

AmCham Latvia
Thought leadership hub

OUR POSITION

LATVIA – A CAREER DESTINATION

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Executive Summary

Based on the results of AmCham members' survey* conducted in 2019, this position paper outlines recommendations on attraction and retention of talent in order to tackle the issue of labor shortage, thus strengthening Latvia's economic competitiveness and its further development.

Our recommendations are structured in two priority areas:

Promoting Latvia as an international career destination

Developing skills to reduce labor market mismatch

AmCham believes Latvian companies can benefit from hiring international talent, which would be well-fit to explore foreign markets thanks to their language skills, business knowledge and intercultural abilities.

We therefore suggest creating a comprehensive strategy and website for talent attraction as it will contribute to making high-skilled international and return migrant employees feel welcome in Latvia.

Other key recommendations in the area of international and domestic talent attraction and retention include:

The Latvian immigration process, while generally viewed as quite efficient, should be applied more coherently and streamlined for qualified labor and business visitors. Digitalization would facilitate the ability to provide immigration services in a timely manner.

An adequate offer of the Latvian language training for foreign employees will ensure that more foreigners learn and speak Latvian.

Providing access to essential services in English for non-Latvian speaking expats will enhance their experience, especially with regard to immigration issues and work permits.

Strengthening public-private partnerships in promoting return migration should be continued.

Supporting regional mobility and housing with incentives to employers should be considered in order to retain domestic talent.

Encouraging retraining, upskilling and lifelong learning should be continued and promoted.

Investments in innovation and education as well as a more precise forecast of the future skills will help ensure a closer fit between supply and demand.

Facilitation of public-private and inter-governmental coordination should be carried out by various players in order to attract talent.

*Executive Summary of AmCham Survey: <http://ejuz.lv/talentsurvey>

Introduction

AmCham Latvia views itself as a driver for change for sustainable and transparent business environment. We would like to ensure that Latvia is a trusted destination for American and international business and a favorable place to live, study, work and raise families.

Over the past year AmCham's top priority has been addressing a growing labor shortage. Attraction and retention of talent, both domestic and international, has been named by members as one of the main constraints affecting the business and investment climate in Latvia.

Recognizing the labor shortage challenges, AmCham conducted a survey about Latvia's labor market and attraction of talent. 38% of AmCham members representing businesses and organizations of all sizes and sectors participated in the internet survey carried out over eight weeks from February to April, 2019.

There are two priority areas which we believe should drive the political agenda to adequately respond to challenges brought on by labor shortages: putting Latvia on the map as an international career destination, and developing skills to reduce labor market mismatch.

These labor shortage issues cannot be tackled by a single organization or resolved by a simple solution. AmCham welcomes the opportunity to make recommendations to the government of Latvia in order to engage in dialogue with relevant stakeholders. Working together on a joint action would increase the likelihood of positive results.

The aim of this Position paper is to urge the government to take immediate action and to provide hands-on recommendations for attracting and retaining talent that would enable Latvia to strengthen its productivity and competitiveness.

Our recommendations are structured in two priority areas:

Latvia as an international career destination

The development of skills to reduce labor market mismatch

Latvia as an international talent destination

AmCham believes Latvia could do more in order to promote itself as an attractive destination for investment and jobs.

1. Creating a comprehensive strategy and website for talent attraction to meet today's business needs

As shown by survey results, AmCham members assess Latvia as quite an attractive career destination already (5 points in the scale of 10), but suggest creating a more strategic and long-term focus to improve the current perception.

According to the Global Talent Competitiveness Index 2019,¹ Latvia ranks 37th out of 125 countries and Riga 69th out of 114 cities in the global benchmark related to talent competitiveness and the future of work. This result can certainly be improved to create more attractive conditions for talent growth. Teleport² and similar resources should be regularly monitored to see what could be improved.

To become more successful in attracting and retaining high-skilled workers, it is essential that they are met with an environment that is attractive and welcoming. The talents need to see clear economic and social gains of residing and working in Latvia.

