



Final draft

COUNTRY MONOGRAPH

SHORT VERSION

VOCATIONAL EDUCATION AND TRAINING AND EMPLOYMENT SERVICES IN LATVIA

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COUNTRY MONOGRAPH - SHORT VERSION

The country monograph on vocational education and training and employment services provides baseline information and analysis aiming to assess the progress made in implementing the priorities identified in the Joint Assessment Paper on Employment Policy (JAP) agreed between the Government of the Republic of Latvia and the European Commission on February 6, 2003. Current EU policies based on the Lisbon conclusions, such as the lifelong learning initiative, and the European Employment Strategy set the framework for the analysis.¹

1. The context

a) Economic development

- Latvia experienced **high growth rates** in recent years and has become one of the fastest growing economies in Europe. Between 1995 and 2003, GDP went up by 5.0% on average per year, which was more than twice faster than in the EU (2.1%) and faster than in other acceding countries (ACC-10 average 4.4%). Growth rates were especially high in 2000 (6.8%) and in 2001 (7.7%). Economic forecasts indicate that the annual growth for 2004-2006 will remain stable at the level of 2002 (6%).²
- **GDP per capita** increased from 5,200 (in PPS Euro) in 1997 (27% of EU average) to 8,500 (35%) in 2002, compared to the EU average of 24,000 and the ACC-10 average of 11,100 PPS Euro (46%).³
- The **Long Term Economic Strategy** of Latvia aims to reach the welfare level, life standards and average GDP per capita of the European Union member states within the next 20-30 years.⁴
- The shares of different **sectors in GDP** changed between 1996 and 2002 in favour of services and construction at the expense of industry and agriculture.⁵

Table 1: Structure of Latvia's GDP in 1995, 2001 and 2002 (in %).

Structure of GDP	1995	2001	2002
Services	56.5	70.4	70.7
Industry	28.5	18.7	18.6
Construction	5.1	6.2	6.1
Agriculture and forestry	9.9	4.7	4.6

¹ As part of the methodology - apart from desk research - two field visits were organised in Latvia by the National Observatory in March and April 2003 (Latgale and Kurzeme region, as well as a number of meetings with national stakeholders in Riga) involving ETF, national and international experts. The final draft Monograph will be subject of an official consultation process with the Ministry of Education and the Ministry of Welfare in February 2004.

² Calculated from data published on Eurostat's Structural Indicators Webpage (10.12.03); Ministry of Economics, *Economic Development of Latvia*, Riga, 2002; *The National Economy of Latvia. Macroeconomic Review*, Riga, 2003.

³ Eurostat, *Statistics in Focus*, Theme 2, Number 47 and 56/2003, Luxembourg.

⁴ Cabinet of Ministers, *Long Term Economic Strategy of Latvia*, adopted on July 17, 2001.

⁵ Central Statistical Bureau (CSB), *Statistical Yearbook of Latvia*, Riga, 2002.

- Latvia has a **large informal sector**.⁶ According to estimations of the Central Statistical Bureau (CSB), the share of **grey economy** amounts to 16-17% of GDP and approximately half of it is related to unregistered employment.⁷
- The **proportion of employees** in total employment is higher in Latvia (86.8%) than the EU average of 84.4% in 2002.⁸
- Latvia was ranked 37th in 2003 (43rd in 2002) according to **economic competitiveness** in the World Economic Forum's (WEF) annual report for 2003/04.⁹ Among the ACCs, more competitive than Latvia are only the economies of Estonia, Hungary and Slovenia.
- In the Human Development Report 2003 (UNDP) Latvia had a **Human Development Index** of 0.811 and ranked 50th out of 175 countries, but last among acceding and candidate countries (apart from Turkey, Romania and Bulgaria).
- Latvia has relatively high levels of **income inequality** (Gini coefficient increased from 24 in 1990 to 34 in 2002, compared to the EU average of 29 in 1999) **and risk-of-poverty indicators** (in 1999 as in 2002 about 16% of the population were at risk of poverty, in the EU 14% in 1999).¹⁰

b) Key employment and labour market developments

- Unemployment was recorded officially for the first time in Latvia in 1992. The **unemployment rate** rose in the first transition period to a peak of 9.2% in 1998 (111 thousand people), and has been **slightly declining** since then to 7.7% (91.6 thousand) at the end of 2001 and to 7.6% (89.7 thousand) or 8.5% (when a new method for calculation of economically active population was used) at the end of 2002.¹¹
- The unemployment rate according to **labour force survey (LFS) data** (peak of almost 21% in 1996, over 13% in 2001 and slightly below 13 % at the end of 2002) has been **traditionally much higher** compared to the officially registered one and although declining over the last years (but less rapidly than in the other Baltic states) it is still above the EU average (7.7% in 2002) as well as ranking high among acceding countries. Most recent data (LFS 3rd quarter 2003) suggest a trend of further declining unemployment rate (slightly below 11%).
- There are **large disparities** in registered unemployment rate by regions, ranging from around 5% in Riga compared to 8-18% in other regions (2002). It

⁶ The Latvian informal sector is characterised by both unregistered employment and underreporting of wages (the so-called wage envelope practice). In: World Bank, Labour Market Study Latvia, 2003

⁷ The majority of unregistered employees work in construction, trade and different services MoE, *Economic Development of Latvia*, Riga, 2002.

⁸ LFS data. Eurostat, *Statistics in Focus* 3, 16, 2003.

⁹ The WEF surveyed 102 countries, taking into account factors with key influence on economic growth, notably macroeconomic conditions, the quality of public institutions and the infrastructure, and the state of technology. In the Business Competitiveness Index Latvia ranked even 29th (after Estonia 28th), in the Public Institutions Index 45th.

¹⁰ The ratio between the incomes of the top 20% of the income distribution and the bottom 20% was 5.1 in 1999 (EU 15 – 4.6) and 5.5 in 2002. Disparities in income levels and segregation are increasing between the urban and rural population. During the period from 1996-2002 the real income per household member has increased by 32.4% in case of urban population, whereas in case of rural population it has increased only by 7.5%. Joint Inclusion Memorandum Latvia, signed by the European Commission and the Government of Latvia in December 2003; Ministry of Finance, *Latvia Draft Single Programming Document, Objective 1 Programme 2004-2006*, Riga, 2003.

¹¹ Central Statistical Bureau, *Social Trends in Latvia*, Riga, 2003; Internet page of CSB, <http://www.csb.lv>.

is even higher in a number of districts, in particular the eastern part of Latvia (including 27% in Rezekne district, 24% in Ludza, and 25% in Balvi district).¹²

- **Long-term unemployment** is well above the EU average: almost half of the unemployed had been without a job for more than one year in 2002 (with a peak of 78% in 1997) and a growing share of long-term unemployed end up leaving the labour market instead of being reintegrated, especially in rural areas.¹³
- **Youth unemployment** is increasing in recent years (21% in 2000, 23% in 2001, 25% in 2002) remaining higher than in the EU (stable at 15% since 2000), but is lower than the ACC-10 average which increased as well in the same period from 29% to 31%.¹⁴
- The **share of “non-Latvians”** in the total number of registered unemployed has decreased slightly (for those of Russian origin from 38% in 1995 to 35% in 2001 and remaining stable in 2002). This is slightly higher than the share of Russians (29%) in the total population in Latvia.

Table 2: Registered unemployed by ethnicity in 1995 and 2002.¹⁵

	Thousands of population		Per cent distribution	
	1995	2002	1995	2002
Total	83.2	89.7	100	100
Latvians	39.3	45.6	47.3	50.8
Russians	32.2	31.8	38.6	35.4
Others	11.7	12.3	14.1	13.8

- According to LFS data the **unemployment rate for non-Latvians** (17% in 2001 and 15% in 2002) remains traditionally 5-7 percentage points higher compared to Latvians (around 10% both in 2001 and 2002). However, the gap is diminishing and an improvement in the labour market can be observed in 2002.¹⁶
- The LFS unemployment rate of males is higher than of females (14% and 12% in 2001), but females make more than a half (57% in 2001) of all registered unemployed. **Females more often use the services of SES**, in 2002 40% (33% in 2001) of all female jobseekers were registered with the SES but only 30.8% (25% in 2001) of all male jobseekers did the same in 2002.¹⁷
- The **employment rate** increased between 2001 (59%) and 2002 (to over 60%) but is still almost 10 percentage points far from the Lisbon goal. On the other hand the employment rate of women (57%) is even slightly higher than the EU average (56%). The employment rate of males (64%) is still significantly lagging behind the EU average level (73%). In general, employment scores are higher than in other ACCs.

¹² CSB, Internet page, <http://www.csb.lv>.

¹³ World Bank, Labour Market Study Latvia, 2003.

¹⁴ Employment in Europe 2003; Statistical Yearbook on Candidate and SE European Countries 2001. Although national from the CSB, LFS main indicators suggest a declining trend (22.6% in 2000, 22.2% in 2001 and 20.9% in 2002).

¹⁵ CSB, *Statistical Yearbook Latvia 2002 and 2003*, Riga.

¹⁶ Ministry of Finance, *Latvia Draft Single Programming Document, Objective 1 Programme 2004-2006*, Riga, December 2003.

¹⁷ CSB, *Statistical Yearbook of Latvia 2003*, Riga, 2003.

Table 3: Latvian labour market and employment performance indicators/benchmarks in 2002.

	Latvia 2002	ACC ¹⁸ 2002	EU-15 2002	EU bench mark	
Employment rate (population aged 15–64)	60.4	55.9	64.3	70	Goal 2010 (Lisbon)
Employment rate (population aged 55–64)	41.7	30.5	40.1	50	Goal 2010 (Stockholm)
Employment rate (women)	56.8	50.2	55.6	60	Goal 2010 (Lisbon)
Unemployment rate (population 15+)	12.8	14.8	7.7	3.0	Average 3 best countries (LU, AT, NL)
Unemployment rate (women)	11.8	15.6	8.7	3.8	Average 3 best countries (LU, NL, IRL)
Long-term unemployment (% of labour force)	5.8	8.1	3.0	0.8	Average 3 best countries (LU, NL, AT/DK)
Youth unemployment rate (population aged 15 – 24)	24.6	31.9	15.1	5.6	Average 3 best countries (AT, NL, IRL)

- In 2001 almost 60% of the employed were working in the **services sector** (one of the highest shares and most dynamic changes in acceding and candidate countries¹⁹, but still 10 percentage points below the EU average), while manufacturing and construction accounted for 25.4% and agriculture and fishery comprised 15.1% (and was still high compared to 4.2% in the EU). Compared with 1996 the average annual number of employed has decreased most sharply in manufacturing (by 14.9%), health care and social care (by 13.7%) and agriculture (by 10.1%) but increased in wholesale and retail trade (by 37.2%), construction (by 32.9%) and real estate, renting and business activities (by 29.5%).²⁰
- **Unemployment is closely linked to the level of education.** It is three times higher among registered unemployed with basic or incomplete basic education (23%) than among persons with higher education (7.1%). Unemployment was 14% for those with general secondary education (ISCED 3A) and 13% for those with vocational or secondary vocational education (ISCED 3B + ISCED 4).²¹
- The share of **VET school graduates** in the total number of registered unemployed is increasing in recent years (0.5% in 1999/2000, 0.6% in 2001 and 0.8% in 2002). 760 unemployed VET graduates in October 2002 represented 5.3% of the total number of VET school graduates in 2001/2002.

