

# 2 Recent trends in the Latvian labour market

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The purpose of this chapter is to give a brief overview of the Latvian labour market and the role of the State Employment Agency (SEA), the public employment service (PES) of Latvia. The chapter briefly presents the latest labour market trends and highlights challenges that the SEA will need to address going forward. The chapter also discusses spending on active labour market policies (ALMPs) and needs for further investments in the SEA in order to address the labour market needs.

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## 2.1. Introduction

To make the best decisions when modernising and digitalising a public employment service (PES), it is critical to understand the environment in which the PES operates, the needs it has, and the resources available to meet these needs. This chapter thus provides a short overview of the Latvian labour market and its challenges, a short discussion of the role of the State Employment Agency (SEA), Latvia's PES, an overview of ALMP spending and participation, and a discussion of recent evaluations of ALMPs in Latvia. This chapter highlights the limited financial resources Latvia has for ALMPs despite facing consistently higher rates of unemployment than the OECD average. Given such limited resources, modernising and digitalising the SEA can be especially important for making the most of the resources that are available.

Section 2.2 highlights how Latvia's strong economic growth over the past decade has supported increasing wages and employment amidst declining, but still above average levels of unemployment. In the near term the labour market is recovering well from the COVID-19 crisis, but workers face challenges of inflation. Over the medium and longer term a rapidly declining and ageing population underscores the importance of making the most of the available workforce. ALMPs have a role to support this demographic transition and to ensure the inclusion of all groups in the labour market.

Section 2.3 discusses the ALMP set up in Latvia. It shows that Latvia's ALMP spending is limited compared to other OECD countries despite higher levels of unemployment than the OECD average. In addition, such funding is often provided on a project basis, as opposed to more secure longer-term funding. However, evaluations of Latvia's ALMPs show that they are effective in supporting people into jobs. Taken together the high demand for ALMPs and the finding that they are effective makes a prima facie business case for greater investment in ALMPs in Latvia.

## 2.2. The Latvian labour market is recovering well post-COVID, but challenges remain

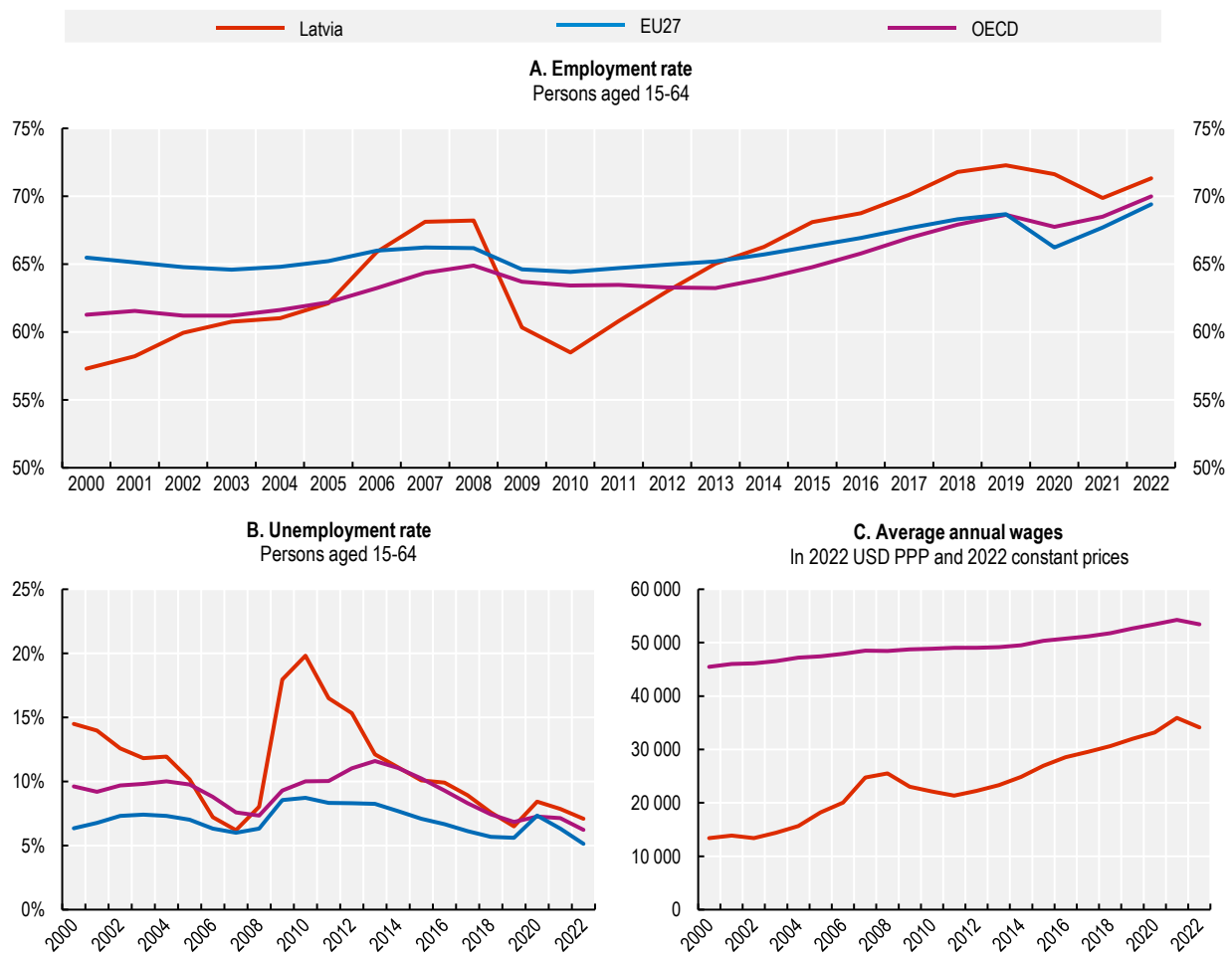
This section summarises key features of the Latvian labour market to understand the context in which the SEA operates.