Communicating about the need for international talent, including for return migrants, is the key for Latvia to become more appealing -- it would raise awareness about the advantages that internationally experienced employees bring to our society. Launching a comprehensive, easy to navigate web platform for Latvia like our neighbors Lithuania and Estonia have successfully done, is one of the first steps in enhancing the communication about Latvia as a career destination.³ The website should include information about relocation and publish job vacancies for professionals in English.

For this value proposition to be successful, it needs to be owned by the government and private sector and backed by the general public.

This work, and the accompanying communication effort, would equally contribute to a more balanced immigration debate which is the key to making high-skilled international workers feel welcome in Latvia.

2. Attracting and retaining international talent

Shrinking of the available labor pool due to negative demographic trends, aging and mismatch of skills, have increased demand for international talent, not only for foreign investors, but also for Latvian companies. Attracting foreign workers has become more common as it helps gain knowledge of the international markets where companies are doing or looking to do business. Therefore, we believe Latvia should position itself as an attractive destination for high-skilled people from all parts of the world.

An IMF study⁴ shows that both high- and low- skilled foreign workers bring benefits to their new home countries by increasing income per person and the standard of living. High-skilled workers bring diverse talent and expertise, while low-skilled workers fill occupations for which natives are short supply. International employees bring experience, knowledge, diversity and economic gains, thus furthering our economy.

In practice, the Latvian immigration system is viewed as quite efficient, however, incoherent application of regulations create obstacles for the international business community and negatively affect Latvia's competitiveness. Now is the time to revisit the following aspects of the current Latvian corporate immigration challenges in order to make Latvia more attractive for foreign investors and international talent.

2.1. Streamlining the immigration process of qualified labor and business visitors

- The experience of AmCham members reveals that the current process of obtaining work and residency

¹ The Global Talent Competitiveness Index: <https://gtcistudy.com>

² Teleport City Riga: <https://teleport.org/cities/riga>. A resource that allows its users to research the cities in which they prefer to live and work giving information about quality of life, cost of living, salary, taxation, safety, education, etc.

³ Work in Lithuania: www.workinlithuania.lt Work in Estonia: www.workinestonia.com; I choose Lithuania: www.renkuosilietuva.lt/en/

⁴ IMF Study: Impact of Migration on Income Levels in Advanced Economies: <file:///C:/Users/user/Downloads/spillovernote8.pdf>

permit for third-country nationals takes anywhere from two to six months. This makes companies operating in Latvia uncompetitive, resulting in a lengthy and costly procedure. The same goes for the renewal procedure. This clearly limits the opportunities for global companies to establish or expand their business in Latvia. AmCham recommends that the procedure for residence permit applications and renewals for business purposes be expedited and simplified. To simplify the application, we propose to shift towards a system that enables applications to be submitted electronically instead of coming in person.

- The requirement of foreigners applying for the working permit through a Latvian embassy outside of Latvia should be reconsidered and foreigners should be allowed to apply for work permits in Latvia without leaving the country.⁵ This would minimize the processing time of the documents by eliminating the unnecessary document transit procedure between the embassies and the Citizenship and Immigration Office of Latvia.

- There is an annual requirement for an employer to arrange a new recruitment process when the residence permit of the foreign professional expires and the employer wishes to continue the employment relationship. This shall be eliminated as it is a very time-consuming procedure for the employer and it also creates a sense of uncertainty for foreign professionals.

- There should be a system to make it easier for students from third countries to stay and work in Latvia after their graduation from Latvian universities. Currently students are required to leave the country and then re-enter. Survey respondents draw on several cases when they have lost a potential employee due to this requirement.

- Digitalization and electronic services would facilitate the ability to provide state services in a timely-manner. A unified digitalized system would streamline the procedure.

2.2. Ensuring the Latvian language training for foreign employees

The Latvian language courses are of limited availability and often take place during work hours.

It should be considered to offer the courses with English-speaking teachers in the evening hours or introduce a different system. For instance, coupons that allow each newcomer choose a more convenient time and place for attending the courses.

