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# **LABOUR MARKET TRENDS AND OCCUPATIONAL INTERESTS OF YOUTH IN LATVIA**

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### ***Abstract***

*The 21st century has witnessed significant changes in the labour market and production structure. It is important to forecast these changes on an on-going basis in order to ensure a balance between the demand in the labour market for workers with adequate qualifications and their supply. The aim of the paper is to study the labour market forecasts for Latvia and on their basis to find out whether the present structure of the education system will meet the labour market demands for professionals with appropriate qualifications, to detect problems and to propose possible solutions. To achieve the purpose of this study, the paper describes the present situation in the labour market; the development trends of the labour market in Latvia were analysed up to 2030 and broken down by sectors of national economy and occupational groups, as well as by changes in educational levels and academic disciplines. The finding of the study is that the*

*present structure of higher education does not match the forecasts for the development of the labour market, concerning the demand for specialists with the highest qualifications in particular. The occupational interests of the young people who were interviewed are not harmonised with the demand in the economy. This proves that, in order to coordinate further directions for action between the employment, education and structural policy makers, social partners and scientists, it is important to take into consideration labour market forecasts and their analysis so that a balanced development would be facilitated in accordance with the demands of today's labour market.*

**Keywords:** *labour market, employment, vocational choice, occupational interests*

## 1. INTRODUCTION

Nowadays, the development of the sectors in economy and labour market has shown substantial changes, which are affected by globalisation of the economy and the advance of information and communication technologies. As a result, the demand for specific qualifications of the labour force is changing; some occupations are disappearing, replaced by the new ones, thereby creating a need to continuously improve the existing skills and enhance occupational competencies. According to the Cedefop survey (European Skills and Jobs), almost half (47%) the people employed in the EU in 2014 were of the opinion that part of their skills would be outdated within the next five years (CEDEFOP, 2014). It means that education should adjust itself to the new changes, because today it has become the most important means for assuring economic and social progress and is a basis for the reproduction of intellectual and educational potential both in the national and global economy. The task of education is to encourage a young person, after he or she has acquired a specific profession, to be enterprising, creative and competitive in the labour market, with a special focus on career education. McDaniels (1992), in his studies about the integration of young people into the labour market believes that the issues of young people's occupational choices deserve the majority of attention, because, at a later stage, the choices made by them affect their position and behaviour in the labour market and in the society. This means that, prior to choosing one's future occupation, shaping his or her occupational interests is an important prerequisite, and they can thus be harmonised with the needs of the economy.

As to Latvia, the key problem concerning the choice of occupation according to the demand in the labour market is a mismatch between their supply and demand. *First*, in some occupations there are difficulties with meeting the growing demand for workers having relevant qualifications. Simultaneously, there are areas with significant excess in labour supply. For example, the study carried out by the author (Bikse) suggests that, in the civil parishes of Saldus and Broceni municipalities, there are several job vacancies and it is possible to set up new companies in order to provide employment to the residents of the civil

parishes, especially the young generation. At the same time, shortage of workforce is a significant constraint to business development for both civil parishes; there is a lack of qualified professionals in various fields. (A study, 2015)

*Second*, the labour market faces a serious problem to employ people in the occupations according to the qualification, which they obtained in their education. Consequently, people with appropriate education and experience are compelled to accept jobs that do not correspond to their speciality, or to work in lower level occupations. In 2015, for example, 31% of those employed in occupations, which require high-level qualifications, had an education level lower than higher education. Conversely, people with a higher education performed 12% of medium qualification jobs and 6% of low qualification jobs. (Ministry of Economics, 2016)

*Third*, improvement of career education is a topical issue, because, more often than not, young people, when choosing their occupation, would prefer to study social sciences, commerce and law. In 2015, 40% of graduates came from the above mentioned academic disciplines. Consequently, there is a remarkable surplus of the labour force with higher education in these occupations. (Ministry of Economics, 2016) Research carried out by Eurostat evidences that career education is also a problem in EU countries. For example, in Europe, every seventh young man or woman drops out of the formal education system without having completed secondary education. As a result, young people throughout Europe are exposed to the increased uncertainty and are increasingly feeling a need for high quality information and career education services. (Eurostat, 2015) This points to the notable shortcomings in the career education.

The aim of the paper is to study the labour market forecasts for Latvia, and, on their basis, to find out whether the present structure of the education system will meet the labour market demands for professionals with appropriate qualifications, and to detect any problems and propose possible solutions.

## **2. RESEARCH METHODOLOGY**

To achieve the goal of this study, a description of the Latvian and EU labour market has provided, and the European Union, CEDEFOP, OECD and Eurostat data on the labour market present development trends. To identify the labour demand and supply forecasts, the study analyses the development trends of the labour market in Latvia up to the year 2030 broken down by sectors of national economy and occupational groups, as well as changes in educational levels and disciplines. This is determined by the skills/education necessary for performing jobs in the occupations that are in high demand.