### ***2.2.1. Latvia's labour market strengthened in recent decades and is recovering well post-COVID***

Latvia's economy has experienced strong growth in recent decades catching up to other countries – and this despite the setbacks of the global financial crisis and more recently the COVID-19 pandemic (OECD, 2022<sup>[1]</sup>; European Commission, 2023<sup>[2]</sup>). This strengthening economy has supported great improvements to the labour market with increasing wages and employment alongside decreasing unemployment (Figure 2.1). The employment rate has grown strongly since 2000, from below 60% in the early 2000s to 71% in 2022. This significant success has elevated Latvia from a country with an employment rate considerably lower than the OECD and EU averages in 2000 (8 and 4 percentage points, respectively) to a country with an employment rate 1 to 2 percentage points higher than the OECD and EU averages. Likewise, unemployment stood at 7.1% in 2022, well down from nearly 20% in 2010 at the height of the global financial crisis or around the 14% level seen in the early 2000s. These developments have almost eliminated the once considerably higher unemployment rates Latvia had compared to the OECD or EU averages: from a peak of 11.1 and 9.8 percentage points, respectively, in 2010, the difference has since declined to 2.0 and 0.9 percentage points, respectively. Real wages too have risen dramatically, from around EUR 14 500 (real 2022 USD PPP adjusted) in 2000, to EUR 34 100 in 2022 – a 155% increase, while the OECD average increased by about 17% over this time.


The dramatic increases in wages, coupled with increases in the retirement age and factors such as relatively low pensions for individuals with short contributory periods (OECD, 2022<sup>[1]</sup>), have resulted in steady increases in Latvia's labour force participation rate (the share of the population either in employment or actively seeking to become employed). This positive development – that a greater share of the working age population is willing to engage in paid employment – is particularly important for Latvia's economy in the face of its projected decrease in population (as discussed in the next section). However, the considerable increase in labour force participation has also meant that despite the considerable increase in employment rates, the unemployment rate continues to be slightly higher than in the OECD and EU averages. This, in turn, underscores the important role ALMPs can play to connect individuals with good jobs.

**Figure 2.1. Latvia's labour market has seen great improvements**



Note: OECD and EU27 are weighted averages.

Source: OECD Datasets LFS by sex and age – indicators, <http://stats.oecd.org/Index.aspx?QueryId=118627> (Panels A and B), and Average annual wages, <http://stats.oecd.org/Index.aspx?QueryId=25148> (Panel C).