2.3 Access to information and services in English

Providing access to key authorities and essential services in English for non-Latvian speaking expats are vital, especially with regard to immigration issues and work permits. It will enhance the experience for foreign workers and reduce time necessary to become situated in Latvia.

Rigid rules and bureaucratic attitudes toward highly educated labor immigrants are hurting the economy as well as the reputation of Latvia as a career destination. It is critical that the processing issues seen in the current application procedure are quickly resolved, such as delays and differences in interpretation across various immigration offices. Variations in how immigration procedures are applied create uncertainty and unnecessary administrative burden. AmCham Latvia recommends that Latvia ensures a smooth and streamlined application process for high-skilled, highly-educated corporate workers.

3. Promoting return migration

Over the few past years we have witnessed increasing number of return migrants who have left Latvia to work or study abroad, but now are opting to return home. The attraction of talent means not only attracting foreign professionals, but also focusing on attracting Latvian returnees who have international experience, education and qualification back to the Latvian labor market. Platforms such as *Latvija Strada*, *With Global Experience in Latvia*, *YourMove* and others are great examples how this can be done. Strengthening public-private partnerships will encourage return migration along with targeted, effective campaigns to bring back Latvian talents.

⁵ While this doesn't apply to citizens of countries with whom Latvia has a visa waiver program, citizens of countries such as India and Turkey are affected.

4. Strengthening focus on domestic talent

In order to retain domestic talent, it is important to support regional mobility and housing with incentives to employers. We suggest providing tax reliefs for employers who cover the transport and housing costs for their employees who live in the regions, as currently these costs are considered as fully taxable income of an employee. Although there are some tax incentives under a program Sustainability measures for employees, they are strictly limited and rarely used by employers. More flexible approach and solutions suitable for all employers in cases where the employer is ready to cover the travel and accommodation costs for their employees can help tackle the issue of labor availability.

Encouraging retraining, upskilling and lifelong learning should be promoted, more about recommendations in this area can be viewed in the *next chapter Developing skills* to empower people.

5. Demonstrate leadership and inter-governmental cooperation

AmCham calls on the government to view talent attraction as a cross-sectoral issue and coordinate its efforts among various ministries and agencies including the Ministries of Welfare, Education and Science, Economics, Interior, Foreign Affairs and the Environment and Regional Development as well as the Employment Agency and the Office of Citizenship and Migration of Latvia.

Member companies consider the lack of pro-active state-driven policies, red tape and lack of incentives for foreign students among the largest obstacles that hinder the attraction of international talent.

Access to public information in English, quality of life, and safe and secure environment are considered key factors enhancing Latvia's ability to attract and retain high-skilled international talent.

Developing skills to reduce labor market mismatch

A key to economic growth is increased labor productivity and one of the best ways to accomplish that is to be able to match skills to jobs. Skills mismatches constrain labor market efficiency, especially in the areas of ICT, life sciences and engineering.

Due to technological and workplace transformation learning has become an ongoing process. For individuals education and skills are important prerequisites for building rewarding careers and become more resilient.

According to the World Economic Forum (WEF) publication *Towards a Reskilling Revolution*,⁶ re-skilling and life-long learning pose a sense of urgency and require immediate action from individuals, employers and policy-makers alike.

Key recommendations include:

1. Promote investments in innovation

Investing in innovation allows companies grow faster and become more efficient. Incentivizing companies to invest in innovation would help them increase their value added in the country and expand the number of jobs.

2. Encourage retraining, upskilling and lifelong learning

In the age of automation and digitalization, employers no longer can rely on adequate labor supply with ready-made skills, while individuals need to get better equipped for the transition. Many businesses are already investing in the development of skills of their employees. Incentivizing employers to engage even more in reskilling and lifelong learning initiatives should be encouraged.

3. Forecasting the skills needed

While we admit that predicting the exact nature of the demand for skills is impossible, a better balance between supply and demand of the workforce must be achieved by forecasting future needs for specific skills. This would help map skill levels to jobs more precisely, ensuring a closer fit between supply and demand.

