

Chapter 2

Responding to the decline of Latvia's population

Latvia's population is declining at a rapid pace due to ageing and very high emigration. Emigration has slowed after peaking during the recent economic crisis, but continues to exceed natural population decrease and has been higher than in any OECD country over the past decade. The working-age population has also been shrinking faster than in any OECD country, and the old-age dependency ratio is expected to increase by some 20% over the next decade. Approximately 12% of Latvian-born people now live abroad and many of them are unlikely to come back. To stem the negative impact of falling population numbers on economic progress and social cohesion, Latvia should invest significant additional efforts to strengthen links with Latvians abroad, retain talent in Latvia, actively target labour migrants to help address skills shortages, and review existing barriers to labour migration, such as formal language requirements.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

1. Finding effective ways to reduce negative net migration

The bleak demographic prospect summarised in Chapter 1 raises the question whether and how Latvia can stop its population from declining. The effects of a shrinking working age population on the labour force can be addressed in a number of ways: increasing participation; increasing productivity; and increasing international migration. This chapter focuses on the last point, examining which policy levers can be used to best manage the demographic decline in terms of labour market composition.

The combination of lower fertility and high levels of emigration have put the country in too negative a position to recover in the short or medium term without a profound reversal of net migration. Even if this were possible, ending large-scale emigration would not be sufficient for stabilising population levels and countering ageing. Increasing migration from abroad – whether through return migration or through international labour migration – is one means of reducing negative net migration. This chapter presents present and future emigration flows, and explores the Latvian policy framework to 1) help and encourage emigrants to maintain economic and family links in Latvia; and 2) attract both return migrants and immigrants from other countries.

Emigration from Latvia will likely continue

Emigration from Latvia, as seen in Chapter 1, has been at a high level, higher than in any OECD country, over the past decade. The emigration rate peaked at about 1.7%-1.9% annually in 2009-10 and has since fallen only slightly. The share of the population abroad is at least twice that of Poland, the OECD country which has dominated post-accession European migration and which had an estimated 5% of its population abroad in 2013.

The well-developed networks created by recent Latvian emigrants have contributed to lower the opportunity costs for today's and future migrants, since the established Latvian community can help identify jobs and provide social support during the initial phase. Emigration has become a normal option for Latvians, in the face of any labour market difficulty (unemployment, but also low wages) as well as in transitions such as from school to work. The wages for less qualified employment in emigration countries such as the United Kingdom or Germany are at least four times higher than in Latvia (in Norway, as much as eight times higher); for young people who speak a foreign language, it may also be easier to find entry level employment abroad than in Latvia.

Unemployment, however, has not driven emigration: most emigrants left Latvia despite having a job. About 85% of the emigrants between 2004 and

2008 were employed, and even at the peak of the crisis this remained at 80% (Hazans, 2013). Employed Latvians emigrated because of low wages or the perception of better career opportunities abroad. Employers also note that one of the main reasons for losing personnel is emigration. This is true for employees who leave for better wages, and also emerged as an issue when employers attempted to rehire workers who were laid off during the downturn, and discover they have gone abroad and cannot be enticed back. Wage growth has not been sufficient to fundamentally change this calculation.

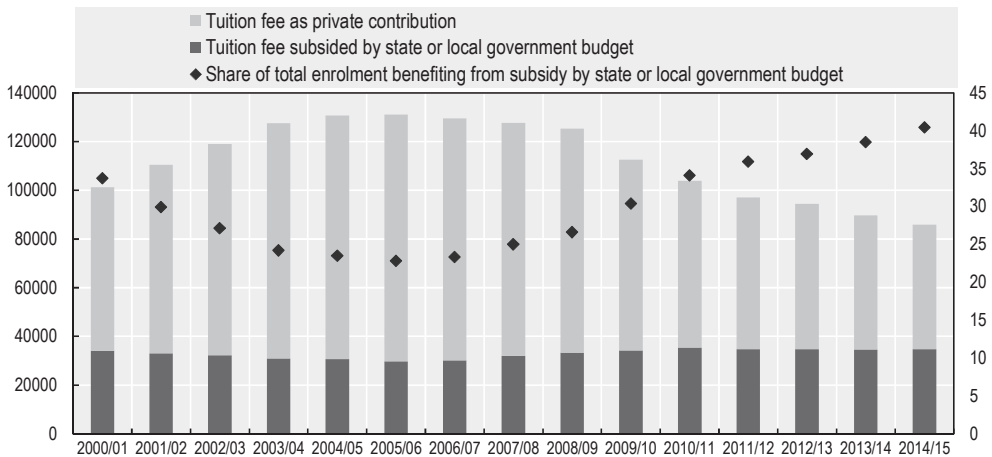
Emigration intention remains higher among less educated Latvians, but young people of all education backgrounds have high emigration intentions. The characteristics of emigrants are changing, with a larger share of young people and young couples. This is visible even among the very young. According to CSB, the number of Latvians age 15-24 leaving the country stood at 4 200 in 2012, 4 300 in 2013, and 3 400 in 2014, 1.6%, 1.8% and 1.5% respectively of the total population 15-24 in each year.

