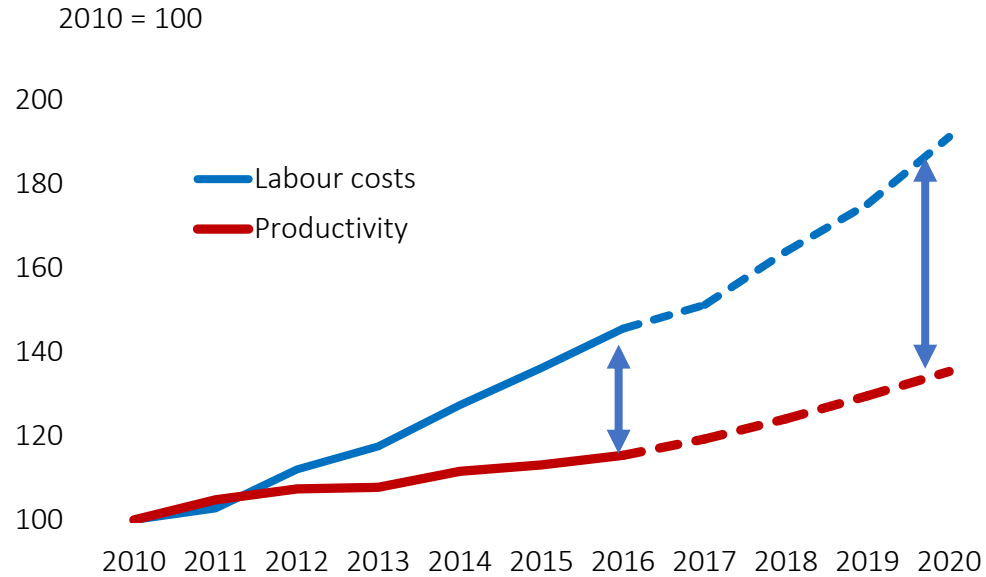
Employed by wage groups
%



After 5-6 years average wage in Latvia can reach minimal wage of emigration target countries



THE GAP BETWEEN PRODUCTIVITY AND LABOUR COSTS IS WIDENING



Source:
EUROSTAT

- ✓ 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



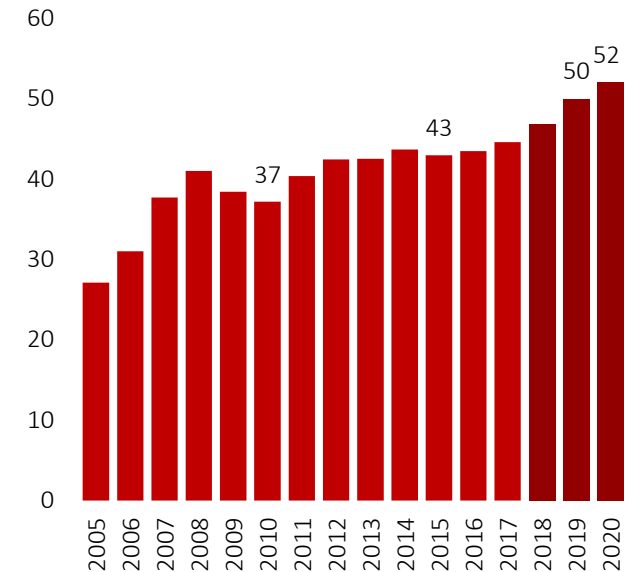
Competitiveness is worsening



Risk for long-term economic growth

MEDIUM INCOME «TRAP»!

Productivity
Current prices, % of EU28 average





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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 guaranties availability.



- Support for attracting high level experts in large companies in order to promote change and increase in productivity.