¹⁸ European Commission, *Employment in Europe*, 2003; ACC: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovak Republic.

¹⁹ Jean Raymond Masson, *13 years of VET co-operation in the Acceding and Candidate Countries*, ETF, Turin, 2003.

²⁰ CSB, *Social Trends in Latvia*, Riga, 2003.

²¹ Expert's calculations using data of LFS: Main Indicators in the first half of 2002 – Riga: CSB, 2002. Looking at the total number or registered unemployed by educational attainment level, around 42% of the unemployed had vocational and vocational secondary education and 28% had general secondary education in 2001.

c) Demographic development

- Latvia is facing a **demographic decline**. As a result of migration and negative natural increase the total population has decreased substantially by more than 320,000 people (almost 13%) between 1990 (2.668 mio) and 2002 (2.346 mio).²²
- The share of population under working age in the total number of population is decreasing year by year (20.9% in 1995 and 16.6% in 2002). At the beginning of 2002 the number of **children in school-age** (0-14 years old) per 1000 working age population was 1.4 times less than the number of pension age population.²³ The size of the school-age cohort will continue to shrink significantly until 2015 (highest rate of change of ACC-10).²⁴

Table 4: School-age population (1990-2015); size of 0-14 year cohort

Country	BG	CZ	EE	HUN	LV	LT	PL	RO	SK	SLO
Change %	-49	-43	-47	-38	-51	-35	-35	-42	-39	-36

- The share of working age population in the total number of population has increased between 1995 (56.4%) and 2002 (60.8%) only due to **increase of retirement age**.
- Demographic forecasts indicate that the **number of labour force will stay stable** until 2010 as the age groups of the 1980s (belonging to the demographic high) and the increased number of students will enter the labour market. The number of economically active population is expected to fall between 2010 and 2020, accompanied by ageing of population.

2. Foundations for lifelong learning

The idea of lifelong learning is more at an initial stage but developing in Latvia. As a result of the consultation process on the European Commission's Memorandum on lifelong learning in 2001 (and confirmed by the analysis of the recent progress report in 2003), many discussions and awareness raising events were held on this topic, but the process of developing and implementing a coherent lifelong learning framework has remained fragmented and not co-ordinated. The function of a national LLL co-ordinator in the MoES discontinued in 2001 and has not yet been clearly re-established. The term lifelong learning is not used in any normative act and there is no special lifelong learning strategy under development. However, legal amendments to the Law on Vocational Education (entered into force in September 2001) have widened the basis for formal and non-formal education programmes and the Concept of Education Development 2002 – 2005 is inspired by lifelong learning principles and could be considered as a foundation on which a future coherent lifelong learning strategy could build.

²² Social Trends in Latvia 2003 – Riga, CSB, 2003. Already starting from 1991 natural increase is negative in Latvia. In 2001 the number of deaths exceeded the number of births by 13.3 thousands and the natural increase per 1000 of population was minus 5.7 persons.

²³ Demographic Yearbook of Latvia 2002 – Riga:CSB, 2002.

²⁴ World Bank labour market study on Latvia, 2003.

a) Participation in education and educational attainment

- **Compulsory education** in Latvia started at the age of 6 (as of September 2002/03 at the age of 5) and finishes upon completion of the 9 year basic education cycle or until age 18 is reached. The **school expectancy** of pupils and students (ISCED 0-6) aged 5 to 65 was still lower in Latvia (15.6) than in the EU (17.1) in 1999/2000.²⁵ Due to the new Law on Education preparatory courses for basic education for five and six year old children became compulsory as of September 2002.²⁶
- At the end of compulsory schooling, the **rate of participation in education** compares well to the EU average and was only slightly below (17-year-olds: LV 89%/EU 84%; 18-year-olds: LV 73%/EU 75%; 19-year-olds: LV: 58%/EU 59%; 20-year olds: LV 45%/EU 49%) in 2000/01.²⁷

Table 5: Participation rates in education of young people (2001/01).

Country	Age 15	Age 16	Age 17	Age 18	Age 19	Age 20
EU-15	98	92	84	75	59	49
Portugal	94	81	74	66	56	47
Ireland	100	93	81	79	51	44
Lithuania	100	98	96	85	66	55
Estonia	98	97	90	74	66	55
Latvia	97	95	89	73	58	45

- **General education** at secondary level is very dominant. On completion of basic education 65% of students continued their studies in general secondary schools, and only 31% in **vocational education** in 2002/03. The trend is increasing in favour of general education, compared also to 2001/02 (63% in general education and 33% in vocational education).²⁸
- After completion of general secondary education, 64% of graduates entered higher education institutions in 2002/03 (and 16% of VET graduates) and the number of students enrolled in higher education is constantly increasing year by year. In 2002/03 the total number of **students in higher education** was 119,000 and almost three times higher compared to 46,000 in 1990. The share of 496 students per 10 thousands of population is one of the highest in the world. The number of students in private higher education establishments has increased by 17%, in state institutions by 3% during the last year.²⁹

²⁵ Key Data on Education in Europe, 2002; Eurostat Yearbook 2002; Masson, Jean-Raymond, Thirteen years of co-operation and reforms in VET in the Acceding and Candidate Countries, European Training Foundation, Turin, 2003.

²⁶ Basic education or the acquisition of basic education till age of 18 became compulsory as well. Education Law adopted by the Saeima on October 29, 1998 with amending laws of August 5, 1999; November 11, 1999; May 11, 2000; May 10, 2001; July 5, 2001; September 20, 2001.

²⁷ Eurostat's New Cronos Database; Employment in Europe 2002.

²⁸ 5% of basic education graduates in 2001/02 and 4% in 2002/03 did not continue their education. At the beginning of the nineties the enrolment in vocational schools dropped sharply and only starting in 1995 enrolment became more stable. In academic year 2001/2002 the total number of students in vocational schools was 47.6 thousands, 1.6 thousands or 3.4% studied in private educational establishments. CSB, *Education Institutions in Latvia at the beginning of school year 2001/2002, 2002/2003*, Riga, 2002, 2003.

²⁹ Higher education experienced the most dynamic period between 1997 and 2002, in which the number of students has increased twice. MoES data from internet page <http://www.izm.gov.lv>.

- The **educational attainment level of the population** (those with at least upper-secondary education aged 25-64) has increased in the last decade and was higher in 2002 than the averages in the EU (65%), OECD countries (64%) and ACC-10 (81%)³⁰ A comparatively high share of the population (aged 25-64) had tertiary education (LV 20%, only slightly below the EU-15 of 22%, but higher than the ACC-10 with 15%).

Table 6: Educational attainment level of the population aged 25-64 in % (2002).

<i>Education level</i>	Latvia	EU-15	ACC-10	OECD countries
Low	17	35	19	37
Medium	63	43	66	40
High	20	22	15	23
At least upper secondary	83	65	81	63

Notes:

Low education level refers to ISCED 0-2 (pre-primary, primary and lower secondary education).

Medium level refers to ISCED 3-4 (upper secondary and post-secondary non-tertiary education).

High level refers to ISCED 5-6 (tertiary education).

- However, a range of other indicators suggest that Latvia still has **educational gaps** compared to many EU and some ACC countries. Regarding the **European benchmarks in education and training**, adopted by the European Council in June 2003 as a follow-up to the Lisbon Council, Latvia shows in all cases lower performance than the EU average and in many cases lower performance than most ACCs.³¹

Table 7: European benchmarks in education and training

	Benchmark 2010	Latvia	ACC	EU	EU+ACC
Completion of upper secondary education (2002)	<i>at least</i> 85.0	71.2	90.1	75.4	78.7
Early school leavers (2002)	<i>lower than</i> 10.0	19.5	8.4	18.8	16.4
Key competencies (2000)	13.7	30.1		17.2	
Graduates in Mathematics, Science and Technology (2001) ³²	<i>(Increase by</i> 15.0)	16.3		25.7	
Participation in Lifelong Learning (2002)	<i>at least</i> 12.5	8.2	5.0	8.5	7.9

³⁰ Although there might be some uncertainties with the classification in the Baltic states. The average of the 3 best performing countries in the EU was 83% in 2002. The envisaged benchmark of 80% EU average by 2010 was finally never adopted by the European Council. Eurostat, *Statistics in Focus*, Theme 3, numbers 15 and 16/2003, LFS Principal Results 2002; According to the Latvian CSB, 5.9% of the total population had only primary education in 2000, 1.5% lower than 4 grades, 0.6% has no official education, 0.25 were illiterate; CSB, Results of the 2000 Population and Housing Census in Latvia, Riga, 2002.

³¹ Communication from the Commission, *Education and Training 2010*, 2003

³² Own calculations of the averages – Data available from 12 ACC and 11 EU Member States. According to Eurostat, data on graduates, including by gender, presently suffer from a lack of comparability, linked to the double counting of graduates in some countries. They will have to be improved.

- The EU target of reaching a level of **completion of upper secondary level education** of 85% in 2010 (for those aged 22) will be a significant challenge for Latvia as the present completion rate (71.2%) is the lowest of nine acceding countries (average of 90.1%) and also below the EU average (75.4%).
- The current **rate of early school leavers** in Latvia is 19.5% and even higher than the unfavourable EU average of 18.8% (in acceding countries only around 8.4% of the population aged 18-24 leave school with only lower secondary education). Achieving the European benchmark of 10% will require substantial action and sustained commitment.

While more young people continue in higher education, on the other hand there are indications of a growing **educational stratification**. The number of **children not attending school** increased sharply in recent years. According to the data of local governments 1,800 children of compulsory education age did not attend schools and had not completed basic schooling in September 2001.³³

The **drop-out rate** is disconcertingly high in vocational education being one of the most unfavourable among all ACCs. The drop-out rate in VET was 14.6% in 2001/02, half of the drop-outs were first-year students and the situation did not improve compared to previous years. The major reason of dropping out was seen as low level of proficiency, as a result of the very poor basic education background of students entering the vocational schools,³⁴ combined with weak vocational guidance in schools.