Many young people are spurning Latvian universities or leaving the country after graduation

University enrolment has been falling faster than the decline in the youth cohort. From the mid-2000s to the mid-2010s, the enrolled population fell by about one-third, from 131 000 to 86 000 (Figure 2.1). In Latvia, the state subsidises a certain number of higher education places in selected fields and programmes, for which students must compete for them. Those who do not score high enough or study in non-subsidised programmes pay tuition, which is set freely for non-subsidised places by the university of reference. State-subsidised places are decided every year at central level by the Ministry of Education and Science following a consultative process including labour market actors, in accordance with the labour market demands and long-term priorities.¹ Recently, the focus has been on natural sciences, mathematics and engineering. In 2013/14, there were about 30 000 state-subsidised places. The number of subsidised places has remained constant, while the number of self-paying students has fallen, from 101 000 to 51 000. EU nationals (as well as Latvian non-citizens and other permanent EU residents) may compete for subsidised places in university, although the language of instruction is Latvian.

Figure 2.1. The decline in student enrolment has mostly been in self-paying students

Student enrolment, by state-subsidised places and self-paying, relative to youth cohort size



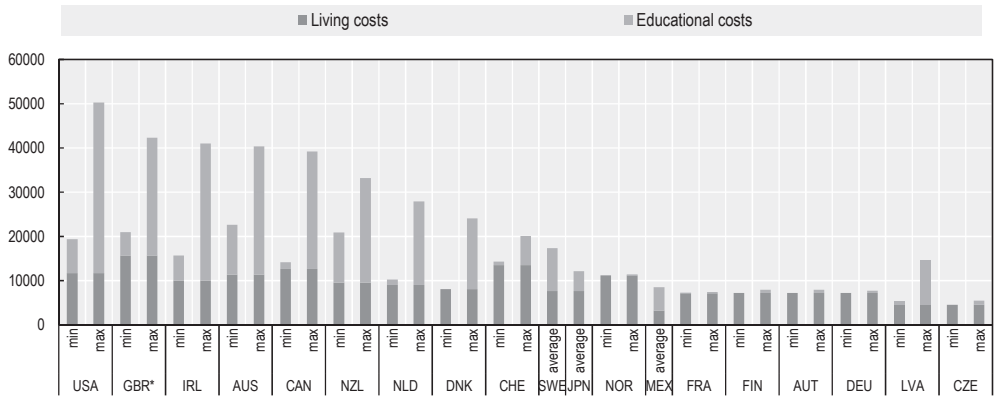
Source: Central Statistical Bureau.

Fees range widely, from about 700 to more than EUR 5 200. Full-time programmes at the University of Latvia range from about EUR 2 000 for most degrees to much higher costs for medicine and dentistry (EUR 50-60 000 for the entire degree programme). Engineering programmes are also more expensive.² This can be compared with fees in other EU countries (Figure 2.2), for which Latvian nationals pay the same costs as EU students; costs are lower in most countries (in Germany and France fees are nominal, and Scotland imposes no fees) but higher-paid work opportunities can often offset higher living costs, and allowances may be available (e.g., in France).

Migration intentions are particularly high for students; two-thirds report planning to live abroad (Hazans, 2013). In addition, many Latvian students bypass the national higher education sector and enrol directly abroad. The number of Latvian students studying abroad has in fact been increasing sharply. In 2007, there were 3 620 Latvian students enrolled in tertiary education in OECD countries, primarily in the United Kingdom and Germany. In 2011, this figure had risen to 6 650, with almost 3 000 in the United Kingdom alone, and other countries (Denmark, the Netherlands, Ireland) showing sharp increases.³ There is no evidence that these students are returning to Latvia after graduation.

Figure 2.2. International study in Latvia is relatively inexpensive

Annual living costs and educational costs for international students in selected countries, in EUR, 2013



* Excludes Scotland, min refers to lower bound of educational costs, max refers to an upper bound of educational costs.