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*Latvia is recovering well from the COVID-19 crisis, though inflation and uncertainty remain amidst Russia's war of aggression against Ukraine*

The COVID-19 crisis was an unprecedented health crisis that also became an employment crisis across the world (OECD, 2020<sup>[3]</sup>). During the crisis Latvia's unemployment rate rose to 8.4% in 2020 (average over the year), while the employment rate dipped to 69.9% for 2021 (Figure 2.1). However, the deterioration in the labour market situation was relatively mild compared to the sharply negative effects experienced by Latvia in the wake of the global financial and economic crisis. This may be partly attributable to the strong policy response during the COVID-19 crisis: for example, short-time work schemes and other measures financed with loans backed by EU member states covered 9% of workers in 2021 (European Commission, 2023<sup>[2]</sup>). Latvia is making a strong post-COVID-19 recovery, both in terms of unemployment and employment figures. In 2023, both had essentially recovered back to their pre-pandemic levels. The unemployment rate decreased to a seasonally adjusted average of 6.4% in the first ten months of 2023, almost on par with the 6.3% recorded in 2019 (Central Statistical Bureau of Latvia, 2023<sup>[4]</sup>). Similarly, the employment rate stood at 72.0% in Q3-2023 compared to 72.3% in 2019 (Central Statistical Bureau of Latvia, 2023<sup>[5]</sup>).

The unemployment induced by the COVID-19 crisis led to an increased workload for the SEA. Registrations surged, with the number of registered unemployed increasing by 20 000 people (34%) from 58 000 persons at the end of February 2020 to 78 000 persons at the end of June 2020 (SEA, 2023<sup>[6]</sup>). These figures have now recovered from the pandemic with the number of people registered at the PES being below pre-pandemic levels.

Another factor creating additional demand for the SEA's resources has been the inflow of people displaced by Russia's war of aggression against Ukraine which has displaced more than 10 million people outside Ukraine. Roughly 4.7 million displaced Ukrainians are in OECD countries (OECD, 2023<sup>[7]</sup>), of whom 4.2 million are in the EU (Eurostat, 2023<sup>[8]</sup>). Approximately 38 000 displaced Ukrainian refugees are in Latvia (UNHCR, 2023<sup>[9]</sup>) which on a per capita basis is among the highest intakes across both OECD and EU countries (Eurostat, 2023<sup>[8]</sup>; OECD, 2023<sup>[7]</sup>). Those fleeing Russia's war have diverse needs. Many will need support finding a job, which could be provided by the SEA, while others will have different needs depending on their circumstances which can include childcare and education as well as immediate needs of shelter. To help support Ukrainians in Latvia a dedicated webpage ([www.ukraine-latvia.com](http://www.ukraine-latvia.com)) provides information on cross-government services available and some relevant regulations (such as on visas, tax, and employment). This includes information on how to contact the SEA for support in finding work, and support is available to Ukrainians in any local office of the SEA. Furthermore, the Riga municipality has established a special support centre for Ukrainians in Riga, where the SEA is one of the institutions to have staff on premises together with other related institutions.