- Although Latvian pupils performed well in the PIRLS survey in 2001 (ranked 5th among 35 countries regarding reading achievements of 4th grade pupils) and results are encouraging,³⁵ basic skills and knowledge of students are at critically low level.³⁶ According to the OECD **Programme for International Student Assessment** (PISA) study, Latvian students at the age of 15 performed much below the OECD average (500 scores) in all three areas examined in 2000.³⁷ Out of the 6 ACCs that participated only Bulgaria (40.3%) and Romania (41.3%) performed worse than Latvia. On average Latvian pupils obtained only 458 scores in reading literacy (some 30.1% of the Latvian 15 year-olds are low performers, this is much worse than the EU average of 17.2% or the EU benchmark of 13.7%), 463 in maths literacy and 460 in science literacy, which were in all fields lower than those for Czech Republic, Hungary and Poland.
- Latvia has the lowest **share of students enrolled in mathematics, science and technology** (16.3%) as a proportion of all students in tertiary education (ISCED 5A/B and 6) of all 12 acceding and candidate countries (most have more than 20% a few up to 30%) in 2001, apart from Malta (11%). All of 11 member states that provide data show higher proportions than Latvia. Improving the gender balance of students (only 8% of Latvian females are enrolled in these fields)

³³ CSB, *Social Trends in Latvia 2003*, Riga, 2003.

³⁴ According to the MoES, on average 44% of students admitted to VET schools have one or more unsatisfactory marks (16% have graduated from the previous stage of education with unsatisfactory results in 5 and more subjects). CSB, *Social Trends in Latvia 2003*, Riga, 2003.

³⁵ PIRLS = Progress in International Reading Literacy Study, a survey carried out in 2001 by the IEA, which was also responsible for surveys like TIMSS (Third International Maths and Science survey). Only Sweden, Netherlands, UK and Bulgaria ranked better than Latvia.

³⁶ Ministry of Finance, *Latvia Draft Single Programming Document, Objective 1 Programme 2004-2006*, Riga, December 2003.

³⁷ Measured as percentage of pupils with reading literacy proficiency level 1 and lower (on the PISA reading literacy scale).

could contribute to the aim of increasing the overall number of graduates in these fields.

- Latvia performs better in **participation in lifelong learning**. In 2002, 8.2% of the population aged 25-64 participated in education and training, compared to 5.0% average of 9 acceding countries (Estonia 5%, Lithuania 3%). However, participation is still below the EU average of 8.5% in 2002 and the benchmark of 12.5% by 2010.³⁸ In Latvia, women participate more than twice (10.9%) than men (5.2%) in education and training.
- **Continuing training in enterprises** appears to play a more important role compared to other acceding countries. According to the Eurostat CVTS2 survey Latvia (53%) ranked third (only Czech Republic - 69% and Estonia - 63% performed better) among nine ACCs as regards the share of enterprises providing some kind of continuing training in 1999. In most Member States at least 70% of enterprises (in Nordic countries around 90%) provided some form of CVT, only Spain and Portugal were substantially lower. However, only 26% of Latvian enterprises provide CVT courses for their employees.
- When considering the proportions of **employees participating in CVT courses** (12% of total number of employees) Latvia ranked only 7th out of 11 ACCs but below all Member States (most had participation rates of over 40%) in 1999. The average duration of CVT courses in Latvia (34 hours) is comparable to EU Member States, but the average hours in CVT courses per employee (of all enterprises) is only 4 hours in Latvia and well below all EU Member States (most of which show at least 13 hours per employee).
- At the same time the number of people involved in **training for unemployed** has decreased sharply between 2001 and 2002 from 10,200 (11 % of unemployed) to 4,800 (5 % of unemployed) due to legal changes and lower investment in this area. In 2002 approximately 14% of all registered unemployed wished to participate in vocational training, but only one third of them had such opportunity.³⁹

Table 8: The number of unemployed involved in training (1998 – 2002).

Year	Unemployed sent to training
1998	16,602
1999	9,704
2000	10,267
2001	10,269
2002	4,830

³⁸ The lowest performers in 2002 among EU member states were Greece (1%), France and Portugal (3% each); the highest performers the UK (22%) and Finland (19%).

³⁹ Data of State Employment Service.

b) Financial resources

- Since the mid 1990s **public expenditure on education** has always been comparatively high⁴⁰ and well above the EU- and ACC-10 average (in 1995 LV 7.0% of GDP/EU 5.2%; in 2000 LV 6.8% of GDP/EU 4.9%). In recent years, public expenditure as a proportion of GDP has even tended to rise slightly, from 6.7% in 1999 to 6.9% in 2001.
- The share of public expenditure on education out of **total public expenditure** is increasing (15.1% in 1999, 18.2% in 2001, 18.4 in 2002) and at rather high level compared to the EU (11.20%) and OECD (12.9%) averages in 1999.⁴¹

Table 9: Expenditure of the general government consolidated budget for education, 1996-2002 (in %)⁴²

	1996	1997	1998	1999	2000	2001	2002	2003
Structure	14.6	14.6	15.7	15.1	16.9	18.2	18.4	
Of GDP	5.7	5.6	6.9	6.7	6.8	6.9		

- Latvia's public expenditure in **research and development** stood at around 0.5% of GDP in 2001 and can be considered as very low, compared to EU Member States and in particular to the Lisbon target of 3% of GDP by 2010.
- **Public expenditure per student** (in PPS Euro) was low in 1999 both in secondary education (LV 1,600/EU 5,900) and tertiary education (LV 1,900/EU 8,800).⁴³ Latvia ranked at the bottom compared to 14 Member States and other eight ACCs.
- **Public expenditure for VET** amounted only for 0.7% of GDP in 1999 and 2000 and is regarded as insufficient for development. Compared to previous years, the funding in 2001 has increased slightly due to the increase in teachers' salaries, but not regarding investments. In 2001 97% (96% in 2000) of funds allocated for VET establishments went for regular expenses, just 3% (4% in 2000) of the national budget expenditure on VET was expenditure on capital investment.⁴⁴
- The overall **budget of VET establishments** (30.2 million LVL in 2000) was made up by 85% of subsidies from general revenues (25.6 million LVL) and by 15% of own income (paid services provided by the VET institutions, amounting to 15%, 4.6 million LVL).⁴⁵
- The average expenditure per student per year in vocational education was twice as high (663 LVL) as per student in general education (322 LVL) in

⁴⁰ Compared also to 1.0% of GDP for defence and 3.4% of GDP for health care. However, some national stakeholders and educational experts stress that in absolute terms the total amount allocated for education is not satisfactory, given the much lower GDP of Latvia compared to EU Member States.

⁴¹ Eurydice, *Key Data on Education in Europe*, 2002.

⁴² CSB, *Social Trends in Latvia*, Riga, 2003. MoES, *Economic and Social Development Report*, Riga, June 2002.

⁴³ Eurostat, *Key Data on Education in Europe*, Luxembourg, 2002.

⁴⁴ As the great majority of VET schools are state schools, the national budget is the main source of funding (out of 120 VET schools in 2001, only 7 were private and other 7 local government schools). According to VET experts state funding for vocational education is on a subsistence level and does not allow for development. Ramina, Baiba/Silina, Solvita (National Observatory Latvia), *Financing of VET in Latvia*, Working document, Riga, 2003.

⁴⁵ Ramina, Baiba/Silina, Solvita (National Observatory Latvia), *Financing of VET in Latvia*, Working document, 2003.

2000.⁴⁶ There are great differences in per capita **expenditure in VET schools** by governing authority (until recently VET schools belonged to different ministries). The average expenditure per VET student per year (749 LVL) ranged from 599 in VET schools under the authority of the MoES, 916 LVL (VET schools under the Ministry of Welfare), 858 LVL (Ministry of Agriculture) up to 1,540 LVL (Ministry of Culture).

- The **financial aid for study loans** in higher education has increased substantially in recent years (3.2 million LVL in 1999; 5.4 million in 2000 and 8.3 million in 2001). The number of study loans has increased considerably between 1997 (2,590 loans), 1999 (11,600) and 2001 (30,280), however, the average size of a study loan remained the same between 1999 and 2001 (450 LVL).
- **No specific targets have been set** regarding overall investment in human resources either at national or local level. The Education Development Concept has set the goal to **increase cost-effectiveness** in each stage and type of education but also estimates the **need for additional funding** between 2003 and 2005 in order to implement the reform concept (around 13 mio LVL in 2002 and 2003 and 17 mio in 2004 and 2005). By far the largest part of this budget is envisaged for further development of higher education.
- According to the **VET Development Programme 2003-2005**, additional funding of 7.7 million LVL is needed for 2004-05, in order to improve quality and accessibility of VET.
- Although overall investment in education is high as share of GDP, public **financing of CVT and labour market training** for the unemployed remains at a comparatively low level. There is no exact data on the total **investment in continuing education** in Latvia, but according to data of the CSB annual spending of the state budget devoted to adult education institutions (including the training and retraining of unemployed and training of civil servants) has decreased between 1999 and 2001.
It is remarkable that funding by participants is as high as funding by enterprises, and make up more than 50% compared to the state budget contributions.

⁴⁶ The annual average exchange rate of LVL per EURO was in 1999 = 0.625; 2000 = 0.560; 2001 = 0.563; 2002 = 0.583 (data of CSB). Institute of Economics, *Financing of education in Latvia*, Riga, 2001.

Table 10: Funding of adult education institutions (including the training and retraining of unemployed and training of civil servants (thousands LVL).⁴⁷

	1999/2000	2000/2001	2001/2002
Total annual funding	11568.9	10629.4	Not available yet
Of which:			
From the state budget	5545.2	4763.7	
From the local governments budget	393.5	415.9	
Participants payment	2633.3	2659.4	
Payment made by enterprises and organizations for training of employees	2836.9	2581.8	
Other sources	160.0	208.6	

- According to Eurostat Latvian **enterprises invest only 1.1%** on average of their labour costs in continuing training courses, which is much lower than all EU countries (ranging from 1.2% in Portugal to 3.0% in Denmark), and lower than in Czech Republic 1.9% and Estonia 1.8%, but higher than in Lithuania (0.8%) and comparable with the ACC mean of 1.2% (ranking on 6th position among 10 ACCs).⁴⁸
- The average **costs of CVT courses** per participant are relatively high in Latvia (324 Euro) and only higher in Hungary (505 Euro), Estonia (428 Euro) and Slovenia (333) out of 10 ACCs.
- **Expenditure on active labour market policy** remains traditionally at a very low level, and is even decreasing from 0.25% of GDP (2000), to 0.22% (2001) and 0.16% (2002). There are two major sources of funding, the **general state budget** (0.12% of GDP in 2002) for administration of the labour market (comprising maintenance of state employment services, labour safety, monitoring of labour market legislation and temporary public works), and the **special state budget for employment** (0.04% of GDP in 2002, including training for the unemployed, job seekers clubs, vocational guidance; and 0.4% of GDP for unemployment benefits).⁴⁹

⁴⁷ CSB data

⁴⁸ Nine ACCs participated in Eurostat's Second Continuing Vocational Training Survey (CVTS2). For Slovakia there are only ETF estimates available. In Latvia direct costs of CVT courses were 16.9 million LVL (or 86 LVL per employee) in training enterprises in 1999. Labour costs of employees (indirect costs) while participating in courses were 8.1 million LVL. Thus the total costs of CVT courses amounted to 25 million LVL or 1.1% of the total labour costs in all enterprises.

⁴⁹ The special state budget for employment is formed from defined payments through mandatory state insurance for the case of unemployment. On November 25, 1999 the new law "On Insurance in the Case of Unemployment" was adopted. This law replaces the previous one and determines that unemployment insurance services are financed from state social insurance special budget. This law states that as of January 1, 2002 the funds of Employment special budget are used for financing of active labour market measures but not more than 10% of annual total amount.