The preparedness of young people to integrate into the labour market means developing their occupational interests so that they are successful in choosing their occupation and the further education field. In order to find out

about this, a comparative analysis was carried out under the research project based on two student surveys carried out within a six-year interval. The first survey was conducted in 2009 by the authors of the article, interviewing 633 comprehensive school grade 12 students in Latvia at least 18 years old. The second survey was conducted in 2015 by the State Education Development Agency. 1 064 young people aged 14 to 19 were interviewed via the Internet site Draugiem.lv. In 2009, the questionnaire had seven questions, while in 2015 it was more extensive and contained 10 questions.

The sampling took into account the breakdown of the proportion of students by region. For the purposes of the procedure, a table consisting of three layers was created. The layers are interlinked by formulae, thereby, when the number of units for the survey sample is entered in the designated cell, the required number of students by regions is calculated automatically, with a consideration of the pre-defined conditions: breakdown by gender; breakdown by the location of the school; breakdown by tuition language.

The survey identified the plans of the students for the future, the factors influencing the choice of occupation, the availability of information about occupations, their contents, demand and supply in the labour market, remuneration, the possibilities to obtain education and hands-on experience gained while participating in extracurricular activities.

### **3. DESCRIPTION OF THE LABOUR MARKET IN LATVIA**

The present chapter analyses the present situation in the labour market and identifies the most essential features characterising the labour market: economic growth and changes in the number of economically active people, employment and unemployment dynamics; these are compared to other EU countries.

When describing the labour market, it is important to take into consideration the key macroeconomic indicator – annual growth rate of real gross domestic product. If the rate is continuously increasing, it means that new jobs are created and it is possible to raise employment and reduce the unemployment rate. As a result, this allows the ever growing needs of the population to be better met, to address the new socio-economic problems, e.g. to allocate more resources to the implementation of various social programmes and to the development of production.

After Latvia joined the European Union, between 2004 and 2007, there was a rapid economic growth. During this period, the average annual gross domestic product (GDP) real growth rate was as high as 10.5%. This provided a rapid increase of employment and income, and the living standards of population approached the European Union average. However, already in 2008, the real

output fell to 14.3% due to the outbreak of an economic crisis. It did not last long, and economic growth resumed, starting in 2011. Nevertheless, the output level of 2007 has not been reached yet. (Table 1)

Table 1  
Key indicators in the Latvian labour market (aged 15-74)

| Indicators  | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    |
|---|---------|---------|---------|---------|---------|---------|
| Real GDP growth rate (% , y-o-y)  | -3.8    | 6.2     | 4.0     | 3.0     | 2.4     | 2.7     |
| Population (in thsd.)   | 1,635.3 | 1,595.3 | 1,560.0 | 1,536.1 | 1,495.8 | 1,472.6 |
| Economically active population (in thsd.)   | 1,056.5 | 1,028.2 | 1,030.7 | 1014.2  | 992.3   | 994.2   |
| Number of employed (in thsd.)   | 850.7   | 861.6   | 875.6   | 893.9   | 884.6   | 896.1   |
| Activity rate<br>(percentage of economically active people in<br>the population aged 15-74) | 64.6    | 64.5    | 66.1    | 66.0    | 66.3    | 67.5    |
| Employment rate (percentage of people aged<br>15-74 employed)                               | 52.0    | 54.0    | 56.1    | 58.2    | 59.1    | 60.8    |
| Harmonised unemployment rate (percentage<br>of job seekers of economically active people)   | 19.5    | 16.2    | 15.0    | 11.9    | 10.8    | 9.9     |

Source: [www.csb.gov.lv](http://www.csb.gov.lv)

Economically active people or labour force (the sum of employed and unemployed) is an important indicator describing the labour market. Economically active people comprise the total labour supply. Statisticians also calculate the activity rate, which is the proportion of economically active people aged 15-74. This indicator points to the readiness of the society to promptly get involved in the economic development in the period concerned. The Lisbon strategy has set the target of attaining an average employment rate of 70% in the EU.

The number of economically active people has decreased as compared to 2010. This results from the adverse demographic situation in the country, leading to a fall in the number of people at working age (15-74) (Table 1). The decrease had become especially pronounced in the early 1990s due to the low birth rate. After Latvia joined the European Union, many people took the advantage of free labour movement in Europe and left the country. Moreover, the ageing of the population is very rapid at this moment.