4. Facilitate public-private and inter-governmental cooperation

Both private and public sectors need to work together to forecast the supply and demand of the labor market and identify the right solutions. We call on the government to work closely with relevant stakeholders to identify future needs, including foreign and Latvian companies of all sizes, across various regions and both long and short term. It is also essential for key ministries to work together, setting aside traditional inter-ministry red tape, for the benefit of the overall goal.

5. Promote investments in education

Based on forecasts, state should direct investments to those education programs that encourage the acquiring of the needed skills.

Respondents of the member survey admit there is a clear shortage of high skilled labor.

53% high-skilled positions

42% both high-skilled and low-skilled

5% low-skilled

⁶ http://www3.weforum.org/docs/WEF_Towards_a_Reskilling_Revolution.pdf

Conclusion

Creating an environment that would welcome talents to meet the business needs of today and tomorrow has become critical.

In order to attract both investment and talent, a strong strategy along with effective communication and a comprehensive web platform would be the next essential step in making Latvia a more favorable place to live, work, study and raise families.

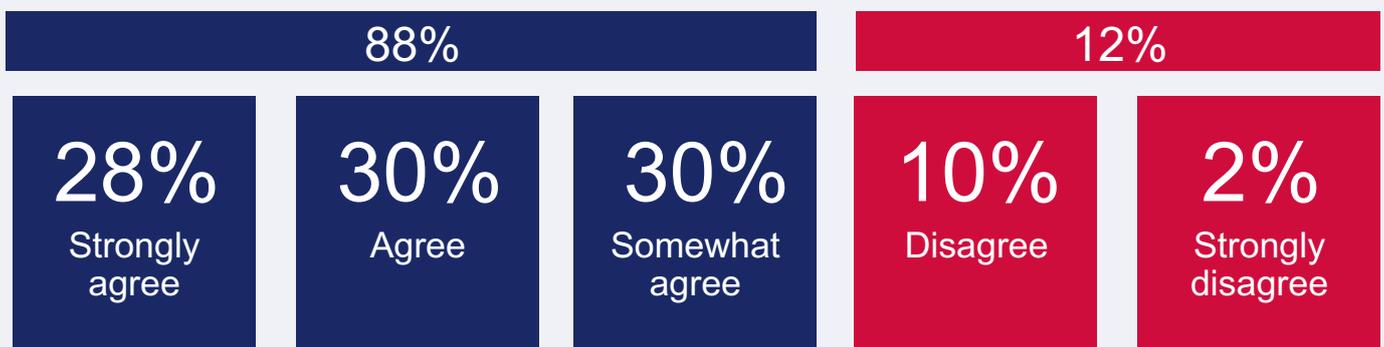
To address a fast-changing work environment on-going learning has become crucially important. Investments in innovation and education as well as a more precise forecast of the future skills should be facilitated to ensure a closer fit between supply and demand. comprehensive, easy to navigate web platform for Latvia like our neighbors Lithuania and Estonia have successfully done, is one of the first steps in enhancing the communication about Latvia as a career destination. The website should include information about relocation and publish job vacancies for professionals in English.

For this value proposition to be successful, it needs to be owned by the government and private sector and backed by the general public. This work, and the accompanying communication effort, would equally contribute to a more balanced immigration debate which is the key to making high-skilled international workers feel welcome in Latvia.

Proposed solutions for filling vacancies in the near-term include retraining existing workforce, recruiting highly qualified international talent, and attracting Latvian return migrants along with developing automation, AI and digital solutions to reduce the number of vacancies and eventually replace low-skilled positions.

We encourage a culture of partnership and cooperation within business, government and civil society. To address these complex issues and stand ready to engage in dialogue with the stakeholders, we must facilitate the development of a comprehensive talent strategy.

The majority of members participating in the survey agree to the statement that their business would benefit from hiring international talent.



AmCham speaks on behalf of more than 150 leading U.S. and international companies in Latvia. It is committed to fostering trade, investment, partnership and friendship between the U.S and Latvia and serving as a business, knowledge, networking and policy forum for its members and partners. Among key priority areas are the enhancement of transatlantic trade and investment, attracting international talent and promoting Latvia as a career destination and improving the business and investment climate in Latvia.

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