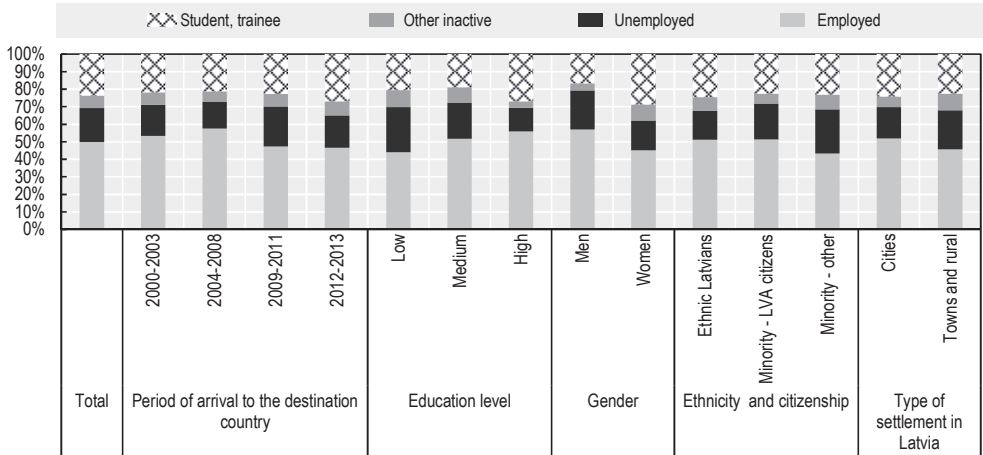
Source: OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eag-2013-en>; Usher, A. and J. Medow (2010), “Global Higher Education Rankings 2010. Affordability and Accessibility in Comparative Perspective, Higher Education Strategy Associates”, Toronto; and national governmental and university websites.

About 24% of all the emigrants who left Latvia since 2000 was a student or trainee before they left – and 27% of all tertiary educated Latvians, suggesting that one in four highly-educated Latvian emigrants went abroad after graduating without ever working in Latvia (Figure 2.3). The analysis presented in Chapter 1 shows that overall, about one-third of recent graduates have left Latvia in the years shortly after graduation.

Latvia has begun to devote policy attention to this area. The Latvian Education Development Guidelines 2014-2020 envisage a number of grant schemes for graduates; importantly, eligibility would be extended to those graduating from foreign institutions. The ESF programmes focused on attracting human resources to science have included foreign and re-migrated scientists among the targets. These are, however, small ambitions yet to be achieved, and would also require an information campaign abroad. More active outreach to Latvians studying abroad could be provided by creating a list of Latvian students abroad and by hosting information meetings in the main study destinations. One possible model could be to support private networks along the lines of those which exist for German researchers, the GAIN and GSO, which support recruitment efforts of German research institutes and prepares German researchers for application (OECD, 2015). These networks compile databases and subsidise trips to Germany to interview for open positions.

Figure 2.3. More than one in five recent emigrants was a student or trainee before emigrating

Latvian emigrants (as of 2014), by period of arrival, demographic characteristics and last labour market status in Latvia



Source: Hazans, M. (2015), “Emigration from Latvia: Return intention of post-2000 emigrants from Latvia”, paper for the OECD. Based on the project “The Emigrant Communities of Latvia: National Identity, Transnational Relations, and Diaspora Politics” implemented by the Institute of Philosophy and Sociology, University of Latvia in co-operation with the Faculty of Economics and Management, University of Latvia and supported by ESF Project 2013/0055/1DP/1.1.1.2.0/13/APIA/VIAA/040.

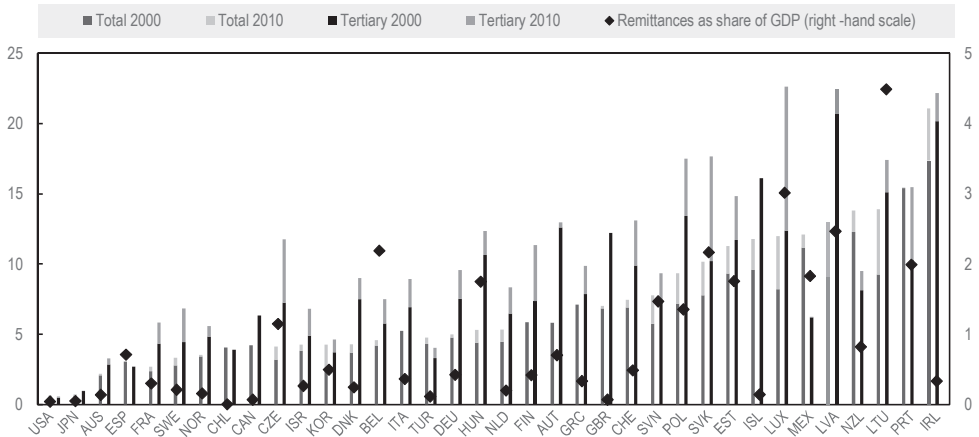
2. Diaspora policy needs to be bolstered, but cannot reverse emigration