- **Maintenance costs of PES**⁵⁰ made up 0.03% of GDP in 2002 (15% of the general and special state budget for employment in 2001 and 19% in 2002, as the special employment budget decreased substantially in 2002).⁵¹
- **Training measures for the unemployed** suffered most from the budgetary decrease (56% less budget for training available in 2002 compared to 2001). As a result the share of expenditure for training measures measured by GDP decreased from 0.07% (2001) to 0.03% (2002).

3. Initial vocational education and training

As in many other ACCs, the reform of VET started only in the second half of the 1990s and not in the early transition period. In fact, Latvia had some tradition in initial vocational education during the first Republic (1920-1940) as well as during sovjet times in which also one type of vocational programmes at the tertiary level existed.⁵² The VET system had to adapt to a market economy and at the same time to cope with the heritage of image and quality problems and the decline in VET participation, since the new demand for education has been more directed towards general education and higher education.

Despite these difficulties, Latvia has made important progress in VET reform in the last 5-7 years, stimulated by the goal of EU accession and supported by foreign assistance (including 7 million Euro Phare support to VET, in addition bilateral support from Member States; the pilot schools under Phare are now the leading schools in Latvia) and further reform is already underway. The reform efforts (aiming to increase quality of and access to VET) point into the right direction and the main challenge will be to implement them properly.

a) Policy and legal framework

- The development of the Latvian VET system can be divided into 3 stages:
 - In the 1st stage (1995-1998) the main objectives of VET reform were defined within the **Latvian Education Concept** (1995) and the **Education Development Strategic Programme 1998-2003**; methodological support was provided by educational Phare programmes (business education reform and higher/college VET reform programmes).⁵³
 - In the 2nd stage (1999-2001) the **Law on Vocational education** (adopted in 1999) provided the legal basis for implementation of the VET reform and determined the stages of initial VET and different levels of qualifications, as well as the competence of bodies involved in IVET. Further Phare support (VET 2000) fostered implementation.

⁵⁰ The budget title "Maintenance of State Employment Services and development of active employment measures" in the state basic budget might include other costs than pure administration costs for PES.

⁵¹ Own calculations of the % of GDP, not including unemployment benefits. The special state budget for employment decreased from 4.5 million LVL (2001) to 2.25 million LVL (2002).

⁵² Brunner, Jose Joaquin, *Latvia Higher Education: Changing Conditions, Problems, Challenges and Policy Options*, Draft World Bank Report, January 2003

⁵³ The Agency for Vocational Education Development Programmes has been an important actor in VET reform and implementing Phare programmes in the VET field. More recently, the Agency has been designated as one of the 2nd level intermediate bodies for the European Social Fund programme in Latvia.

- In the 3rd stage (2002-2005) the reform process continued with a view to EU accession. The **Concept of Education Development 2002-2005** (defining 28 tasks focusing on education quality, access and cost-effectiveness) as well as a specific **VET System Development Programme 2003-2005** (with similar objectives, setting a number of targets)⁵⁴ have been approved and are at the initial stage of implementation.
- In addition, a **number of other strategy and policy papers** (annual NEPs-National Employment Plans 2000-2003; Joint Assessment Paper of Employment Policy Priorities in Latvia, February 2003; Joint Inclusion Memorandum, December 2003; Draft Single Programming Document, Objective 1 Programme 2004-2006, December 2003) emphasise the need for lifelong learning and human resources development, including improvement of the VET system.
- In 2000, the three Baltic states (Estonia, Latvia and Lithuania) have agreed upon the formation of a **common Baltic education space**. Apart from enhanced co-operation in higher education, the ambitious plans in the field of VET failed and mobility remains still low between the Baltics.
- Since 2003 Latvia has been participating in the European **“Copenhagen Process” on Enhanced Co-operation in VET** and the respective co-ordination group of the European Commission. At the same time co-ordination, at national level on the Copenhagen VET priorities could be improved, however, resources within the VET department of the MoES are currently limited. The following table shows that Latvia is committed to the VET priorities at European level.

Table 11: Copenhagen Process on Enhanced Co-operation in VET.

Copenhagen Process – VET priorities	Approach of Latvia
Transparency of qualifications	Preparatory work has started Legal framework and policy towards validation of non-formal and informal learning not in place
Quality in VET	High policy priority in Latvia regarding all education levels, confirmed by the VET Development Programme 2003-2005 Own quality system is almost completed (content, standards, accreditation, licensing, exams); occupational standards being implemented and planned for all professions by 2006
Guidance and counselling	Identified as a need for action Plans to improve provision in schools as well as inter-ministerial co-ordination

⁵⁴ Regarding quality of VET, the number of teachers who has to improve their professional and social skills (eg in order to prevent drop-outs) was set; regarding access, the increase in practical training places was stated as well as the establishment of a vocational guidance system, a grant system for development of remedial classes.

Teacher training	Teacher training reform is being implemented, incl. remuneration reform Focus on pedagogical training, next phase teachers professional training (branch based)
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b) Resources

- According to Eurydice/Eurostat the **minimum and maximum salaries of teachers** in upper general secondary education, in relative terms to per capita GDP (2000/01), are the lowest in Latvia (30% and 48%) of all EU Member States and ACCs (eg Estonia 79% and 85%, Lithuania 55% and 113%).⁵⁵
- The **average gross salary in education** (152 LVL) was lower than the national average wage (159 LVL) in 2001. Although the situation slightly improved in 2002 (education and national average both at 173, average salary in the public sector 200 LVL), salaries remain at a low level and do not encourage the arrival of new teachers at schools.
- In 2001/02 a mechanism was developed for raising teachers' salaries. As of September 2003, the **lowest monthly teacher's salary** (per full-time post) for teachers having work experience of over 10 years changed to 145 LVL⁵⁶ (compared to 97 LVL in 2000 and 130 LV in 2002) and to 135 LVL for newly qualified teachers.
- One full-time post is equivalent to 840 teaching hours per year, or an average of 21 hours per week. However, in practice the weekly **workload of teachers** is much higher (on average 1.2-1.3 times more, with some excessive workload of up to 30-40 hours per week) having a negative impact on quality. The teaching force in VET is ageing, almost 35% of teachers are 50 years and over (12% over 60 years). The situation is even worse in higher education, the average age of university professors being 55 years in Latvia.
- The share of **VET teachers with higher education** (81% in 2002/03) is steadily increasing compared to 1998/99 (74%). In total, 67% of teaching staff has any kind of pedagogical training, but only 49% has higher pedagogical training. As of January 2004, all VET teachers will need vocational qualification and pedagogical training.
- The average **proportion of pedagogical staff to students** in vocational education establishments was very low at 1:9 during the year 2000/2001 (compared to Estonia 1:12, Poland 1:17) and decreased even to 1:8 in 2002/03 due to lower number of students. This proportion differs by programmes and sectors. The average size of a VET school decreased from 405 students (2000) to 378 (2001) and 375 (2002) and can be considered as small.⁵⁷ The total area of premises in VET schools (23m² per student) is quite sufficient.

⁵⁵ Eurydice, *Key Data on Education in Europe*, 2002.

⁵⁶ The annual average exchange rate of LVL per EURO is 1999 = 0.625; 2000 = 0.560; 2001 = 0.563; 2002 = 0.583 (data of CSB).

⁵⁷ The student-teacher ratio in Latvia (10:1) was among the lowest in the countries participating in the TIMSS study 1995-1999 (Third International Mathematics and Science Study), compared to 16:1 – 20:1 in other countries⁵⁷ at the 3rd and 4th, as well as the 7th and 8th grade level. The average number of children in Latvia's basic schools was 286

- The **infrastructure of VET schools** is a major problem, as many workshops and buildings are deteriorating and the material base for practical training is outdated and insufficient. This is combined with a lack of targeted investment in regions; the efficient utilisation of the school's premises in countryside is 25% lower compared to cities. Only 4 VET schools were renovated within the framework of a World Bank loan project (1999-2002), which focused on general education infrastructure and discontinued due to a government decision in 2003.⁵⁸ According to national experts, general education schools are in a better shape than VET schools.
- **Computerisation of Latvian schools** was launched with the Latvian Education computerisation system project (LIIS) in 1998 (two years later than a similar programme in Estonia), aiming foremost at general education schools. In 2002, computer classrooms were available in all general secondary schools, in 80% of primary schools, 81% of evening schools and 62% of special schools.
- Latvia remains among the ACCs with the least developed ICT infrastructure and low Internet use. In 2001/2002 **Internet connection** was ensured for 67% of general education schools (in 2000/2001 for 55%) and there were on average 26 pupils per computer. The **ratio computer per student** was better in VET schools (1:19). According to the National Employment Plan (NEP) 2002, it is expected to reach the rate 10 pupils per computer in the forthcoming years.
- In order to address the conclusions of the Lisbon European Council (2000) and eEurope+ (2001), the Socio-Economic Programme "**e-Latvia**" was prepared (accessibility of internet, investing in people and skills, meaningful use of Internet) in 2002.⁵⁹

c) Structure and organisation

In the last decade several changes were instituted at all levels of education regarding the structure of education as well as the content of study programmes. The modernisation of initial VET was to a large extent driven by EU Phare and bilateral assistance (mainly from Germany and Denmark).

- The **Latvian VET system** can be characterised as **school-based** but with relatively strong practice orientation, although an apprenticeship system only exists in the crafts sector and at a small scale. The VET system has a rather **small dimension at secondary level** compared to EU Member States and most ACCs, since only less than 1/3 of basic education graduates continue the vocational stream and 2/3 go on to secondary general education.
- The Latvian VET system appears **strongly regulated** with a set of complicated procedures involved, such as licensing and accreditation of educational institutions and programmes, educational standards as well as occupational

compared to 538 internationally. In: Andris Kangro, *International Comparative Research in Education and Timely Aspects of Latvia's Educational Policy*. Humanities and Social Sciences Latvia, 2(27)2000, University of Latvia.

⁵⁸ Evaluation of infrastructure showed a high level of depreciation of VET school buildings (50%). Ministry of Finance, *Latvia Draft Single Programming Document, Objective 1 Programme 2004-2006*, Riga, December 2003. According to national experts the equipment of VET schools often depends on the activities of the school leaders and how ready they are to attract employers and business people to advertise their equipment or materials to the school for training purposes. The funding from ministries mainly covers the current expenditure.

⁵⁹ Ministry of Finance, *Latvia Draft Single Programming Document, Objective 1 Programme 2004-2006*, Riga, December 2003.

standards, which in some cases might also hamper flexible and quick responsiveness.