The analysis of employed people suggests that their number has slightly increased in recent years (Table 1). Consequently, the employment rate and economic activity rate are beginning to go up. However, with continuous population growth, labour shortages may appear resulting in major imbalances in the labour market. In 2015, the employment rate in Latvia reached 60.8%, which was above the EU-28 average (58.1% in 2015). The highest employment rate in 2015 was in Sweden (66.7%), Estonia and the Netherlands (65.4%), while in

several countries it was below 50% (Greece, Croatia and Italy). The fastest increase in the employment rate in the EU in 2015 compared to 2014 was in Estonia and Hungary, while France, Finland and Belgium showed a slight decline (Ministry of Economics, 2016).

While describing the quality of the labour force supply in terms of education acquired, one can arrive at a conclusion that the education level of economically active people in Latvia is continuously increasing. For example, in 2008, the structure of education broken down by levels was as follows: 25.7% of economically active people had higher education, 35.2% had vocational secondary education, 25.7% had general secondary education and 13.4% had basic education; in 2015, 33.3% had higher education, 34.2% had vocational secondary education, 23.3% had general secondary education and 9.1% had basic education. One can observe a pronounced trend of labour supply with higher education going up. The percentage of economically active people with higher education was 7.6% higher in 2015 than in 2008 (Ministry of Economics, 2016). Irrespective of the speciality obtained, people with a higher level of education have much more chance to get integrated in the labour market.

An increasing labour supply with higher education is in the field of social sciences, business and law. This is mainly due to the choice of youth to acquire higher education in these disciplines. In 2015, a positive trend was observed – labour supply increased also in such academic disciplines as engineering, manufacturing, civil engineering and education.

In Latvia, the number of people employed in all occupational groups has decreased much more rapidly than in the EU-28, with clerical workers and customer services group being the sole exception. Both in Latvia and in the EU-28, the number of people employed has witnessed the most rapid decline in the group of skilled workers and craftsmen. In the EU-28, it is mostly the demand for workers in occupations requiring low qualifications that has contracted. Conversely, the demand has slightly increased for senior level specialists and services and sales workforce. In Latvia, in contrast to the EU-28 the demand for professionals has decreased rapidly as well (by 33%), while the fall in the EU-28 is a negligible 1%.

As the proportion of employed changes in the sectors, these changes also affect the skills that are in demand in the labour market. The EU's three most demanded occupational groups where there is a shortage of labour force are metal, machinery and related trades workers, science and engineering associate professionals, and information and communication technicians. (Eglitis, Panina, 2010)

According to the CEDEFOP survey, there are economies, Latvia included, where people without higher education are employed in high-qualification occupations, though their education level is lower. On the contrary, in medium-qualification occupations the demand for professionals with secondary education is lower than the supply. As a result, people with secondary education

have to work in higher qualification occupations, while those with higher education have to work in medium-qualification occupations (CEDEFOP, 2014).

Unemployment is the most critical problem of a market economy. As for Latvia, we speak of unemployment in respect of job seekers (aged 15-74) irrespective of the fact whether they have registered with the State Employment Agency or not.

Similar to most EU member states, in the near future Latvia will also have to face the ageing of population and a further decline in the number of working people, therefore it is important that people work as long as possible. Consequently, an unemployed person or job seeker is a person in the age group from 15 to 74.

The global financial crisis hit Latvia hard. Its aftermath was a surge in the unemployment rate from 6.1% in 2007 to 19.5% in 2010. Yet, an increase of economic activities had a positive effect on the labour market, the employment rate went up and the high unemployment rate resulting from the crisis decreased (Table 1). As the data in the table demonstrate, the situation in the labour market continued to improve in 2015, though at a slower pace than in previous years. The unemployment rate contracted to 9.9%. The relatively high unemployment rate is mainly due to cyclic factors, yet a high structural unemployment risk remains as well. Some job seekers may be facing long-standing problems in finding employment, because the new jobs are no longer the same as the ones they lost during the crisis.

As for Latvia, the unemployment rate is slightly above the EU-28 average. In 2015, the unemployment rate in the EU-28 was 9.4% or 22.8 million job seekers. Similar to previous years, the highest unemployment rate in 2015 was in Greece (24.9%) and in Spain (22.1%), whereas Germany (4.6%) and the Czech Republic (5.1%) had the lowest.

*Youth unemployment* continues to be a serious problem in Latvia. It should be mentioned though that with each year the youth unemployment rate among those aged 15 to 24 is continuously declining, simultaneously with the increase in the employment rate. In 2011, 31.0% of job seekers were young people, while in 2015 the figure was down to 16.3% of the economically active population. The unemployment rate of young people is still notably higher than in other age groups. Compared to the EU-28 average (20.4% in 2015), in Latvia the youth unemployment rate was considerably lower. The youth unemployment rate across the EU countries varies a lot, from 10.6% in Austria up to 49.8% in Greece (Ministry of Economics, 2016).