The exact magnitude of emigration and the Latvian diaspora is not known. Latvian residents leaving the country are required to report their departure, but many do not. Following the 2011 census, emigration figures for the prior decade were revised upward by 8%.

Statistics from destination countries paint a detailed picture of the Latvian diaspora (Figure 2.4). According to the *Database of Immigrants in OECD Countries*, there were 270 000 Latvian-born people, age 15 and over, living in other countries in 2010/11. This yields an emigration rate, or share of the population 15+ born in the country and living abroad, of 13%. Only New Zealand, Portugal and Ireland had a higher emigration rate. The emigration rate for highly-educated Latvians rose from 9.5% to 15.3% over the decade, as the number of tertiary-educated Latvians living abroad more than doubled.

Figure 2.4. Latvia's emigration rate is higher and faster growing than for almost all OECD countries

Emigrant rate (share of persons 15+ born in country living abroad), 2000/01 and 2010/11, and remittances as a share of GDP, 2013



Source: OECD Database of Immigrants in OECD Countries (DIOC), 2015.

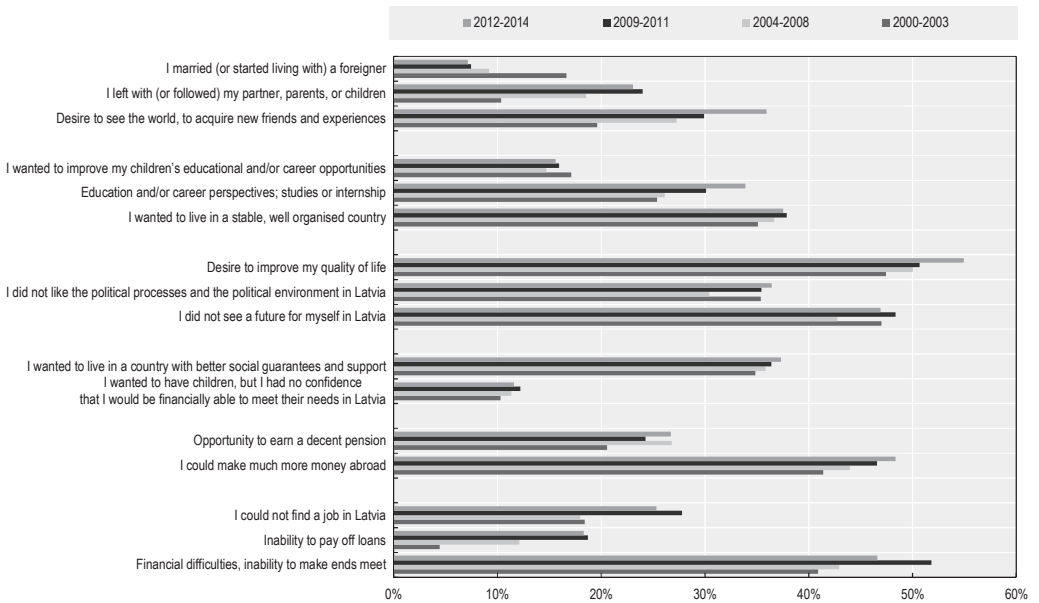
While the Latvian-born population abroad in 2000 was largely related to national minorities leaving Latvia in the 1990s, the 2000s saw the share resident in the OECD become the majority. In 2010, the Russian Federation and Belarus accounted for about 100 000 of the Latvian-born, down about 5% from the 2000 figures. In contrast, there were 159 000 Latvian-born living in OECD countries, up from 63 000 in 2000/01. The main countries of residence of Latvian-born migrants in 2010/11 were the Russian Federation, the United Kingdom, the United States, Ireland and Germany.