- By far most VET schools in Latvia are state institutions (contrary to secondary general schools which mostly are governed by municipalities) and have been traditionally under the authority of several ministries,⁶⁰ resulting in a **fragmented structure and VET policy**. In 2003 the Cabinet of Ministers decided that VET schools under the authority of the Ministry of Agriculture, Ministry of Welfare and Ministry of Health (altogether more than 1/3 of all VET schools) should come under the umbrella of the Ministry of Education as of July 2004.
- **Vocational education programmes** are provided within three educational levels: basic, secondary and tertiary. VET programmes in Latvia are quite **diversified** with five different types and qualification levels: basic vocational programmes (ISCED 2C), vocational (ISCED 3C), secondary vocational (ISCED 3A), first level higher professional (ISCED 5B) and second level higher vocational educational programmes (ISCED 5A). The national standards (national curricula) are adopted by the Cabinet of Ministers for all types of programmes except basic vocational.
- **Vocational introductory education programmes**, as a new kind of VET programmes (former interest education programmes), have been introduced due to the amendment of the Law on Vocational Education in 2001, offered voluntarily by general schools, art music or sport schools.
- **Access** to basic vocational (2C) and vocational (3B) programmes does not require completion of basic education (contrary to secondary general and secondary vocational admission). However, students must be provided with remedial classes. This is coupled with the **negative image** of VET of taking over low performers from basic education.
- Whereas graduation from secondary vocational programmes provides direct **access to higher education**, vocational programmes do not.
- The **first level higher vocational education (college) programme** (newest type of initial VET) was introduced in 1999 (mostly different types of technicians). Since 2001 first level higher vocational programmes are accredited as higher education programmes and are provided by higher education establishments. The accreditation of colleges as higher education establishments started in 2002. In 2002/03 11 colleges (6 state, 5 private) provided accredited first level higher education programmes. The same **credit point system** as for academic higher education programmes is used for first level higher professional programmes. It is quite easy to continue studies in second level higher professional programmes.
- **Horizontal mobility** between general education and VET schools is not very popular. General secondary school graduates can acquire vocational or secondary vocational programmes in a shorter time (1-2 years ISCED 4B). Vocational schools and evening schools provide special programmes for

⁶⁰ During the 2001/2002 academic year 35 vocational education institutions belonged to the Ministry of Agriculture (MoA), 47 to the Ministry of Education and Science (MoES), 8 (Ministry of Welfare (MoW)), 15 (Ministry of Culture (MoC)), 3 under the Ministry for Internal Affairs, 7 under local government authority and there were 11 private vocational education institutions. Higher professional education was provided by 36 higher education establishments

vocational programmes graduates who want to get full general secondary education.

d) Delivery

- In order to provide co-operation at the national level the **Sub-council of the Tripartite Council for Co-operation in Vocational Education and Employment** was established in 2000, with the purpose of promoting the co-operation of the government, employer and employee organisations concerning the planning and implementation of national policy in vocational education, human resources development and employment. The work of this sub-council is very active (including approval of occupational standards, organisation of employers' participation in VET graduation exams) and no important decision concerning vocational education is taken before discussions within this council. There are plans to establish **regional sub-councils** as well and a first one has become operational in Rezekne region in 2003.
- A separate **Council for Co-operation in Vocational Education** was created in 2000, comprising social partners, different ministries, the Latvian Union of local municipalities but also representatives of VET establishments.
- In order to **promote further involvement** of social partners in VET, the Cabinet of Ministers adopted in May 2001 a Regulation on procedures of delegation of support and management functions from the state to other public institutions. So far, social partners have not shown interest to use further possibilities and to take over more functions in VET than mentioned before.
- Whereas the social dialogue at national level on VET issues works relatively well, the **involvement of employers and social dialogue at the school level** remains difficult, apart from the important role social partners (in particular employers) play in providing **placements for students**. At the moment much depends on the active role of school principals.
- The **apprenticeship system** in Latvia is underdeveloped, declining and working mainly in the crafts sector in traditional and not modern professions. In 2002, the Chamber of Crafts issued 32 craft masters diploma and 243 apprentice crafts diploma (altogether 2% of VET graduates) compared to 270 / 679 in 1996). The Latvian Chamber of Crafts has the right to evaluate the level of vocational qualifications of craftsmen in 159 vocations. Plans of the MoES, to further develop the apprenticeship system (as mentioned in the JAP) did not progress so far.
- A regulation of the Cabinet of Ministers in March 2003 opened the way for planning of the **VET school network** development on the level of 5 Planning Regions (Riga, Kurzeme, Zemgale, Vidzeme, Latgale) – 33 VET schools in total – 5 in each planning region and 8 more in Riga).⁶¹ So far the slow progress in administrative territorial reform has impaired regional VET solutions. The Latvian Union of local municipalities claims that **decentralisation of VET** schools would improve flexibility, effectiveness and responsiveness of the VET system to labour market needs.

⁶¹ Ministry of Finance, *Latvia Draft Single Programming Document, Objective 1 Programme 2004-2006*, Riga, December 2003.

- **Efficiency of the VET system** is expected to increase since most schools will be coming under one umbrella (MoNES) in July 2004. For example, so far vocational standards (of similar professions) had been developed in two different institutions (one institution of the MES for VET schools and one MoA for agricultural VET schools).

e) Responsiveness of IVET to the needs of the labour market and the individual

- VET still has a **poor image** in Latvia (as in a number of other acceding countries as well) and this negative image is persisting due to a number of reasons and stereotypes (heritage from the previous political system, assumed lower quality of VET, pathway for low achievers in basic education, children from poor families, low status of skilled workers, not close to labour market needs, general trend in society to general and higher education). Surprisingly, private VET schools (making up less than 10% of VET schools) appear not to have a better image in Latvia.
- Consequently, the **low participation rate** in VET in Latvia, compared to EU and other ACCs, is limiting the future supply of qualified workers, and needs to be addressed by developing measures to encourage and motivate young people for vocational education in the forthcoming years.⁶²
- The general and frequent **opinion of local employers** suggests that VET schools are rather far from real needs of the labour market and that it is the duty of the state but not of employers to improve the current situation. The high diversity of VET programmes and different levels might also not be that transparent for employers.
- There is not a clear picture available on **students' perception** of the labour market relevance of programmes. It would be useful if student's perception could be explored and identified more fully (eg as a separate category) in the MoES survey data on reasons for drop-out from vocational courses in future years.⁶³
- Analysis shows that a substantial part of VET graduates is **employed non-effectively**. Nearly half of the VET graduates (42%) were employed in a profession different from what they studied, 28% were unemployed and only 30% were working in the sector for which they were trained in 2000.⁶⁴
- The **enrolment structure** in VET schools by field of study remained rather stable between 1997/1998 and 2002/03. Most popular is still the field of engineering, services increased slightly and enrolment in agriculture decreased substantially.
- **Information on skill needs** is partly being collected but not in a systematic way at national level. A few sector analyses (ICT and construction in the framework of Phare support) and research in the context of a changing labour market were conducted in recent years and already inform educational planning to a certain but limited extent. In some regions or sectors "Employers surveys" are conducted by the employment services on more short-term needs (about one year period),

⁶² The recent World Bank study on the labour market in Latvia has a different view and opts for a reduction of VET at secondary level in favour of general upper-secondary education.

⁶³ Suggestion stemming from the Joint Assessment Paper on Employment Policy Priorities in Latvia, February 2003.

⁶⁴ In the LFS May 2000, participants who had graduated from vocational education establishments in the period 1990-1999 were asked additional questions regarding the training they had received. In: *The Modernisation of Vocational Education in Latvia*. The National Observatory's 2001 report to the European Training Foundation, Riga, 2002.

which indicate little demand for low-level qualifications and **increasing demand for qualified** workers and craftsmen, equipment and machine operators, multi-professional employees and employees with good national and foreign language skills.⁶⁵

- In 2002, the Institute of Economics at the Latvian Academy of Science, **analysed VET programmes supply and labour market demands** with a view to define the number of students to be financed from the state budget. Among the findings of this research the demand for specialists in economic priority fields was estimated and concrete factors that hinder to meet labour market demands were identified.⁶⁶ This study is not available for the public.
- To reach proxy to labour market demand, Latvia relies on and has started to develop a system of **occupational standards** to determine basic and specific demands for acquiring concrete vocational qualifications (the first standard was registered in March 2001). This process is ongoing and accelerated in 2003 (206 occupational standards were registered as of November 2003; 70 out of it in 2003). The MoES aims to develop standards for all occupations by 2006.
- Although the before mentioned Sub-council of the Tripartite Council for Co-operation in Vocational Education and Employment has the main responsibility for approval of occupational standards,⁶⁷ **employers' involvement** (as well as its quality) in working out and actualisation of standards differs by sector and needs to be improved.
- The Latvian education system has introduced in 1999 also a system of licensing, accreditation and education standards aimed to ensure quality of education. The vocational education and upper secondary vocational **education standards** were already passed in 2000, however, the basic vocational education standard has yet to be passed.
- Implementing **curricula** (developed by education establishments and based on standards), requires a **license** from MoES. Subject curricula are developed by teachers and are approved by the director of the school. Functioning of the overall curricula development system still needs improvement.
- Only **accredited schools** can get state funding and participate in tenders for retraining of the unemployed. Only graduates of **accredited programmes** have the right to receive a state-authorised certificate of vocational education and professional qualification. Licensing and **accreditation of vocational education programmes** continued since 2001 and in 2003 in total 350 VET programmes in 70 institutions were accredited (of which 260 initial VET programmes in 49 institutions and 90 continuing vocational programmes in 21 institutions).⁶⁸
- Employers take part in **qualification examinations**. A unified methodology and regulations for examinations are being established as well as training and examination centres (in 2001/02 nine centres were operational for 23 professions). Currently all centres are centralised in Riga with some difficulties for

⁶⁵ Baiba Ramina, Vija Hodireva, Solvita Silina, *Short Country Report on Recent Developments in Education, Training and Employment Policy*, Riga, 2003.

⁶⁶ This study is not available for the public.

⁶⁷ Register of occupational standards is located on web page of Professional Education Centre of MoES, <http://www.izmpic.gov.lv>.

⁶⁸ Baiba Ramina, Vija Hodireva, Solvita Silina, *Short Country Report on Recent Developments in Education, Training and Employment Policy*, Riga, 2003.

VET students as well as local employers to participate. The VET Development Programme foresees to set up territorial examination centres (in Latgale in 2004, Vidzeme 2005) and a register of territorial experts.