One of the causes of youth unemployment is their education level – about 64% of young people were not qualified or had an education level insufficient for employment. 28% of young people had vocational education and 9% had higher education. Lack of work experience is another significant factor contributing to youth unemployment. Only 40% of all young people in search of a job had previous work experience; in addition, one third of them had employed in low skill (elementary) occupations (Ministry of Economics, 2016). Recently, the number of young people not in education, employment or training (NEET) has been rising both in Latvia and in other

EU countries. In 2014, the proportion of such young people was 13 %, and it has shown an upward trend (Eurostat, 2015).

In many countries, the number of people employed has stayed at a constant level and in others, it has even increased. Elderly people tend to stay in the labour market longer and longer and women would sooner return to the labour market after their maternity leave. This increase in the participation rate means greater competition for jobs for younger people, who have a disadvantage due to lack of proven experience (Education to employment, 2014).

It should be mentioned, though, that, despite the high unemployment rate, businesses admit that it is hard to find appropriate employees. Thus, there are labour shortages in a number of occupations. According to the European skills and jobs survey, one out of every three employers reports difficulties in filling their vacancies (European Parliament, 2015). Although most of the employers mention inadequate skills as the main cause preventing them from finding appropriate employees, non-competitive remuneration remains an important factor. It varies greatly across the EU. According to Eurostat, at the end of 2015, the lowest minimum wage was in Bulgaria, EUR 215, while the highest was in Luxembourg, EUR 1923. In Latvia, minimum wage in 2016 is EUR 370 per month. In 2014, the EU average labour costs per hour were EUR 24.6. The highest were in Denmark (EUR 40.3), Belgium (EUR 39.1), but the lowest in Bulgaria (EUR 3.8), Romania (EUR 4.6), Lithuania (EUR 6.5) and Latvia (EUR 6.6). Across sectors, the highest labour costs in the EU per hour are in the industry, services sector and construction. Overall, in 2014, the EU labour costs per hour grew by 1.4 % compared to 2013. The fastest increase was observed in Estonia, Latvia and Slovakia; however, it should be taken into account that these countries have comparatively low labour costs (Public Overview, 2015).

In the future, the new labour market requirements will be largely determined by structural changes in globalisation, technology progress, green economy and demography. In this situation, the employers, alongside material incentives, will also have to take care of creation of new knowledge-intensive jobs, so that the competencies of highly educated and qualified professionals are used at full capacity.

#### **4. LABOUR MARKET FORECASTS IN LATVIA AND DEVELOPMENT TRENDS**

As for the implementation process of career education and shaping of occupational interests of youth, apart from taking into account the present needs of the economy, it is also important to find out the possible development trends in the Latvian labour market. The future demand and supply situation in the labour market depends on today's decisions made by young people when choosing their occupations.



In respect of the potential trends in Latvia's labour market, the Ministry of Economics has produced medium-term labour market forecasts for the period up to 2022 and long-term forecasts up to 2030. The forecasts were produced based on the developed economic and demographic scenarios, in order to demonstrate the changes and risks the labour market may face under the present education system and the structure of education offered. Two development scenarios were designed: the target scenario if the growth of the global economy is harmonised and stable and the weak growth scenario in the event its growth becomes inhomogeneous, which is characterised by lower growth rates, including a slower recovery of the EU from the sovereign debt crisis (Ministry of Economics, 2016).

Latvia's labour market trends have forecasted, *first*, broken down by economic sector based on the expected changes in economic growth and labour productivity. *Second*, broken down by occupation, based on the changes in the composition of occupations in the economic sector. *Third*, changes in the education levels. These changes are determined by the skills/education needed for the most demanded occupations.

To identify the expected changes in the economic sectors, the target scenario assumes that Latvia's gross domestic product (GDP) might increase by 36.1% until 2022 compared to 2015 (Table 2).

Table 2

Changes in GDP, productivity and employment in Latvia's economic sectors in 2022 compared to 2015

| Economic sectors | NUMBER (in thsd.) |           | INCREASE (%) |              |            |
|------------------|-------------------|-----------|--------------|--------------|------------|
|                  | Employees         | Change    | GDP          | Productivity | Employment |
| Agriculture      | 70                | -1        | 28.8         | 30.8         | -2         |
| Manufacturing    | 128               | 12        | 35.1         | 24.8         | 10.3       |
| Other industry   | 26                | 2         | 27.0         | 18.2         | 8.8        |
| Construction     | 78                | 6         | 38.4         | 30.3         | 8.1        |
| Commerce         | 170               | 10        | 39.3         | 32.8         | 6.5        |
| Transport        | 90                | 5         | 22.1         | 16.4         | 5.7        |
| Services         | 186               | 16        | 37.9         | 30.7         | 9.6        |
| Public services  | 199               | 1         | 40.3         | 37.5         | 0.4        |
| <b>Total</b>     | <b>947</b>        | <b>51</b> | <b>36.1</b>  | <b>30.4</b>  | <b>5.7</b> |