This division reflects the different history of the Latvian diaspora, discussed in Chapter 1. The post-war exiles in English-speaking OECD countries are no longer the bulk of the diaspora, and return from this group (and their descendants) has declined sharply. The Latvian-born in the Russia Federation, other CIS countries and in Israel comprise almost entirely emigrants who are not ethnic Latvians; this population is also diminishing. Today's diaspora largely comprises ethnic Latvians working in European countries, most of whom left post-2004.⁴ As noted in Chapter 1, in 2013, according to national sources, they were mostly residing in the United Kingdom (80 000), Germany (25 000) and Ireland (20-30 000), and Nordic countries (about 20 000).

Information on the characteristics of the post-2000 emigrants is available from a large-scale survey of about 12 500 Latvian emigrants

(including national minorities) conducted in 2014 and reported in Hazans (2015).⁵ On average, respondents indicated a number (four or five on average) of motivations out of 17 possibilities. The main motivations (Figure 2.5) have been financial difficulties, a difficulty in making ends meet, the difficulty of imagining a future, and the promise of better earnings. Women tend to cite fewer factors than men, and more often report having emigrated because a family member or partner was abroad. While certain factors were cited more frequently by emigrants who left during the crisis years – debt, financial issues and the promise of higher wages – there was little decline in these motivations for emigrants who left after the worst period of the crisis had passed.

Figure 2.5. Reasons for emigration of emigrants, 2000-14, by period of emigration

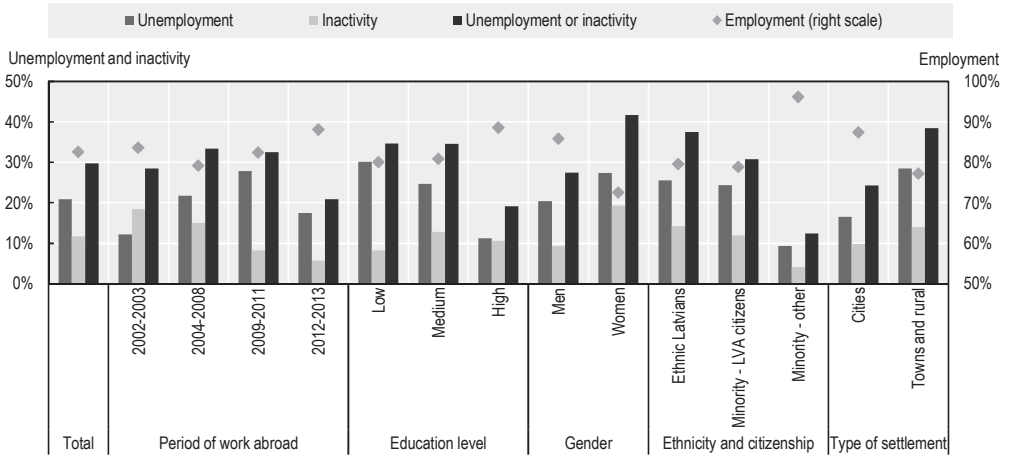


Source: Hazans, M. (2015), “Emigration from Latvia: Return intention of post-2000 emigrants from Latvia”, paper for the OECD. Based on the project “The Emigrant Communities of Latvia: National Identity, Transnational Relations, and Diaspora Politics” implemented by the Institute of Philosophy and Sociology, University of Latvia in co-operation with the Faculty of Economics and Management, University of Latvia and supported by ESF Project 2013/0055/1DP/1.1.1.2.0/13/APIA/VIAA/040.

Difficulty in finding employment in Latvia has not been one of the main push factors cited by emigrants. This mirrors the findings from the labour force survey (LFS) which covers people who have left to work abroad but are still considered members of a household resident in Latvia (Figure 2.6). Most (83%) of these “guest workers” were employed in Latvia prior to

emigration. More recent “guest workers” are even more likely to have been employed in Latvia. Although low-educated and residents of rural areas and towns were more likely to go work abroad following unemployment than higher educated and urban dwellers, the share of those who were unemployed in Latvia did not exceed 30%.

Figure 2.6. Incidence of spells of employment, unemployment or inactivity in Latvia during the previous year among Latvian guestworkers, 2002-13