- The **strong practice orientation** (from 1-2 months in the first years, up to 5-6 months in the last years; trainees get even small salaries, depending on the sector and company) is an important pillar of the Latvian VET system and has a potential for further development. There is much room for improving effectiveness of this system by strengthening the mentorship and the co-operation between school and enterprise, as well as by creating appropriate incentives for enterprises.
- The system of **counselling and guidance** in schools is rather weak in initial education and in particular VET and there is no specific study programme on career guidance in place.⁶⁹ The system of Career Guidance Centres under the responsibility of the MoW is limited due to lack of resources and does not encompass all schools and learners.
- This has to be seen also in the context of the traditionally high drop-out rate (in 2000/2001 around 14% of VET students were discharged) and the situation did not improve in the last two years (2001/2002). This is combined with the need for sufficient funding of **remedial courses** in certain subject areas for those with low basic skills and learning difficulties.
- **Basic vocational education** (ISCED 2) programmes (1-2 years, minimum age 15) are carried out for those who have dropped out of the formal education system before completing compulsory education. In 2001/02 around 850 students (1.7% of VET students) were enrolled in such programmes.
- **Ethnic minorities** have the rights to obtain education in minority programmes, supported by the National Programme for Society Integration in Latvia. It is possible to get vocational education and training in both **Latvian and Russian language** (17% of all VET students had Russian as language of instruction in 2002 (19% in 2001), but 53% of students in private VET schools). This provision was supposed to be outphased (apart from private schools) for all secondary schools starting from September 2003 due to a **policy of transition to the state language** (already implemented for basic education in 2000). However, in May 2003, the Cabinet of Ministers amended the secondary education standard and introduced the rule of 60% of Latvian language and 40% of minority **language** in the teaching process.
- Traditionally education has been a **female dominated** field (in terms of higher participation, lower drop-out and repeating, also higher achievements according to PISA), but also from the gender structure of teachers. VET is still more attractive for male students (56%) with some **stereotypical distribution** by programmes. At present there are no measures to combat gender stereotyping in course choices and gender inequality in education has not been addressed sufficiently in practice and at policy level.

⁶⁹ Although by Law a school is required to have guidance services in order to get a license, there are very limited arrangements: in form 8 in "Bases of Economics" and form 9 "Civil study" vocational guidance and themes of career development are integrated (2-3 lessons a year only). Starting from 2002 in forms 1-9 a new subject will be gradually introduced ("Social science"), integrating also a career theme (1-2 lessons a year in each form). Baiba Ramina, Solvita Silina, Answers to the Questionnaire of the European Commission on the implementation of lifelong learning by Member States, Ministry of Education/National Observatory, November 2003.

- Education services are not equally accessible to children with special needs and children from indigent and disadvantaged families.⁷⁰ In higher education the forms of **state support** for students are developing gradually, but children from social exclusion risk groups have very limited opportunities to use study credits.⁷¹ State support for families with children is perceived as not sufficient, and school text books and school supplies cannot be afforded by small income groups. Children from poorer families tend to go to vocational education and mainly choose those schools that are near their homes.

4. Continuing vocational education and training (CVT)

CVT and adult education have been developing in the last decade rather without purposeful national policy and are therefore in general lagging behind the reform process in initial education. The OECD recommended in 2001 to develop a national continuing training concept covering all learning⁷², the JAP stressed the importance of a strategy paper on lifelong learning, both suggestions have not progressed so far. The idea of lifelong learning is only emerging recently, and it will be a challenge to translate the general policy commitments to lifelong learning into concrete action.

a) Policy and legal framework

- The policy framework for CVT and lifelong learning builds only a small part - with a focus on employability - of the Concept of Education Development 2002-2005 and there is no other separate comprehensive strategy for CVT or lifelong learning in place yet or planned. The main objective is to **improve adult education opportunities** by “vocation-focused life-long education” through enhanced participation of social partners and promoting higher and vocational education establishments in getting involved in continuing training and education⁷³.
- The SPD 2004-2006 mentions in addition the **promotion of lifelong learning networks** and capacity building, as well as the development of strategy and implementation mechanisms. Much support for CVT development is expected from the EU Structural Funds in the forthcoming years.
- Further and continuing vocational education programmes are regulated by the Law on Vocational Education, adult education programmes separately by the Law on Education. In 2001, the Law on Education was supplemented with an article on **non-formal adult education** regarding the definition, licensing and financing of non-formal programmes.
- The potential need for a **separate Law on Adult Education**, as mentioned also in the JAP, is being viewed differently within the MoNES and not on the agenda at the moment. There is no law setting out employers’ responsibilities regarding training of the workforce.

⁷⁰ A large proportion of the population are not able to overcome financial obstacles arising from the low wages, expensive transportation costs and costs of living, as well as due to the charges on higher education and further education. Ministry of Education, *Concept of Education Development 2002-2005*, draft translation, October 2002.

⁷¹ Government of Latvia/European Commission, *Joint Inclusion Memorandum Latvia*, signed in December 2003.

⁷² OECD, *Reviews of National Policies for Education*. Latvia, Paris, 2001.

⁷³ The Education Concept puts even the objective to prepare proposals for a more extensive involvement of employers in financing of further education. Ministry of Education, *Concept of Education Development 2002-2005*, draft translation, October 2002.

- There is a lack of co-ordination for the development of adult education within the MoES. **VET and continuing education department** (staffing of 13 people in total, out of which 3 dealing with CVT) in the MoES is responsible for further vocational programmes and continuing vocational programmes, however, responsibilities for the development of adult education are split between different departments.
- The function of a **national lifelong learning co-ordinator** discontinued in 2001 after the European Commission's consultation process on the LLL Memorandum, and has not yet been clearly re-established.

b) Structure and organisation

- In Latvia, **lifelong learning** is often understood as **adult education**, reflected in the use of terminology. Further vocational education (leading to qualifications)⁷⁴ and continuing vocational programmes (non-formal) are not classified within the National Education Classification and are considered as adult education as well by statistics.
- At the same time a **comprehensive database** on the level of provision and funding as well as certain aspects of continuing training is still not existing (breakdown between further, continuing vocational programmes and other types of adult education, the number of qualifications) but there are some considerations to address this issue in the near future.
- There is a wide range of adult education and CVT providers in place across all districts, although the **number of providers is decreasing** in recent years (390 in 2000, 367 in 2001 and 352 in 2002) and smaller than in Estonia (444 in 2001). Out of them, 171 institutions are in the Register of Education institutions, most of them private entities. The number of participants increased sharply from around 100,000 (1996) to 210,000 in 1999, keeping the same figure in 2002.
- An important role to facilitate the development of the adult education system has the **Latvian Adult Education Association (LAEA)**, a non-governmental umbrella organisation of 75 providers in 2003, representing Adult Education Centres in districts, folk high schools, training centres, universities, VET and evening schools. Most of the funding for LAEA is project-based.
- **Funding from the state budget** of adult education institutions (including the training and retraining of unemployed and training of civil servants) has decreased between 1999/2000 and 2000/2001 by 14%. This was by far not compensated by the slight increase of funding from **local governments** budget. There are some local governments that earmark a certain percentage of their budget for adult training.
- **Participants' contributions** are substantial and show an increasing interest and trend, making up 23% of total funding of adult education institutions in 1999/2000 and 26% in 2000/2001. Individuals can deduct part of their expenditure on continuing education from their personal income tax (maximum amount of 150 LVL expenditure per year for education and

⁷⁴ According to amendments to the Law on Vocational Education made in 2001, further vocational education programmes have to comply at least to 30% with the compulsory vocational subject matter contained in the national education standard (either for secondary VET or first level higher VET).

training). Impact analysis on this incentive is lacking, but it appears to be used more by higher income groups.

- According to the Labour Code (2002) there is the right for **study leave** (paid or unpaid according to the employment contract). For completing of state exams or diploma thesis a paid study leave not less than 20 working days is granted.
- The national taxation system does not stimulate **employers** to invest in continuing education and training of employees. Only around 4% of all enterprises have a training budget and 28% assess their future manpower. CVT is available mainly in large-scale and economic stable enterprises. It is considered as difficult for small and medium-size enterprises to allocate staff development programmes because of financial difficulties.⁷⁵
- Suggestions by the World Bank should be further reflected to avoid tax incentives granted to training expenses (which tend to favour large firms and are in general less effective) and rather to implement **matching grants programmes** supporting training by firms, with a special attention to support smaller enterprises.⁷⁶

c) Responsiveness of CVT to labour market needs and the individual

- As widely acknowledged by internal and external assessments,⁷⁷ the overall **demand for training** and high level skilled workforce is still increasing in Latvia. At the same time responsiveness of the continuing education and training system to the labour market, but also towards the individual and social inclusion goals needs to be improved.
- Legal provisions and a policy for **validation of non-formal and informal learning**, including skills acquired through professional experience, are not in place in Latvia.
- Although the Latvian Adult Education Association plays an active role and assists to **arrange the system of non-formal adult education** (certification of programmes, licensing of providers, education for adult educators and administrators – including projects for the development of social competencies and basic skills for adults; building learning and social integration pathways for excluded youth) and is involved in local human resources development,⁷⁸ it sometimes remains at a small scale and is considered as not sufficient compared to the education and training demands.
- A large number of **enrolment** in adult education programmes are in the field of social science, humanities, art and health care. A comparatively low number of participants follow engineering (4%) computer training (7%) programmes and other development oriented branches. Teacher training makes up a substantial part of enrolment (almost 10%). Data are not

⁷⁵ Baiba Ramina, Solvita Silina, *Financing of VET in Latvia*, Report to the ETF, Riga, 2003. Although, as already mentioned in the JAP, employers' expenditure on training of employees is exempt from the enterprise income tax, it is perceived as insufficient. Impact analysis of this measure, however, is lacking.

⁷⁶ World Bank labour market study, 2003.

⁷⁷ SPD 2004-2006, JAP process, World Bank study.

⁷⁸ In 2001, local human resources development plans in 40 Latvia municipalities have been prepared, supported by the EC Delegation in Latvia.

available that would indicate the proportion of participants enrolled in courses leading to **formal accredited qualifications**.

- **VET schools** are only to a limited extent involved in CVT. In 2001, the OECD recommended to make more systematic use of the existing school infrastructure for continuing vocational training instead of setting up a separate infrastructure.
- Regarding **CVT in enterprises** it has to be mentioned that a considerable share of CVT courses is obligatory due to instruction on work safety and not directly related to promoting innovation and productivity.
- The **paradox of human capital accumulation** (those who are more skilled and have higher qualifications are more likely to receive further training) needs to be addressed by reducing learning asymmetries. There is a need for widening access to adult education and CVT in particular for the unemployed, low income groups, unskilled workers, older workers, non-Latvian speaking population and special groups in risk of social exclusion.
- Further progress in CVT and adult education requires **increased co-operation** among the main policy makers and stakeholders, review and development of an appropriate system of incentives as well as development of a system of training for adult trainers and learning facilitators.

5. Public and private employment services

The Latvian public employment services (PES) system has been facing several challenges in order to be fully prepared for implementing the European Employment Strategy. Apart from an overall modernisation process, which still has to be completed, the quality, efficiency and flexibility of services need to be enhanced. In addition, part of the legal framework, financial resources and the administrative capacity are a major concern with a view to expanding the provision of active measures. Initiatives are underway, and Latvia is still counting strongly on relevant EU Phare support, which arrived later than in other ACCs in this field and is still being implemented in 2004/05.

The State Employment Service (SES) is the main implementing institution for labour market policies and programmes for the unemployed, established in 1991 and operational since 1992.⁷⁹ In 1999 the SES was reorganised as a state non-profit joint-stock company under the supervision of the MoW, however, in 2003 again reorganised into the “State Employment Agency” (SEA) according to the Law on Public Agencies (2001) and the respective Order of the Cabinet of Ministers (2002). This new status is expected to better correspond to the duties of SES as a state organisation providing services to the public.

a) Legal and policy framework

- The MoW and its Labour department are responsible for active and passive labour market policy, including for the **supervision and budgeting** of SES.