Source: authors' compilation based on the Ministry of Economics data, 2016

As Table 2 shows, higher GDP growth rates than on average in the economy are expected in almost all sectors, except in manufacturing and transport. Mainly increases in labour productivity will contribute to the economic growth in these sectors. Along with the economic growth, changes in the *composition of employment* will take place. According to the forecasts of GDP and labour productivity increases in these sectors, the greatest demand for employees in the labour market is also forecasted for these sectors. In 2022, compared to 2015, the number of employees in Latvia will increase by 51 thousand or 5.7%. In manufacturing (by 10.3%), other industry (by 8.8%), construction (by 8.1%) and services (by 9.6%) the demand for

labour will grow more rapidly than on average in the economy. Compared to other sectors, agriculture is the only one where the number of people employed will drop. Therefore, in 2015, 7.9% of the total number employed worked in agriculture and forestry, contributing a mere 2.5% to gross domestic product.

According to the Ministry of Economics forecasts, in 2030, compared to 2015, the number of employees in Latvia will increase by 85 thousand. Their number will increase in all sectors except agriculture and forestry. A relatively large increase in the number of employees was observed in industry and services. It will exceed the level of 2015 by 36 thousand and 27 thousand respectively, and will combine into the largest demand for workforce in the economy.

According to the expected restructuring of the economy, it will cause changes in the *labour market demand among the occupational groups*. The demand for high- and medium-qualified professionals will increase at a faster rate (in 2030, it will be 45.8% and 44.8% of total labour demand respectively). The increase in demand for high-qualification professionals will mainly take place in manufacturing and services. The increase will occur due to the demand for science and engineering, ICT, business and administration professionals, as well as professionals in legal, social and cultural matters. The demand for medium-qualification professionals will increase in the manufacturing industry – mainly in the field of electrical and electronic equipment, machinery and related trades, as well as in food processing and woodworking. In contrast, the demand for agricultural workers will decrease. In all the sectors, the demand for low-qualified employees will decline. In 2030, low-qualification workers will comprise a mere 9.2% of the total labour demand. The forecasts of Latvia's labour market demand broken down by *educational groups* indicate that a greater demand is forecasted for high-qualified specialists with higher education in the group *social sciences, business studies and law*. Yet, the greatest demand for employees with secondary vocational education is observed in the group *engineering, industry and construction* (Table 3).

Table 3  
Forecasts of Latvia's labour market demand broken down by educational levels and disciplines (thsd.)

| Academic discipline                                     | Higher education |              | Vocational secondary education |              |
|---|------------------|--------------|--------------------------------|--------------|
|   | 2022             | 2030         | 2022                           | 2030         |
| Education   | 42.4             | 39.6         | 3.8                            | 2.9          |
| Humanities and arts                                     | 17.9             | 18.2         | 7.9                            | 7.1          |
| Social sciences, business studies and law               | 159.3            | 170.7        | 30.7                           | 26.4         |
| Life sciences, mathematics and information technologies | 30.0             | 40.9         | 7.0                            | 8.7          |
| Engineering, industry and civil engineering             | 56.5             | 70.2         | 186.2                          | 193.4        |
| Agriculture   | 8.3              | 8.0          | 18.6                           | 19.3         |
| Health care and social welfare                          | 32.1             | 40.4         | 13.2                           | 11.8         |
| Services  | 15.1             | 14.9         | 43.9                           | 49.2         |
| <b>Total</b>  | <b>361.6</b>     | <b>403.1</b> | <b>307.4</b>                   | <b>316.0</b> |

*Source: authors' compilation based on the Ministry of Economics data, 2016*

According to the Ministry of Economics Report, in general, labour supply in 2022 will exceed labour demand by approximately by 6.4 %, and this gap could narrow by approximately 0.5 percentage points by 2030, to stand at 5.9 %. Although the respective surplus of labour force could be sufficient for ensuring a normal functioning of the labour market and the national economy overall, disproportions in separate labour market segments (regions, some occupations) could be critical enough to hinder growth of certain economic sectors.

To meet the increasing demand in the labour market, the number of residents in Latvia should increase as well. The forecasts indicate that the population will decrease by almost 4% or 77 thousand over the next 30 years. The main reason for it will be the ageing of population resulting in a greater gap between the birth and mortality rates. The number of working-age residents will decrease faster than the total population, especially in the age group from 15 to 24. This will result in a significant decrease in the supply of employees in the labour market. For this reason, a considerable lack of employees and a large imbalance in the labour market will emerge. Besides, if the current structure of education remains, the demand and supply imbalance in the labour market will increase even more. All this calls for an answer to the question – will the present structure of education system ensure the training of professionals in accordance with the labour market forecasts for Latvia?