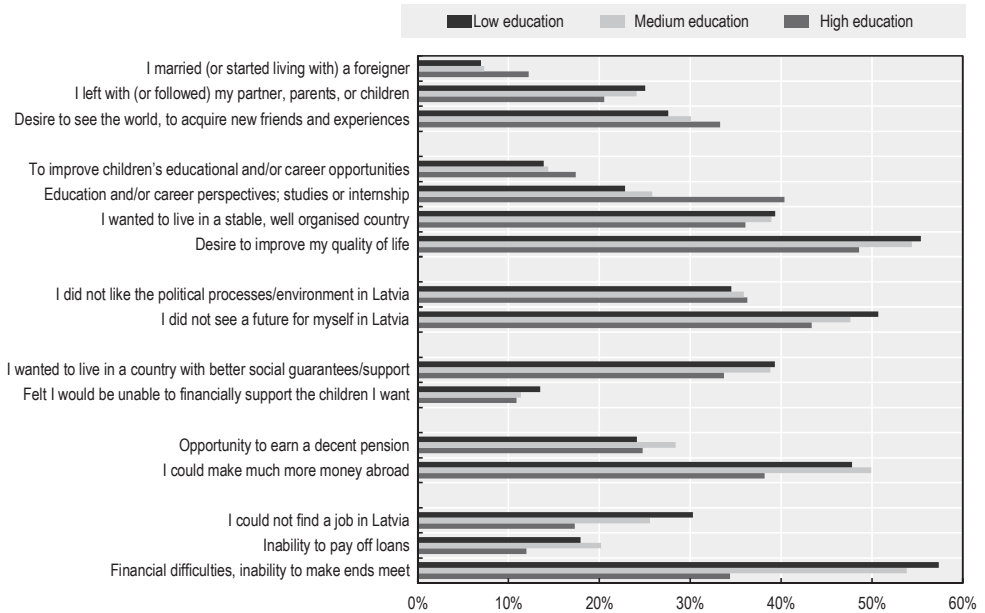
Note: “Guestworkers” are labour emigrants still considered household members back home.

Source: Labour force survey.

For higher educated Latvian emigrants, economic reasons were much less of a factor pushing them to leave than they were for low-educated emigrants (Figure 2.7). Economic push factors were cited by 42% of high-educated Latvian emigrants, compared with 62% of low-educated emigrants.

Figure 2.7. Higher educated emigrants sought more than just employment abroad

Motivation for emigration, by education level, period of emigration

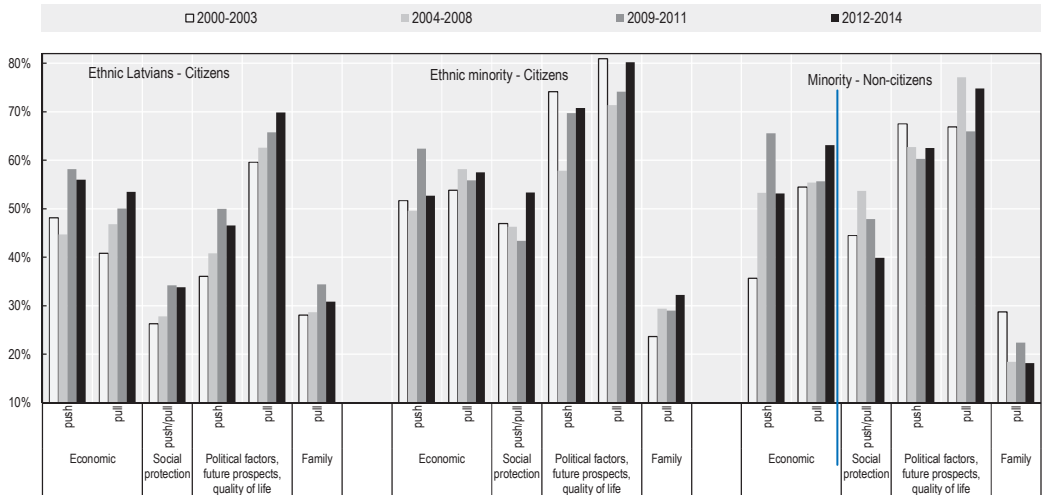


Source: Hazans, M. (2015), “Emigration from Latvia: Return intention of post-2000 emigrants from Latvia”, paper for the OECD. Based on the project “The Emigrant Communities of Latvia: National Identity, Transnational Relations, and Diaspora Politics” implemented by the Institute of Philosophy and Sociology, University of Latvia in co-operation with the Faculty of Economics and Management, University of Latvia and supported by ESF Project 2013/0055/1DP/1.1.1.2.0/13/APIA/VIAA/040.

Ethnicity and nationality also affect the decision to emigrate. Ethnic Latvians who left were less troubled by the political situation in Latvia (Figure 2.8), while these were frequent push factors for those belonging to a national minority, even if they held Latvian citizenship.