⁷⁹ Officially unemployment did not exist during Soviet times in Latvia so there was no need for employment services. The first unemployed were registered in 1992 with the State Employment Service.

Overall co-ordination, monitoring and assessment of National Employment Plans (NEPs) is assigned to the Ministry of Economy.

- The legal framework for public employment services was created by the law “On Employment” (1991), assigning responsibility for implementation of state employment policy to SES and defining the status, rights and duties of the unemployed. This law was replaced by the law “On Assistance to Unemployed Persons and Job-Seekers” (in force since July 2002) which has **widened the scope of PES activities and potential access to active measures** by introducing the term *job-seekers* for the first time.⁸⁰
- Due to the law “On Insurance in the Case of Unemployment” (1999), however, as of January 2002, **financing of active labour market measures became limited** (in particular training measures) as a threshold of not more than 10% of the special employment budget to be spent for active measures was introduced.⁸¹
- **Licensing of private employment services** was introduced and replaced registration procedures as of January 2003 in order to counteract abuse of companies hiding illegal business under the shelter of recruitment objectives. At the same time a policy fostering private employment services is not in place.

a) Structure and organisation

- In 2003, state employment services had a **network** of 28 local branch offices (one in every district), 34 local coordinators and a central office in Riga. The SES is governed by a board consisting of the Director and Deputy Directors as well as three external persons designated as authorised representatives with some monitoring function.
- **Reorganisation** of state employment services into a state agency (“State Employment Agency”) was supposed to take place in January 2003, but postponed to November 2003 due to the new Government. This recent reorganisation process was focused more on the legal status rather than on internal organisation issues.⁸²
- SES is **financed** from the general state budget, the Professional Career Counselling Centre (PCCC) – under the supervision of the MoW - from the special employment budget.⁸³ Discussions have been launched in 2003 to merge both institutions and move responsibility for PCCC to SES. In the same year SES has been designated as one of the second level Intermediate Bodies for the European Social Fund (ESF) in Latvia.
- The mandate of SES is to deal with **active labour market measures**, to register unemployed⁸⁴ and jobseekers and to assist them to join the labour

⁸⁰ As a consequence, the coverage of people with a right to participate in active measures has increased regarding measures for increasing employability, to get information about vacancies and to get vocational guidance.

⁸¹ At the same time, there is no more a threshold maximum of an unemployment benefit, which favours higher income groups. Before the maximum size of any unemployment benefit was the total of five minimal salaries in the state. Ilze Trapenciere, Maruta Pranka, Tana Lace, Grieta Tentere, Baiba Ramina, Bruno Martuzans, *Background Study on Labour Market and Employment in Latvia*, Riga, September 1999.

⁸² Supervision by the Ministry and Minister as such became more direct. As of January 2004, the SES has a new director.

⁸³ The PCCC was reorganised as well as of January 2003 to the National Career Guidance Agency (NCGA).

⁸⁴ Since 1998 responsibility for payment of unemployment benefits lays with the State Social Insurance Agency (SSIA), however, to receive unemployment benefit, an individual must first register as unemployed with the SES. Registration is carried out by local branch offices as this has to be done according to the living place.

market, to register vacancies and to analyse and forecast the labour market. This includes vocational training and retraining, paid temporary community works, measures for increasing employability (previously until 2002 job clubs) and measures for defined target groups (young people, long-term unemployed, disabled, persons after maternity leave, pre-pension aged, ex-prisoners and other groups according to the NEP).

- SES has been traditionally more oriented on people out of the labour market and was not used dealing with preventive measures. As due to the recent legal changes access to services has been widened to jobseekers, local offices will have to adapt to another client group and prepare themselves changing from a reactive to a more **proactive approach**.
- **Private employment services** are working in a specific segment of the labour market and the number of private offices is decreasing since quality control has been introduced by the MoW.

b) Resources

Human resources

- The **number of SES staff** remained very stable in recent years at around 550 employees (beginning 2003) and has not yet taken into account the extension of clients to jobseekers. About $\frac{3}{4}$ of staff deal directly with clients (front-line staff) and 10% of total staff is working in the central office.
- The **client-staff ratio** (registered unemployed to SES staff) remained constant between 1:160 to 1:170 in the period 1997-2002 (based on local office staff only, the ratio was 1:210 in 2002), however is considerably worse than EU standards, which range between 50:1 and 100:1. On the other hand, the situation appears to be better in Latvia than in Poland (190:1) and Estonia (260:1) as PES in both other countries are dealing in addition with passive measures (including payment of benefits) as well.

Table 12: Ratio of SES staff to total number of registered unemployed (1993-2002).⁸⁵

Indicator	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Number of staff	674	601	601	601	547	547	554	553	554	558
Registered unemployed	31284	76744	83946	90819	84934	111383	109497	93283	91642	89735
Ratio	46	128	140	147	155	203	197	169	165	160

- The relatively high caseload of individual front-line staff in local district offices inevitably **restricts the capacity** of the SES to engage with the unemployed on an individual basis. Although some efficiency gains can be achieved through new technology and unemployment tends slightly to decrease, it can be expected that the workload of staff will more likely increase in the near

⁸⁵ Own calculations. SES data. Ilze Trapenciere, Maruta Pranka, Tana Lace, Grieta Tentere, Baiba Ramina, Bruno Martuzans, *Background Study on Labour Market and Employment in Latvia*, Riga, September 1999.

future due to the widening of functions and the need for a more client oriented approach.

- On the other hand, the fact that Latvian PES is practically not dealing with passive measures provides a great opportunity to specialise and concentrate on the **core business**. More involvement in individual approaches with long-term unemployed and other groups would require hiring of additional counsellors or changing the employment structure of PES staff.⁸⁶
- The **share of females** (93%) out of total staff is extremely high and connected with the **low salary level** (only 84% of the average wage in Latvia, or 74% of average in the public sector in 2001) that seems to be of high concern. Nevertheless there is a rather low annual turnover of staff (extremely low even in regions due to few other job opportunities), each staff member has worked on average for almost 7 years (taking into account that SES has been operational only for 12 years). The average age of SES staff was 44 years in 2002.
- The **educational level** of SES staff has improved between 2001 (36.5% with higher education) and 2003 (42%). Although SES staff is not civil servants and higher education is not mandatory, the SES recruitment policy is to hire staff with higher education, which poses some difficulties due to the low salaries.

Table 13: Educational attainment level of SES staff, 2001-2003.

Education	January 2001	January 2002	January 2003
Higher	36.5	38.5	42.0
Secondary VET	36.5	37.0	34.8
Secondary	27.0	24.5	23.2

- Training provision for **SES staff development** is improving, in 2002 almost all staff members (99%) had some kind of continuing training, more than half of them were trained in courses organised by local branch offices, 4% participated in training abroad. The number of SES staff entering higher education increases (53 in 2000, 103 in 2002) and for a certain number tuition fees are partly covered by SES. Specific training will be needed to deal with new clients, individualised approach and the long-term unemployed.

Financial resources

- Labour market policies are basically passive in financial terms and total **expenditure on active and passive measures is low** (including PES administration) compared to international standards. It is lower in Latvia than in all EU Member States and most ACCs, but higher than in the two other Baltic states (Estonia – 0.24% and Lithuania – 0.35%).

⁸⁶ Precise data on the SES staff by type of staff was not available for this report.

Table 14: Public expenditure on labour market policies (as a % of GDP) in 2002⁸⁷

Country	Total	Active LMM	Passive LMM	PES administration
Latvia	0.56	0.12	0.40	0.04
Slovenia	1.08	0.36	0.60	0.12
Slovakia	0.96	0.31	0.49	0.16
Ireland	1.84	0.90	0.70	0.24
Finland	3.07	0.89	2.06	0.12

- Although the coverage of people entitled to apply for SES services increased due to legal changes mentioned before, financing did not. **Spending on active measures has even decreased** from 0.25% of GDP (2000), to 0.22% (2001) and 0.16% (2002). Most concerned has been the budget for training measures which decreased by 56% from 3.9 million LVL (0.07% of GDP in 2001) to 1.7 million LVL (0.03% of GDP in 2002) although a slight increase is forecasted for 2003.
- Approximately 72% of total labour market expenditure was planned for passive measures, 24% for active measures (including funding for SES), 3.3% for labour safety and labour market legislation and 0.7% for preventive measures (vocational guidance) in the 2003 budget.
- **Expenditure for passive measures** (unemployment benefits) decreased from 0.7% (1999)⁸⁸ to 0.5% (2000, 2001) and 0.4% in 2002.

Infrastructure

- One of the weakest points in Latvian SES is the **low grad of modernisation**, in particular regarding internal networks and computerisation, which started in the mid-90s⁸⁹ but has not shown tangible results until 2003. In early 2003 implementation of IT solutions was still very limited in SES offices and registration of the unemployed was done to a large extent in an old fashioned and non-efficient way on paper fiches (only afterwards computerised). Information about job vacancies in Riga was at the same time not available in a number of local branch offices and vice-versa, thus **not facilitating mobility** of the workforce.⁹⁰
- However, the state investment programme “**Computerising of Latvian SES 2002-2007**” is being implemented, together with Danish bilateral assistance (comprehensive analysis of information flows). Close to accession important further support is provided by the EU Phare programme 2002 (including components such as internet-based database of vacancies, regional computer centres for disabled and self-help infocentres for jobseekers, 2.1

⁸⁷ Alison Kennedy, *Synthesis Report, Cross-country summary of needs in the fields of employment/human resource development*, European Training Foundation, Turin, 2003. Data for Lithuania, Slovenia and Ireland are from 2001, for Estonia from 2000.

⁸⁸ MoW, Labour department, calculations by National Observatory Latvia, 2003. Data for 1999 from World Bank Labour Market Study 2003.

⁸⁹ In 1996 with Phare support the first *Job Information Centre* was established in Riga. In 1999 within the twinning project with Danish Labour ministry four *Job Information Centres* have been established in different regions (in Jelgava, Ogre, Daugavpils, Liepāja). Later on in Jēkabpils and Madona the centres were established. These provide an extended range of services compared with those provided in a typical district or local office, including access to information based on a self-service system, together with access to databases on vacancies.

⁹⁰ Observations made by the Expert team during the field visit in March/April 2003.

million Euro) and a follow-up Phare 2003 programme (investment in infrastructure, 1.8 million Euro) aiming to develop a modern labour market information system.⁹¹ As these programmes came relatively late compared to other ACCs, some results and the whole impact will be visible only after EU accession.