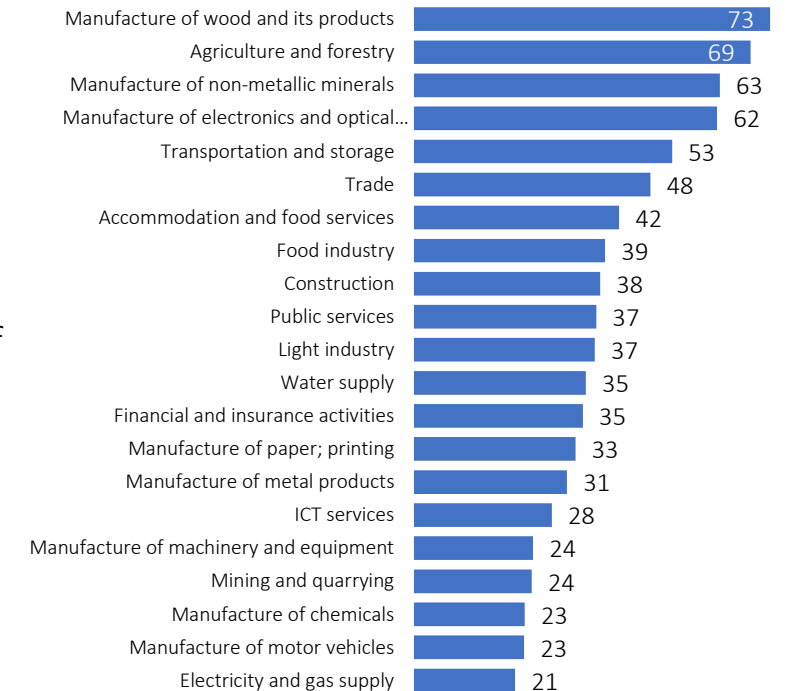
- Client oriented public services – Zero bureaucracy for companies and Consult at first. Openness of business environment and digitalization of public state services.



- Development of innovation economy ecosystem, closer synergy among existing businesses and start-up companies.

Productivity

Sectoral productivity, EU28=100



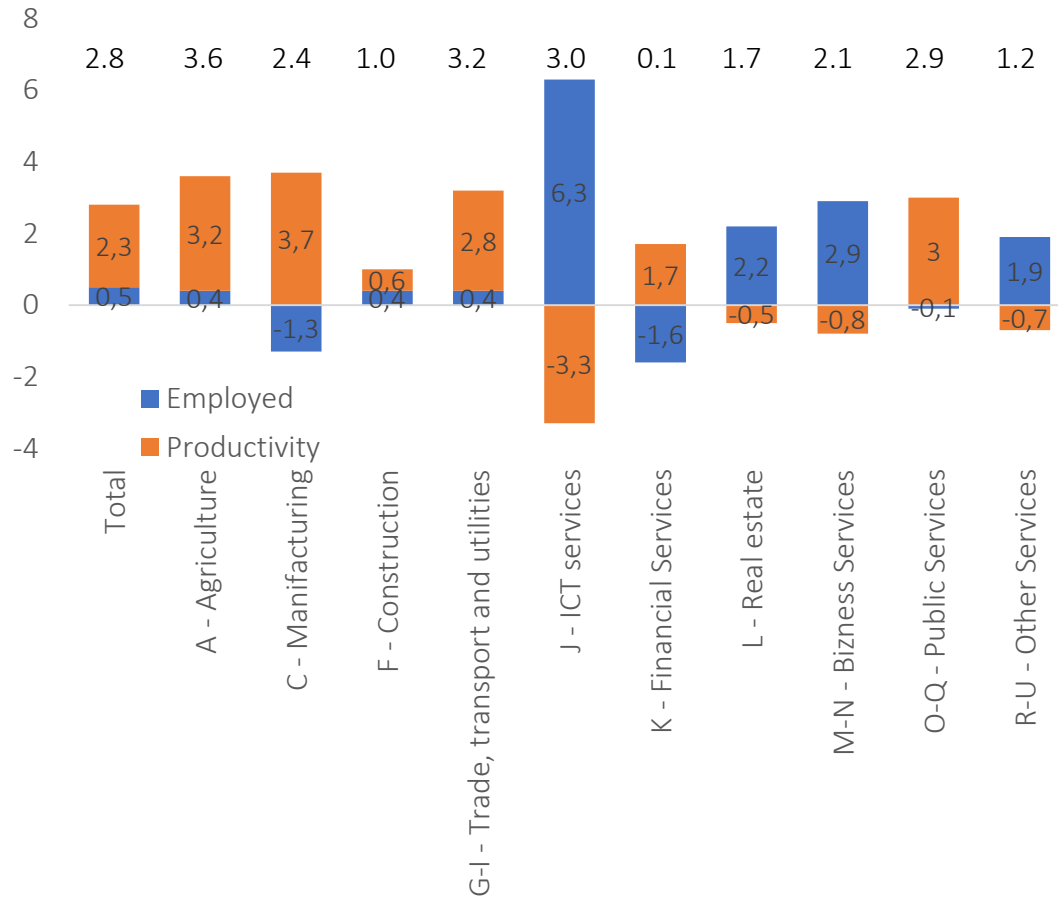
Productivity 43 (2015) → 52% (2020)