Figure 2.8. National minorities and non-citizens are more likely to cite political and social security factors in their emigration decision

Motivation for emigration, by ethnicity, citizenship and period of emigration



Source: Hazans, M. (2015), “Emigration from Latvia: Return intention of post-2000 emigrants from Latvia”, paper for the OECD. Based on the project “The Emigrant Communities of Latvia: National Identity, Transnational Relations, and Diaspora Politics“ implemented by the Institute of Philosophy and Sociology, University of Latvia in co-operation with the Faculty of Economics and Management, University of Latvia and supported by ESF Project 2013/0055/1DP/1.1.1.2.0/13/APIA/VIAA/040.

According to estimates by Hazans (2015), the emigrant stock comprises about 10.9% of the 2000 Latvian resident population. While Latvian regions – and particularly rural areas – have seen the sharpest decline in population, they are neither the main regions of emigration nor the regions which have the highest emigration rates as a share of population (Table 2.1). In fact, Latvia’s cities and towns have the highest outflow rates. Rural regions may be losing population to internal migration – to the capital, particularly – but it is the urban centres from which emigrants are departing.

Table 2.1. Emigration rates are higher from urban areas

International emigration rate since 2000, by place of residence in Latvia (as of the end of 2014, in % of population at the beginning of 2000)

| | |
|-------------------|------|
| Main cities | 14.9 |
| Riga | 14.3 |
| Other towns | 15.7 |
| Small towns | 12.2 |
| Rural settlements | 3.9 |
| Latvia | 10.9 |

Source: Hazans, M. (2015), “Emigration from Latvia: Return intention of post-2000 emigrants from Latvia”, paper for the OECD. Based on the project “The Emigrant Communities of Latvia: National Identity, Transnational Relations, and Diaspora Politics“ implemented by the Institute of Philosophy and Sociology, University of Latvia in co-operation with the Faculty of Economics and Management, University of Latvia and supported by ESF Project 2013/0055/1DP/1.1.1.2.0/13/APIA/VIAA/040.

The recent emigrants show low propensity to return

Return intention appears low. Of post-2000 emigrants, about 16% intend to return to Latvia in the short and medium-term (within five years), and an additional 31% could be convinced to return if conditions are right. Using estimates of the emigrant population, this suggests that about 40 000 of today’s emigrants intend to return, with a further 80 000 under the right conditions.⁶ The remainder would only consider returning for retirement, or not at all. Return intentions are much higher in the initial emigration period and for emigrants who have been abroad for less than one year: 36% compared with 15% for those who have been abroad for more than a year. Those who intend to return are generally dissatisfied with their life abroad, rather than those who wish to seek new opportunities in Latvia.

The estimates on return potential may be overly optimistic: across countries, return probability declines sharply after five years abroad (OECD, 2008). While no such comparable survey exists for other OECD countries with large recent emigrant populations, a smaller-scale survey of Polish emigrants in four major destination countries found in 2012 that about 60% of emigrants intended to return, down from 82% in 2007, as durations of stay grew longer (Chmielewska, 2015). The clear implication for Latvia is that migrants who left during the peak emigration years of the crisis are increasingly unlikely to return if they have not done so already.

Latvians are reluctant to return for a wide variety of reasons (Table 2.2). Quality employment (in terms of wages and matching qualifications) is the main reason across gender, education and population groups, but equally important is the perception of a weak social support system in Latvia. The benefit system is more generous in many of the destination countries of emigrants. For example, even during the Irish economic downturn, when unemployment spiked among Latvian labour migrants, Latvians had a low return rate from Ireland. Further, for almost three out of four emigrants, their lives are established abroad already, making it difficult to uproot themselves again and return. Language is cited by relatively few ethnic Latvian emigrants as a factor preventing return, but is more of an issue for minorities and particularly for non-citizens.

Table 2.2. Many factors prevent Latvian emigrants from returning

Factors preventing Latvians from returning: Percentage who find it very important or fairly important