- In addition, **investment in premises** is regarded as necessary.⁹² Almost none of SES offices buildings is adapted for physically handicapped and part of the SES premises have inappropriate conditions both for clients and SES staff, contributing to the negative image of SES.

c) Coverage, range and quality of services

- Popularity and **credibility of SES** still needs to be improved, since traditionally only half of the actual unemployed were registered, although the situation is improving.⁹³ According to LFS data only 30% of jobseekers in 2001, and 34% in 2002 tried to find a job through SES. Most relied on relatives or friends (75%), on individual job search and announcements (65%) and direct contacts to employers (51%), and less on SES.

Table 15: Jobseekers by main action taken to find a job in 2001/2002 (in %).⁹⁴

Actions for job search	2001	2002
Contacted friends, relatives, trade unions etc.	51.8	75.4
Studied, answered or inserted advertisements in newspapers	62.0	64.7
Applied to employers directly	41.8	51.1
Contacted SES or awaiting results of it	29.7	34.7
Contacted private employment agency	6.2	1.4

- National standards for services ensuring the same quality and approach in local offices are not in place. In order to improve quality and accessibility of services, SES created the strategy to become a “**one-stop-agency**” as clients sometimes have to attend different places where services are given. In 2003, plans were established to merge with PCCC under the responsibility of SES.⁹⁵ Within the Phare 2002 programme an action plan for development of SES is planned (as suggested in the JAP), including subsequent staff training on new work methods in priority fields.

⁹¹ Information from Standard Summary Phare Project Fiches. The Phare 2002 programme is focused on institution building for the ESF preparation and National Employment Strategy implementation as well as strengthening SES and PCCC capacity. However, it includes also a smaller investment component. The Phare 2003 programme includes components aiming at capacity development for labour market analysis, developing information exchange system and preparation for participation in EURES.

⁹² Draft SPD 2004-2006

⁹³ The current relation is about 2/3 of the actual unemployed/jobseekers (according to ILO definition) are registered. The reasons for non-registering are manifold: apart from the phenomenon of grey economy, not all people are entitled to unemployment benefits (even less the half of registered are entitled), some are not interested to acquire retraining or other measures, especially persons in pre-retirement age. In addition, the image of SES needs to be improved and traditional stereotypes overcome that it is a shame to be registered unemployed.

⁹⁴ CSB, *Social Trends in Latvia*, Riga, 2003. One jobseeker may have tried several methods, percentages are calculated as share of users of corresponding method against all jobseekers.

⁹⁵ However, PCCC would prefer to remain independent from SES as it is dealing also for other client groups than the unemployed (employed, students) and afraid that its well developed system would be narrowed and destroyed.

- It will take some time that SES adapts in all offices to the needs of the **new client group** of jobseekers, as it has been used to work with registered unemployed only.⁹⁶
- Although the share of **unemployed participating in active measures** is increasing in recent years (41% in 2000, 57% in 2002) and higher than in some other ACCs, the demand is even higher. In particular provision of training and retraining (including training leading to vocational qualifications) is insufficient and sharply decreased from 10,300 (11% of unemployed in 2001) to 4,800 (5% of unemployed in 2002). In 2002, 14% of all unemployed wished to participate in training and only one third got the opportunity. As in 2003 financing for retraining remained low, SES has started to work with employers in order to get co-financing for training of the unemployed.

Table 16: The number of unemployed involved in active labour market measures (1998 – 2002).

Year	Unemployed, sent to training	Unemployed, sent to paid temporary community works (TPCW)	Unemployed, involved in measures for increasing competitiveness (MIE)	Total
1998	16,602	12,358	7,710	36,670
1999	9,704	11,404	15,835	36,943
2000	10,267	9,993	17,940	38,200
2001	10,269	15,218	24,667	50,154
2002	4,830	16,809	29,437	51,076

- Under **training measures** it is possible to obtain second and third level vocational qualifications as well as non-formal programmes and training courses. The number of hours differs from 320 to 1,240. The largest part (64%) of training participants in 2002 was long-term unemployed or those with low qualifications. 61% out of this group had no vocational qualification. The average costs for training per unemployed decreased from 434 LVL (2001) to 278 LVL (2002).⁹⁷ Effectiveness of training was between 66% and 80% in recent years and high compared to MIE (31% in 2002).

Table 17: Number and percentage of unemployed sent to training (2000-2002).

Year	Total unemployed	Sent to training	Share from unemployed	Finished training	Found job
2000	93,283	10,267	11.0 %	8,338	5,528
2001	91,642	10,269	11.2 %	9,194	6,235
2002	89,735	4,830	5.4 %	5,679	4,528

⁹⁶ At the field visit in early 2003 it appeared that in some local branch offices this new client group is not yet fully present in the mindset of staff.

⁹⁷ Due to a higher competition at public tenders and reduction of travel and accommodation costs.

- The **procedure** for organising training is rather centralised, complicated and inflexible. Tenders are organised only twice a year (number of educational institutions participating is increasing) and the time between defining the training need and implementation of the measure is far too long in the view of employers. Selection of candidates is organised jointly by SES and PCCC.
- A **structural change** took place between 2000-2003 as regards financing of various active measures and participation. Latvia is putting more emphasis on **public works programmes** (TPCW), with a rather short average duration of 3 months. Whereas in 2001, expenditure for TPCW (2.1 mio LVL) was only half compared to the **training** budget, it was in 2002 around the same and in the 2003 forecast (3.2 mio LVL) already 25% more.⁹⁸ This is reflected also in the number of participants, making up 19% of the total registered unemployed in 2002. At the same time **job-clubs** were replaced by “**Measures for increasing employability**”, which are less costly. Although the number of participants increased by 65% between 2000 and 2002 (and is accounting for the largest part of the overall increase in ALMM participation), financing of this measure remained at the same level in the last three years.
- Within the NEPs 2001 and 2002 **measures for defined target groups** were implemented at a small scale, such as subsidized work practice for unemployed youth, social enterprises for long-term and pre-retirement age unemployed, subsidized work places for pre-retirement age unemployed, subsidized work places for unemployed with disabilities, the latter with a high rate of effectiveness (81%).⁹⁹ However, there was no special funding for these measures, which had to be financed as pilot projects from the Temporary Community Works budget (9% of total PTCW). Information on the share of unemployed with an individual action or **employment plan** is not available.¹⁰⁰
- According to law all Latvian citizens have the **right to professional guidance**. The PCCC (established in 1987, with a centre in Riga, small units in 17 districts and a mobile counselling group) provides information, guidance and counselling services to students of basic and secondary schools, higher education, the unemployed, jobseekers, the employed and also to parents (in total 22,000 participants in 2001, 20% of them unemployed). However, limited resources do not allow cater for all needs in a sufficient way and the demand is growing.
- In the **first half of 2003** vocational orientation and guidance services received 39% more participants than in the same period in 2002. 72% of unemployed youth was involved in active measures within the first 6 months of unemployment an involvement of unemployed with disabilities has risen three times.
- The **NEP 2003** (adopted in July 2003) includes regional measures in order to prepare for regional employment plans. The number of measures has been reduced compared to NEP 2002 as well as overall funding by 20%.

⁹⁸ It needs to be mentioned that public works in general tend to be the least effective programmes, since often it does not contribute to skills upgrading and employability but rather deskilling and therefore needs to be carefully reviewed on its impact for future job perspectives of the unemployed.

⁹⁹ In 2003 (the year of people with disabilities), SES planned to establish 300 working places for unemployed with disabilities.

¹⁰⁰ This share was very high in Lithuania in 2001 (78%). Giedre Beleckiene, Natalija Zimina, Terry Corcoran, Moira McKerracher, Henrik Faudel, *Vocational Education and Training and Employment in Lithuania*, European Training Foundation, Turin, 2003.

- SES has regular **contacts with employers**, although it could be improved. Since 1994 surveys carried out by SES on labour market demand and supply, are used for planning of training and other measures. The number of employers participating in this survey increased over the years (from 3,000 in 1994 to 6,000 in 2002 or 12% of all employers). However, employers are not required by law to **register vacancies** at SES. On average 4,200 vacancies are registered monthly, and the total number per year is decreasing slightly from 52,000 (2000), to 50,400 (2001) and 48,500 (2002).
- The number of **private employment services** is decreasing (48 in 2000, 19 in 2001, 18 in 2002) mainly due to strict control (in 2001 about 30 registration certificates were revoked) and the introduction of licensing of providers. Before only registration within SES was required, now the license needs to be prolonged every year.

Table 18: JAP priorities and progress in the field of VET and employment services in 2002-2003.

Field of JAP priority / challenge	No progress	Little progress	Significant progress	Achieved
Initial education and training				
Sustained and consistent commitment to implement reforms			MoES committed to continue reforms VET Strategic Programme approved in September 2003	
PRIORITY A Reducing dropout in basic and vocational education	Not changed in last two years, remaining still between 14-15%	Special teacher training envisaged		
PRIORITY B Improving quality of general and vocational secondary education			Quality system established and almost in place (centralised exams, accreditation, licensing) ; By 2006 occupational standards for all professions	
PRIORITY C Improving quality and relevance of VET at post-secondary levels			College level education introduced and programmes accredited	
<i>Fragmentation of VET policy and responsibility</i>			<i>Final decision was made to move most VET schools under umbrella of MoES</i>	
<i>VET funding is only between 0.7%-0.8% of GDP Lack of funding to provide remedial courses for basic skills / basic education</i>		<i>Some additional funding for VET planned</i>		
<i>Monitoring the impact of reforms</i>		<i>Planned</i>		
<i>Further development of apprenticeships as qualifications routes (in particular drop-outs) and additional funding of 4.4 mio LVL / year submitted for approval to government</i>	NOT PROGRESSED			
<i>Further analysis on employment patterns of VET graduates (incl. student's perception of labour-market relevance of programmes (drop-outs)</i>	NOT PROGRESSED			
<i>Implementing outputs of Phare VET 2000 programme</i>		<i>Partly underway</i>		

Continuing Education and Training				
Development of a coherent and relevant system of continuing education		Some development work has started		
Strategy paper on Lifelong Learning	Still lacking, but some aspects included in the Education Concept			
Monitoring impact of recent legislative change		Annual progress reports of ministries		
Review possible need for a single law on adult education	Different opinions within MoES on need			
Improve public funding of CVET provision	Not changed			
Preparation of a comprehensive database as a tool for policy development	Not changed			
Employment services				
Move from a rather re-active approach of SES to an active one, regular and effective contact with individual unemployed		Strategy of "one-stop-agency" in SPD Some progress through ESF preparations		
SES activation plan (including procedures, personnel, resources) for comprehensive active approach		Within Phare 2002 PES Action Plan under preparation		
Increase in the level of SES front-line staff	Probably not, no data available yet			
Successful implementation of ICT investments		Underway with Phare 2003		
To review the obstacles for non-registration of unemployed and take steps to improve	Not yet done probably			
Increase provision of active LM programmes adequate to needs	Not improved Expenditure on ALMM as % of GDP decreasing			
Programme extension targeted on disadvantaged groups		Within NEPs implementation at small scale		
Concentrate on measures supporting employability rather than temporary work	Temporary work increased, training decreased	New Employability measures increased (Previous job-clubs)		
Ensure that LM training leads to accredited qualifications linked to education system	No data available			