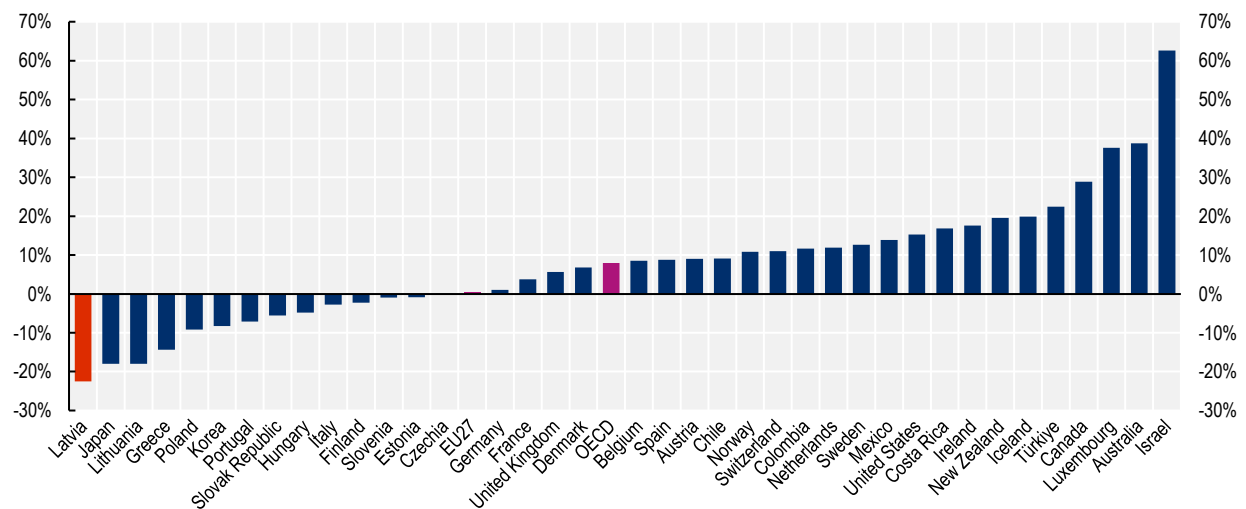
Latvia's economy slowed after Russia's war of aggression began, but growth has since resumed (OECD, 2023<sup>[10]</sup>; European Commission, 2023<sup>[11]</sup>). Growth slowed to 3.1% in 2022 and after a technical recession in the first half of 2023, GDP increased by 0.6% in the third quarter of 2023. Headline inflation soared in 2022 and reached an annual peak of 22% in September 2022, but has fall considerably since then, to 2.3% in October 2023 on the back of falling energy and food prices. The increase in energy prices was especially dramatic compared to other goods, as the EU rapidly transitioned away from Russian energy. Indeed, annual energy prices in Latvia rose by 70% in the year to July 2022 but Energy price inflation turned negative in the third quarter of 2023 (European Commission, 2023<sup>[11]</sup>). Average monthly gross wages rose by 12% year-on-year in June 2023, leading to a slight increase in real wages of 0.1% (OECD, 2023<sup>[10]</sup>). However, labour demand remains strong, and the minimum wage was increased by 22% in January 2023 from EUR 500 to EUR 620, to into account the EC directive on the adequacy of minimum wages in the face of high inflation (Official Journal of the European Union, 2022<sup>[12]</sup>).

*Medium- and long-term challenges include a declining and ageing population as well as changing skill demands*

Looking ahead over the medium to long term the biggest challenge facing the Latvian labour market is its declining and ageing population. Indeed, Latvia faces the fastest shrinking population in the OECD (Figure 2.2). This decline being driven by low birth rates and – to a lesser degree in recent years – the emigration of young people (OECD, 2022<sup>[11]</sup>), although it is notable that Latvia experienced an increase in population in 2022 due to the inflows of Ukrainian refugees (Central Statistical Bureau of Latvia, 2023<sup>[13]</sup>). With fewer workers, Latvia will need to make the most of the labour force it has available and possibly increasing the attractiveness of Latvia for workers living abroad, including from the Latvian diaspora. This underscores the importance of ALMPs, which can help to include as many people in the labour market as possible, support employers in filling vacancies and help individuals moving from abroad obtain the skills or certifications they need to integrate into the labour market.

**Figure 2.2. Latvia is projected to have the fastest shrinking population in the OECD**

Expected evolution of the population size between 2022 and 2050, by OECD country



Source: OECD Population Projections dataset, <http://stats.oecd.org/Index.aspx?QueryId=88954>.

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Securing a highly skilled workforce is crucial for Latvia, especially in the context of the ongoing twin green and digital transitions. The OECD's skills strategy for Latvia has identified four main areas of focus: improving teaching workforce capacity, ensuring sustainable funding for adult learning, creating incentives to retain and attract skilled workers, and building capacity for coherent skills policies (OECD, 2019<sup>[14]</sup>). ALMPs can support several of these areas, notably through programmes that upskill and reskill workers and through supporting efficient matching of jobseekers with employers.

### 2.2.2. *Despite the overall strong performance of Latvia's labour market some groups could do better*

While the labour market in Latvia has broadly improved over recent decades, some groups do not do as well as others. The underutilisation of these groups in the labour market not only limits Latvia's overall economic potential, but also contributes to social hardship. Indeed, the poverty rate at 16% is the fourth highest in the OECD (OECD, 2023<sup>[15]</sup>). Such groups include:

- **Women:** While women are almost comparable to men in terms of employment rates (70.2% compared to 72.5% in 2022 (OECD, 2023<sup>[16]</sup>) – and some of this gap is likely due to maternity leave) more concerning is the gender wage gap. Latvia's gender wage gap is the third highest among OECD countries with median female earnings of full-time employees 23.9% lower than men (OECD, 2023<sup>[17]</sup>).
- **Younger people and older people:** Older people have lower rates of employment than prime-aged individuals and sizable numbers of youth are at risk of labour market exclusion, although these challenges are lower in Latvia compared to the OECD and EU averages. In Latvia, 11.9% of youth aged 15-29 were not in employment, education or training (NEET) in 2022, comparable to the OECD average of 12.6% (OECD, 2023<sup>[18]</sup>) and the EU average of 11.7% (Eurostat, 2023<sup>[19]</sup>).<sup>1</sup> Older individuals aged 55-64 have employment rates about 10 percentage points lower than those aged 25-54 (71.6% compared to 82.6%) in Latvia (OECD, 2023<sup>[20]</sup>). Latvia's difference in employment rates between these two age groups is considerably smaller than the OECD and EU averages, which amount to 16.1 and 19.5 percentage points, respectively (Eurostat, 2023<sup>[21]</sup>; OECD, 2023<sup>[20]</sup>).
- **People with disabilities:** People with disabilities in Latvia are around 18 percentage points less likely to be employed than people without a disability. While this is lower than the EU average of 24 percentage points, it is still a significant gap (data are from 2019, see European Commission (2021<sup>[22]</sup>)). Reducing this gap has been a political priority in Latvia, and indeed some specific measures are provided by the SEA to support people with disabilities. These include employment subsidies targeted to those with disabilities, online trainings for those with disabilities, regional mobility measures, and other assisting support (such as silent language interpreters and occupational therapy). Furthermore, support is available to employers to adapt workplaces to the needs of employees with disabilities.
- **The long term unemployed:** Despite declines in recent years, long term unemployment is a challenge in Latvia, with 29% of unemployed persons unemployed for 12 months or more (OECD, 2023<sup>[23]</sup>; Eurostat, 2023<sup>[24]</sup>). While this figure has fallen considerably from the 2011 peak of 55%, it remains a significant share of the unemployed and somewhat more than the 2022 OECD average of 25% (although it is considerably lower than the EU average of 39%).
- **Those in regions with less employment opportunities:** Large labour market disparities exist in Latvia between regions (OECD, 2019<sup>[25]</sup>; OECD, 2019<sup>[26]</sup>). For 2022, there is an 8-percentage point gap between the region with the highest employment rate (Pierīga, 74.5%) and the region with the lowest (Latgale, 66.4%).
- **Individuals whose earnings or employment are not (fully) reported:** Informality is a longstanding issue in Latvia (OECD, 2019<sup>[26]</sup>; OECD, 2022<sup>[11]</sup>), particularly in terms of underreported salaries (as opposed to undeclared employment, which is a relatively smaller issue). While the shadow economy is difficult to measure precisely, one survey-based analysis suggests it accounted for more than a quarter of economic activity (26.5%) in 2022 (Sauka and Putniņš, 2023<sup>[27]</sup>). Another estimate, which uses several economy-wide indicators to provide estimates that are comparable across countries, estimated it to be 20.0% (Schneider, 2022<sup>[28]</sup>), slightly higher than the EU average of 17.3%. Such informality limits the extent to which individuals can access

contribution-based benefits such as those for unemployment or retirement, and may limit the extent to which they seek recourse for labour code infringements.

### 2.3. The ALMP basket has diversified but the SEA faces tight financial constraints

This section provides an overview of Latvia's approach to ALMPs, examining the role of the SEA, the financing of ALMPs, and the evaluations of their effectiveness.

#### 2.3.1. The SEA is responsible for delivering ALMPs in Latvia

The SEA is responsible for the delivery of ALMPs in Latvia which operates under the supervision of the Ministry of Welfare (MoW). The SEA's roles and responsibilities are set forth in the "Support for Unemployed Persons and Persons Seeking Employment Law" (The Parliament of the Republic of Latvia, 2002<sup>[29]</sup>) while the SEA maintains a strategy for how to best achieve its goals.

The SEA's stated mission is "to promote inclusive and sustainable employment in co-operation with employers and co-operation partners" (SEA, 2021<sup>[30]</sup>). The SEA clients include unemployed persons, those at risk of unemployment, as well as employers. The SEA's services include counselling of jobseekers, supporting people into specific measures such as training programmes (through a voucher system with external providers) and wage subsidies, support for regional mobility, support for vacancy matching between employers and jobseekers, support for employers in finding employees and forecasting of the labour market.