## **5. OCCUPATIONAL INTERESTS OF YOUTH AND THEIR CORRESPONDENCE WITH THE LABOUR MARKET FORECASTS**

To answer this question, it is important to analyse the occupational interests of young people. *Firstly*, making use of the statistical data, we shall find out which academic disciplines in higher education young people are willing to study. *Secondly*, by means of comparative analysis of the student survey data, we shall identify the changes in their occupational pursuits and their correspondence to the labour market forecasts.

As we detected earlier, according to the labour market forecasts, it is mainly the demand for higher qualification professionals that are expected to increase. In 2030, they will comprise almost half the demand in the labour market. Moreover, according to the forecasts, the increase in demand for professionals is expected in almost all academic disciplines, with a few exceptions (Table 3). Therefore, to find out whether the present structure of education will meet the forecasted demand in labour market for higher

qualification professionals, the structure of higher education needs to be scrutinized (Table 4).

Table 4

Number of students in the Latvian higher education institutions in broken down by academic discipline, 2015

| Academic discipline                                     | Admitted in the reporting year | Studying, total | Graduated with a degree, qualification | Dropped out  |
|---|--------------------------------|-----------------|--|--------------|
| Education   | 1871                           | 5507            | 1088                                   | 873          |
| Humanities and arts                                     | 2564                           | 7644            | 1655                                   | 1688         |
| Social sciences, business and law                       | 10739                          | 33841           | 7306                                   | 7976         |
| Life sciences, mathematics and information technologies | 2649                           | 6626            | 1200                                   | 1796         |
| Engineering, manufacturing and civil engineering        | 5062                           | 13246           | 2350                                   | 4175         |
| Agriculture   | 476                            | 1561            | 244                                    | 277          |
| Health care and social welfare                          | 3613                           | 10666           | 2217                                   | 1761         |
| Services  | 2138                           | 6790            | 1328                                   | 1545         |
| <b>Total</b>  | <b>29112</b>                   | <b>85881</b>    | <b>17388</b>                           | <b>20091</b> |

Source: authors' compilation based on the Ministry of Education and Science data, 2015

The data in the table demonstrate that such academic disciplines as social sciences, business and law have the largest number of students. Together with humanities, the number of students is 41,485 or 48.3% of total number of students. Though in these disciplines the number of dropouts is notable, the percentage of those having graduated with a degree or qualification is higher and comprises 51.5% of the total number of new specialists. At the same time, the demand in the labour market for these specialists is significantly lower: 46.8% of total demand. This means that, if the occupational interests of young people remain as they are, there will be a surplus in the supply of new specialists in several specialities. Moreover, in some of the academic disciplines there could be a significant shortage of employees (insufficient demand), e.g. in life sciences, engineering, information and communication technologies, manufacturing, civil engineering etc. (Figure 1).

With the purpose of meeting the demand for workforce in life sciences, mathematics, information technologies, engineering, manufacturing and civil engineering, a goal has been set in Latvia: in 2020, the number of students in the life sciences and engineering academic disciplines should be 27% of the total number of students. This goal has not been attained yet. In 2015, the percentage of students in the said academic disciplines was 23.1% of the total number of students (Table 4). To incite interest in young people in studying these academic disciplines, it is necessary to implement better-targeted activities in career

education and to establish closer links between the education system and the labour market.

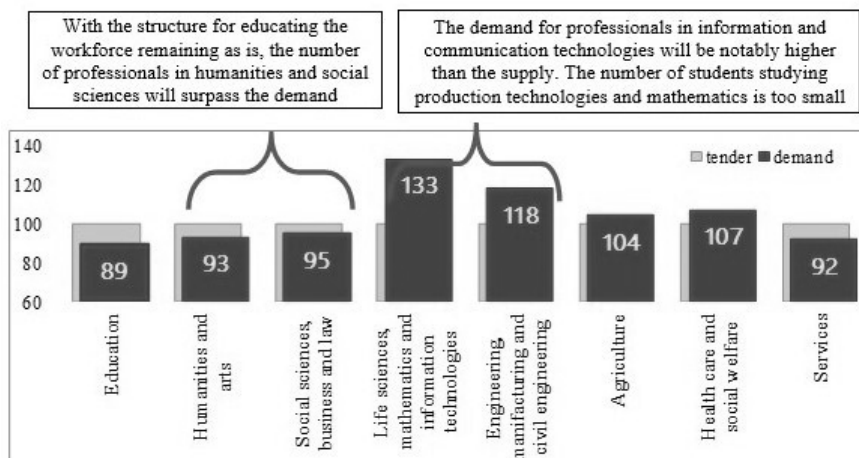


Figure 1. Projections for supply and demand of workforce with higher education broken down by academic discipline in 2022 (demand in percentage to supply)