from EU-28 average

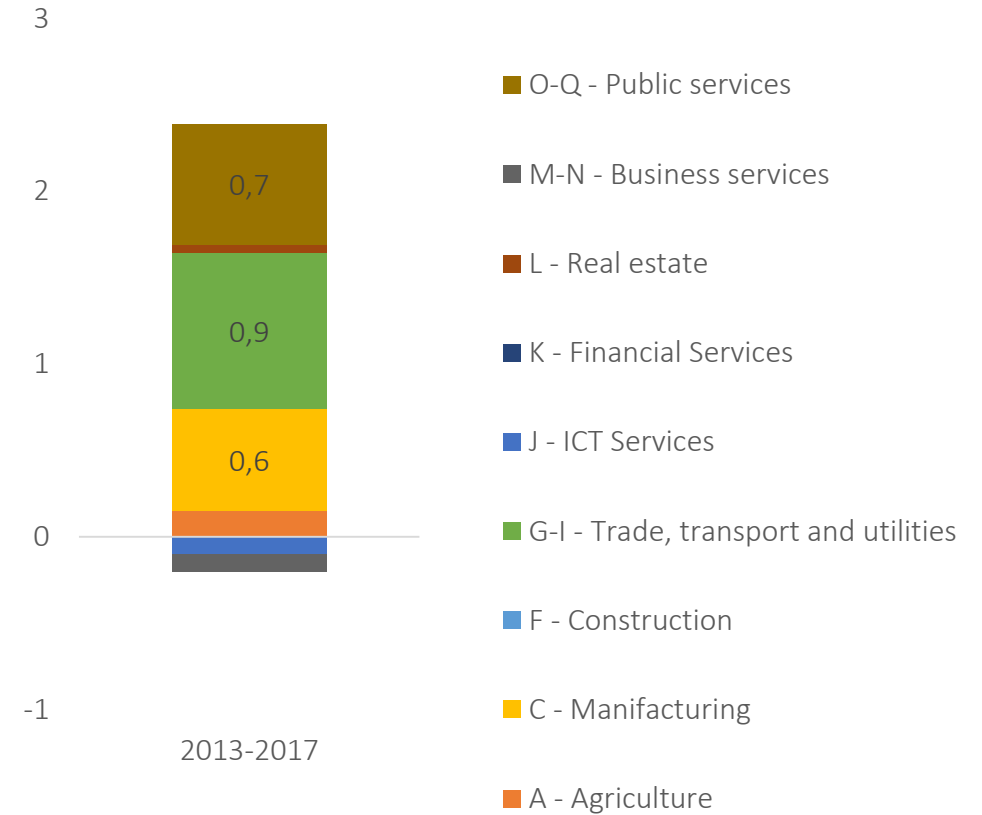


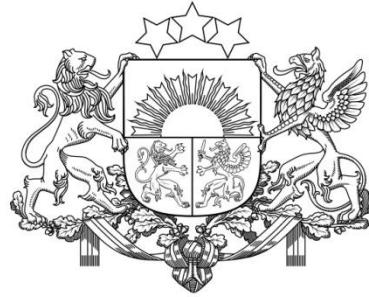
PRODUCTIVITY AND EMPLOYMENT BY SECTORS

Annual average increase (%)
2013.-2017.



Sectoral contribution to productivity increase,
percent points





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Thank you!

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