Many programmes exist to provide support to specific groups. These overlap with many of the groups identified in Section 2.2.2 and include support for those with disabilities, programmes for older workers, support to relocate across regions, programmes for youth and programmes for those who are long-term unemployed. Those at risk of unemployment also have access to services from the SEA. Such services include life-long learning programmes targeted broadly to employed people who are either over 50, lack skills or education, have a disability or, indeed, anyone else deemed to be at risk of unemployment (SEA, 2022<sup>[31]</sup>). Anyone can browse vacancies on the SEA's CV and vacancy portal (i.e. a log-in is not required to view vacancies), which means the platform can be helpful to people who are at risk of unemployment and support is also offered in the case of collective redundancies. The CV and vacancy portal is discussed further in Chapter 3 in the context of the overall IT infrastructure, and in Chapter 4 in the context of its functionality.

The overall budget for ALMPs is set by an act of parliament with the SEA and the MoW working closely together to determine the specific expenditure needs and allocations within the SEA's service provision. The MoW provides some input into the decisions on the SEA operating model, and plays the leading role for ALMP design, strategy and budgeting of ALMP measures and the SEA operating costs. The social partners are also engaged in the ALMP system as they advise the SEA and can form part of the steering committee on specific projects, as well as contribute with proposals for reskilling and upskilling (Lauringson and Lüske, 2021<sup>[32]</sup>).

Other organisations form part of the ALMP eco-system. Benefits (i.e. passive labour market policies) are administered by the State Social Insurance Agency (SSIA), while municipalities deliver social assistance and social services. As registration with the SEA is one of the requirements for receiving an unemployment insurance benefit, data is exchanged between the SSIA and the SEA on a regular basis. Indeed, the SEA exchanges data with several other agencies including the State Medical Commission for the Assessment of Health Condition on Working Ability (SMC), Municipal Social Assistance and Social Services Administration Application and the Citizenship and Migration Affairs. Chapter 3 of this report reviews the IT systems of the SEA including data exchange with external registers.

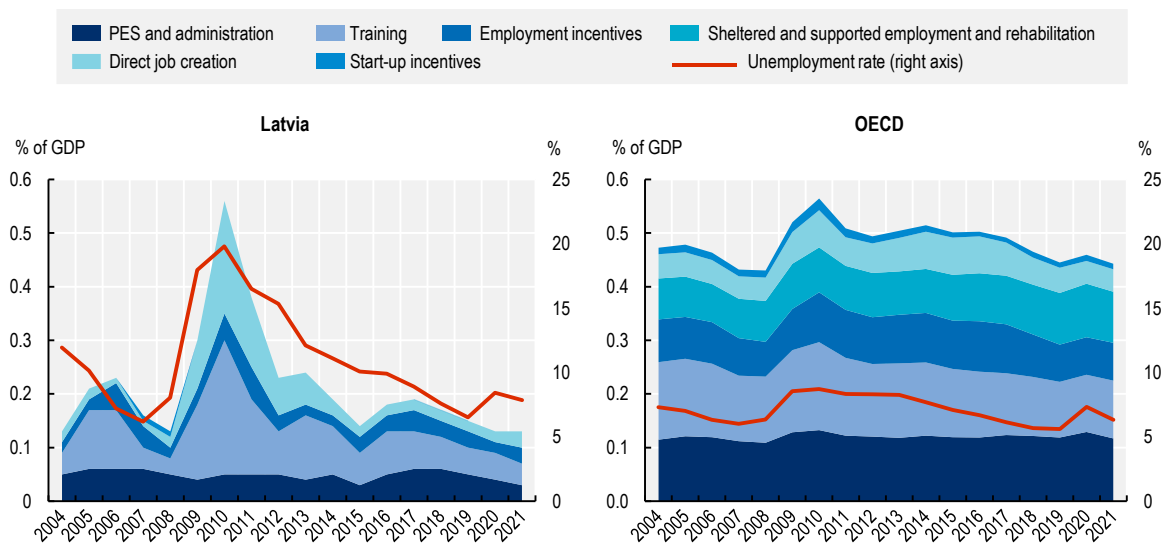
### 2.3.2. ALMP spending is low and financing often temporary