Source: authors' compilation based on the Ministry of Economics data, 2016

In order to attain a balance between the demand and supply in the labour market, it is important to choose an occupation that is in line with not only one's personal interests but the needs of the economy as well. Otherwise, one might have to work in a job that does not correspond to the qualification acquired. For example, the survey data evidence that currently only 35% are working in an occupation that corresponds to the education acquired. Conversely, 39% admit that their current occupation is not relevant to their education. (Swedbank survey, 2016)

To find out whether the occupational interests of youth correspond to the labour market forecasts, comparative analysis was used in the study performed on the basis of two student surveys that were carried out with a six-year interval. School students' responses have been summarised in Table 5.

### **The comparative analysis of the survey results leads to the following conclusions.**

*First*, comparing the responses of respondents in 2009 with those of 2015 in respect of students' plans for the future, one cannot discern any specific changes during this period. Only slightly over 40% of respondents are confident about their choice of occupation. As to the main factors in choosing one's future occupation, in both surveys students gave similar answers. The only exception is that, in 2009, the students preferred friends' and classmates' advice for choosing an occupation (53.5%). Conversely, in 2015 the respondents are guided by their

own preferences when choosing an occupation (50.8%), because they believe the most important thing is to understand their own interests and explore their own capabilities. 68.5% of students state this fact. Also parents' advice is important for them (31.5%).

Table 5

## Comparative analysis of the student survey

| Questions  | 2009 survey (%) | 2015 survey (%) |
|--|-----------------|-----------------|
| Students' plans for the future                       |                 |                 |
| • is aware of own occupational interests             | 42.0            | 43.5            |
| • only partly  | 47.0            | 36.6            |
| Help in occupational choices                         |                 |                 |
| • family   | 25.0            | 31.5            |
| • friends  | 53.5            | 4.4             |
| • teachers   | 14.7            | 1.6             |
| • career consultations                               | 7.0             | 1.6             |
| • printed media, TV, Internet                        | 7.0             | 7.5             |
| • knows own preferences                              | 0.3             | 50.8            |
| Lacks information about                              |                 |                 |
| • demand for the occupation, labour market forecasts | 71.0            | 35.9            |
| • education possibilities                            | 55.0            | 13.3            |
| • remuneration                                       | 53.9            | 10.3            |
| • everything can be found out                        | x               | 27.0            |
| Factors influencing the choice of occupation         |                 |                 |
| • information, description of occupations            | 8.0             | 39.9            |
| • the possibility to work in this occupation         | 29.0            | 18.2            |
| • Shadow Days  | 30.0            | 15.7            |
| • meeting people from this occupation                | 10.0            | 9.7             |
| • tours of the company/institution                   | 17.0            | 7.3             |
| • extracurricular activities – sport trainings       | 19.3            | 29.3            |
| • hobby groups                                       | 30.5            | 28.8            |
| Most important when choosing occupation is           |                 |                 |
| • to understand own interests                        | x               | 68.1            |
| • demand in labour market                            | 7.0             | 19.5            |
| • high remuneration                                  | 27.1            | 8.6             |
| • a possibility to work abroad                       | 14.4            | 18.5            |

Source: authors' compilation based on the authors' study in 2009 and State Education Development Agency data, 2015

*Second*, when choosing one's occupation, it is important to align one's interests and capabilities with the needs of the economy. The comparative analysis evidence that students more often than not are incapable of matching

their interests, wishes, capabilities and knowledge with the existing situation in the labour market. Students lack adequate information about education possibilities relevant to the occupation. According to the survey data, in 2009, only a few respondents (7.0%) took into account the demand in the labour market when choosing their occupation. In 2015, already 19.5% of respondents believe that it is important to harmonise the choice of occupation with changes in the labour market. It is important to supply students with relevant information, so that young people are able to take into account the needs of the economy when choosing their future occupation. 71% of respondents in 2009 and 35.9% respondents in 2015 note that the information about the demand for an occupation in labour market is not sufficient. Moreover, nearly all students admit that they need some help in choosing their occupation. It is important to get information about the contents of the occupation and remuneration, as well as the labour market development trends and education institutions that provide training in the occupation.