Latvia's recent spending on ALMPs remains much lower than that of other OECD countries, consistent with the pattern over the last two decades (Figure 2.3). While the level of spending has varied significantly in line with fluctuations in the unemployment rate, reaching a peak of 0.56% of GDP in 2010, the levels of spending have consistently been lower in Latvia, amounting to 0.14% of GDP in 2021 (compared to 0.45% and 0.53% in the OECD and EU, respectively). This has been the case both in total and across individual categories of ALMPs, with one notable exception: direct job creation programmes, which in 2010 amounted to 0.21% and exceed the OECD average of 0.14%. In the following period, spending with Latvia has made efforts to shift money away from direct job creation programmes, decreasing to around 0.03% of GDP in 2021. This shift is welcome given that international evidence suggests direct job creation programmes are ineffective in supporting people back into the regular (i.e. unsupported) labour market (Card, Kluge and Weber, 2018<sup>[33]</sup>; European Commission and Ismeri Europa, 2023<sup>[34]</sup>).

However, in total Latvia spends too little on ALMPs. While spending less on direct job-creation could have been an opportunity to channel funds towards more effective programmes, this has not happened. Instead, ALMP spending has declined. While a decline makes some sense in the context of reduced unemployment, the fact that Latvia still spends far less than the OECD or EU averages is at odds with its slightly higher unemployment rate. The lower resources available for ALMPs also decrease the role the PES can play in offering jobseekers support. Indeed, between 2010 and 2020 the percentage of unemployed people who report having contacted the SEA in the labour force survey fell by about 10 percentage points from 55.8% to 45.6% (Eurostat, 2023<sup>[35]</sup>).

**Figure 2.3. Latvia spends little on active labour market policies despite an unemployment rate above the OECD average**

Spending on active labour market policies (ALMPs) by category as a share of GDP, 2004-21



Note: PES: public employment service. GDP: gross domestic product. Employment incentives are net of category 42 (Employment maintenance incentives), to remove as much as possible measures that are specific to COVID-19.

Source: EC-OECD Labour Market Policies Database, <https://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP> and OECD dataset: LFS by sex and age – indicators, <http://stats.oecd.org/Index.aspx?QueryId=118627> for unemployment.



Latvia has scope to increase its spending in all categories including on PES administration. Indeed, wage scales at the SEA are regulated by the State Chancellery and set at a low governmental level, which can make hiring qualified staff difficult and many vacancies for positions at the SEA are unfilled.

The structure of funding, with a strong share of EU-based funding, is such that many of the ALMPs do not have long-term, guaranteed funding streams. Programme or project-based EU funding makes up roughly 60% of ALMP spending in Latvia. Such support includes funding from the EU's Recovery and Resilience Facility, funding from the European Social Fund Plus (ESF+) and its predecessors, most notably the European Social Fund (ESF). In the context of Latvia's National Recovery and Resilience Plan EUR 28 million is allocated for upskilling the unemployed (European Commission, 2021<sup>[36]</sup>).

Experiences from EU countries show that ensuring an even use of EU funds can be challenging in practice. For example, EU programming periods last several years, and initial years typically have low fund absorption rates, which gradually increase towards the middle and end of the period (Lutringer, 2022<sup>[37]</sup>). Although programming periods often overlap – with new periods starting while previous ones are still in progress – this can also create administrative challenges, especially in countries with tendencies for late spending. Furthermore, as the level of EU funding provided is tied to indicators such as the level of regional development, the level of funding is likely to decrease as Latvia becomes more developed.

In Latvia, as in many other EU countries, additional funds from national sources could boost ALMP spending and provide less project based and more sustainable financing. This is important for many activities and including those that are the focus of this project, namely for maintaining and developing a modern IT infrastructure alongside effective digital tools (see Chapter 3 for more detail on how financing impacts IT development).

### ***2.3.3. Previous evaluations have shown Latvia's ALMPs to be effective, but that they could be improved further***

Evaluations are an important method for assessing how well a PES is operating. Different types of evaluation and monitoring answer different questions and require different information, resources and expertise to conduct. Quantitative counterfactual impact evaluations aim to study the causal effect of ALMPs on key outcomes such as employment and earnings among others. Meanwhile qualitative evaluations can identify whether programmes are implemented as intended and spot ways to improve processes. Monitoring statistics can serve as an immediate source of information from understanding caseloads at different local offices or among counsellors, to understanding the sorts of clients seeking services, to learning the level of uptake for different support measures, or to observing performance indicators like the percentage of people employed following a programme's completion. To effectively understand and improve performance of a PES all forms of evaluations are required and serve complimentary purposes.

#### *Evidence suggests Latvia's ALMPs support people into employment*

In 2019, the OECD published an evaluation of Latvia's ALMPs (OECD, 2019<sup>[25]</sup>). In particular, the OECD looked at Latvia's training programmes for unemployed persons (which operate through a training voucher), mobility and entrepreneurship support measures, and wage subsidies for vulnerable groups. The report made use of rich linked administrative data from different registers that enabled to identify the participants in such programmes, similar non-participants, and outcomes for both groups.

Overall, OECD (2019<sup>[25]</sup>) found that training programmes improved the chances of participants finding a job as well as their earnings relative to comparable non-participants. Combining training programmes with support for regional mobility seemed to provide even more effective results. Such relocation support can be important in Latvia due to the regional differences in labour markets discussed in Section 2.2.2.

The OECD also found positive effects for employment subsidy programmes studied, although such programmes were not effective for everyone. The employment subsidies studied were targeted towards many of groups that face more obstacles in the labour market, as described in Section 2.2.2. They paid for up to 50% of an eligible employee's wage and their duration lasted from 6 to 24 months (depending on the programme and target group). The report found that older workers, young people and the long-term unemployed benefited from such policies, though there was no clear positive effect for people with disabilities.

Latvia's Ministry of Finance is also involved in evaluating ALMPs as part of the evaluation requirements of funding from the European Union. The Ministry of Finance does not conduct the evaluations but rather contracts them out to private providers who are provided with anonymised data linked across administrative registers including on ALMP participation from the SEA and employment outcomes from the State Revenue Service. The data processing and linking requires quite some time and effort from the Ministry of Finance before it is sent to the private provider to do the analysis.

A recent evaluation of the EU funded ALMP programmes for the 2014-20 EU financing period, commissioned by the Latvian Ministry of Finance, used a variety of methods including both quantitative analysis using linked administrative data and qualitative interviews with stakeholders (Baltic Institute of Social Sciences, 2022<sup>[38]</sup>). Indeed, the quantitative part of the study used counterfactual impact evaluation methods where participants are compared to a similar control group (as in the OECD report). The study found training programmes in Latvia to be effective in boosting employment. By providing detailed information on costs the report was able to show which programmes were most effective (those targeted towards carers, logistics, customer services, security, and driving were found to be the most cost-effective vocational trainings for increasing the probability of employment) (Baltic Institute of Social Sciences, 2022<sup>[38]</sup>).

*However, Latvia's ALMPs could be even more effective and scaled up to serve more clients*

Despite the successes of Latvia's programmes, the evaluations outlined above, as well as the views of stakeholders, have identified several areas for improvements. These include that some disadvantaged jobseekers may need additional support to use their training vouchers, while some municipalities do not have as many training providers as others (OECD, 2019<sup>[25]</sup>). It was also found that not all training providers are of good quality, that some courses are not sufficiently practical, and that assessment of students is not always as independent or involving of industry as it could be (as found by The State Education Quality Department (IKVD)). Further administrative processes for employment subsidies can be burdensome (OECD, 2019<sup>[25]</sup>), and in general the SEA could work more with employers to lift engagement (Baltic Institute of Social Sciences, 2022<sup>[38]</sup>). Finally, intensive work of the SEA counsellors with clients could better tailor services to individual jobseeker's needs (Baltic Institute of Social Sciences, 2022<sup>[38]</sup>).

Modernising the SEA through digitalisation and data could help support the SEA to address many of the challenges identified by the evaluations. Digital tools can directly support the SEA staff by helping them better understand their clients and free up their time by automating processes so that staff can more intensively work with clients where they can have the most impact (such as jobseekers who need extra attention, or with employers that are not engaged). Moreover, digital tools can directly support the SEA clients. For example, effective and modern CV and vacancy matching can aid jobseekers, employers and those at risk of unemployment, while automation and digitisation of processes can help reduce the time these clients spend filling paperwork. The next two chapters of this report assess the SEA's IT infrastructure and use of PES digital tools.

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## Note

<sup>1</sup> Due to methodological differences, the figures from the EU are not entirely comparable: according to the Eurostat statistics, the average for Latvia in 2022 was 11.3%.



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