*Third*, to choose the right occupation, it is essential to get hands-on experience by being engaged in summer jobs and extracurricular activities. As for respondents in the 2009 survey, the amount of remuneration is important for them (27%) and also the possibility to work abroad (14%) and the prestige of the occupation (12%). Creative work and the ability to do something on your own affect the choice of occupation for just 5% of students. Speaking of the 2015 respondents, the students maintain that availability of information on TV and the Internet is of great importance in taking a decision (39.9%). Yet, compared to the 2009 survey, the role of Shadow Days has lessened notably; the same is true about visiting companies/institutions and meeting people of the particular occupation. At the same time, when responding to the question: "In your opinion, how can one get the most extensive information about different occupations in order to learn about them?" 41% of students say that meeting and talking to people working in this occupation is the most important factor 40.98%.

To sum up the above, one can conclude that students, when choosing their future occupation, are mainly guided by their own personal interests. However, the requirements of the labour market are not considered an important factor. This is largely because students lack adequate information about the development of economic sectors, labour market forecasts and the supply and demand for occupations in the future. This suggests that career education activities at comprehensive schools are inadequate.

## 6. CONCLUSION

According to the analysis of the present situation in the Latvian labour market, one can conclude that, after the global financial crisis in 2010, the key indicators describing the situation in the labour market have been continuously improving, with the exception of the change in the number of economically active people. This has declined, because the working age population (15-74 years) is

continuously shrinking. However, with further growth of production, shortages of labour may appear, resulting in major imbalances in the labour market.

Youth unemployment continues to be a serious problem in Latvia. It should be mentioned though that, with each year, the youth unemployment rate among those aged 15 to 24 is continuously declining (standing at 16.3% in 2015). Nevertheless, it is markedly lower than the EU-28 average (20.4%). Despite the high unemployment rate, businesses admit that it is hard to find employees with appropriate qualifications. They care about the education of the young generation and their occupational preparedness. This especially concerns young people who, after leaving school, do not have any occupational skills.

Based on the analysis of the development trends in the Latvian labour market performed, it can be concluded that in the period up to 2030, compared to 2015, the demand for employees with the highest qualification will increase remarkably. Moreover, if the present education structure is retained, a surplus supply of professionals may appear in the labour market in such disciplines as business, law, humanities and social sciences, whereas there may be a shortage of demand for professionals in life sciences, mathematics, information technologies, engineering, production and civil engineering. To ensure a correspondence between demand and supply in the labour market, the education system should adapt itself to the new challenges. It is critical that career education activities are better targeted and closely linked with the needs of the economy, in order to incite interest in young people to study life sciences and engineering.

The comparative analysis of youth's occupational interests allows us to conclude that students are often unable to combine their interests, desires, abilities and knowledge with the existing situation in the labour market. Students rely on the opinion of their friends and parents when choosing their occupation. Students have insufficient information about the demands of the labour market and further education in the acquisition of the profession. This proves that the career education activities, which are held at general secondary schools are insufficient, which justifies the necessity to improve the management of career education.

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## **TRENDOVI NA TRŽIŠTU RADA I PROFESIONALNI INTERESI MLADIH U LATVIJI**

### ***Sažetak***

*Značajne promjene na tržištu rada i u strukturi proizvodnje dogodile su se u 21. stoljeću. Važno je kontinuirano prognozirati ove promjene kako bi se na tržištu rada osigurala ravnoteža između potražnje i ponude radne snage s odgovarajućim kvalifikacijama. Cilj je članka analizirati prognoze na tržištu rada za Latviju i na temelju toga ustanoviti hoće li sadašnja struktura obrazovnog sustava zadovoljiti zahtjeve za stručnjacima s odgovarajućim kvalifikacijama, otkriti probleme i predložiti moguća rješenja. Kako bi se ostvarila svrha te analize, u članku se prikazuje trenutna situacija na tržištu rada; analiziraju se razvojni trendovi na tržištu u Latviji do 2030. godine te se potom razvrstavaju prema sektorima nacionalnog gospodarstva i profesionalnim skupinama, kao i prema promjenama u obrazovnim razinama. Analizom je utvrđeno da sadašnja struktura visokog obrazovanja ne odgovara prognozama razvoja tržišta rada, posebno u vezi s potražnjom za stručnjacima s najvišim kvalifikacijama. Profesionalni interesi mladih koje se intervjuiralo nisu u skladu s potražnjom u gospodarstvu. To dokazuje da je za koordinaciju daljnjih uputa za djelovanje između kreatora strukturnih i politika zapošljavanja i obrazovanja te socijalnih partnera i znanstvenika važno uzeti u obzir prognoze tržišta rada i njihovu analizu kako bi se olakšao uravnotežen razvoj sukladno sa suvremenim trendovima.*

***Ključne riječi: tržište rada, zapošljavanje, izbor struke, profesionalni interesi.***

***JEL klasifikacija: J21, J64, O15***