| Factor | Total | Gender | | Education | | Minority/Citizen | | |
|---|-------|--------|-------|-----------|------|-----------------------|-------------------|-----------------------|
| | | Men | Women | Low | High | Non-minority, citizen | Minority, citizen | Minority, non-citizen |
| I cannot find a decent job in Latvia | 78.7 | 77.4 | 79.2 | 83.4 | 76.3 | 76.5 | 80.2 | 82.4 |
| I would not get adequate social support (benefits, pension, etc.) in Latvia | 76.7 | 73.5 | 78.0 | 77.7 | 74.1 | 71.2 | 81.1 | 78.0 |
| I have settled down here, in my current country of residence | 71.6 | 66.1 | 74.9 | 68.1 | 73.4 | 68.9 | 73.6 | 70.7 |
| I have no opportunities for professional/career growth or entrepreneurship in Latvia | 66.6 | 65.9 | 66.8 | 65.5 | 69.0 | 64.8 | 68.0 | 67.3 |
| I am disillusioned with the Latvian state | 62.7 | 64.6 | 60.7 | 65.5 | 58.8 | 57.0 | 67.7 | 64.3 |
| I am not sure my child(ren) will receive adequate support while adapting to the Latvian system of education | 51.7 | 52.3 | 51.7 | 58.9 | 48.7 | 46.4 | 57.5 | 56.0 |
| Most of my family and friends do not live in Latvia | 41.6 | 36.5 | 45.1 | 45.8 | 39.8 | 37.9 | 45.0 | 44.7 |
| I have outstanding mortgage and/or other loans in Latvia | 17.5 | 17.8 | 17.7 | 20.3 | 15.0 | 18.8 | 17.5 | 7.1 |
| I would have language difficulties in Latvia | 11.6 | 11.6 | 11.1 | 10.5 | 12.0 | 6.0 | 15.8 | 25.7 |

Source: Hazans, M. (2015), “Emigration from Latvia: Return intention of post-2000 emigrants from Latvia”, paper for the OECD. Based on the project “The Emigrant Communities of Latvia: National Identity, Transnational Relations, and Diaspora Politics“ implemented by the Institute of Philosophy and Sociology, University of Latvia in co-operation with the Faculty of Economics and Management, University of Latvia and supported by ESF Project 2013/0055/1DP/1.1.1.2.0/13/APIA/VIAA/040.

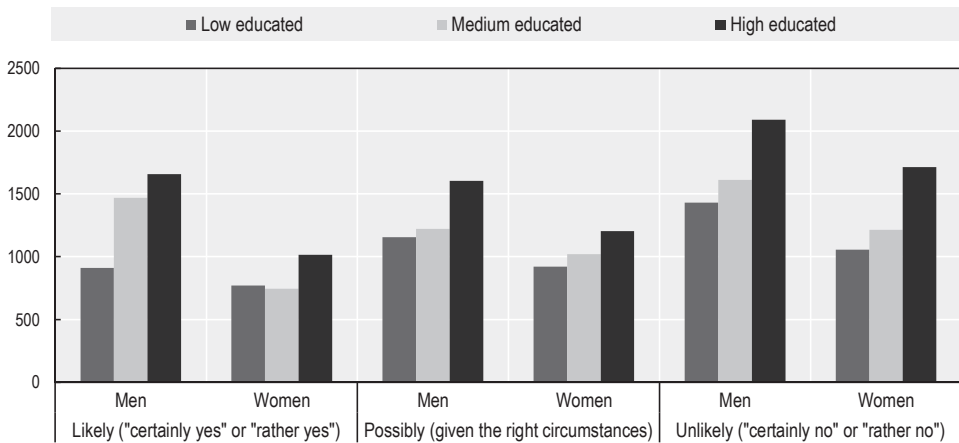
As the difficulty of finding a decent job is one of the main factors preventing return, one way to increase return would be to make it easier for emigrants to be matched with quality jobs and Latvia has taken steps in this direction. In Estonia, a project (“Talents Back Home”) supported by the ESF aimed at matching Estonian employers with candidates abroad with a high level of qualifications, and Latvia has also joined this programme to build a database of talents abroad, and raise interest from employers. There are a number of other examples of programmes promoting job offers to emigrants. In Romania, demand from employers has been concentrated in trades, leading the employment service to organise job fairs in countries with large numbers of Romanian emigrants. In Poland, national policy

sought to reduce obstacles to return rather than to affect individual decisions (Kaczmarczyk, 2013). A number of regional programmes ran prior to the economic downturn, including presentations in London by cities interested in attracting and supporting return migrants.

Finding a matching job is, however, not enough; salary requirements are also important. The 2014 emigrant survey asked labour migrants to state the salary for which they would be willing to return (Figure 2.9). On average, this was well above the median Latvian salary, even if it was below the salaries in the country of residence. For high educated men who were already thinking of return in the next five years, the figure was above EUR 1 650. For women it was substantially lower, however. Interest in job fairs by Polish and Romanian emigrants, respectively, did not lead to recruitment back to home-country employers when wages remained far below those in the host country (Mereuta, 2013). This suggests that return will depend on wage growth.

Figure 2.9. Reservation wage for emigrants is higher for men

“What is the minimum salary/wage/pay per month that could interest you in a job in Latvia?”:
Responses by education, gender and likelihood of return, in EUR



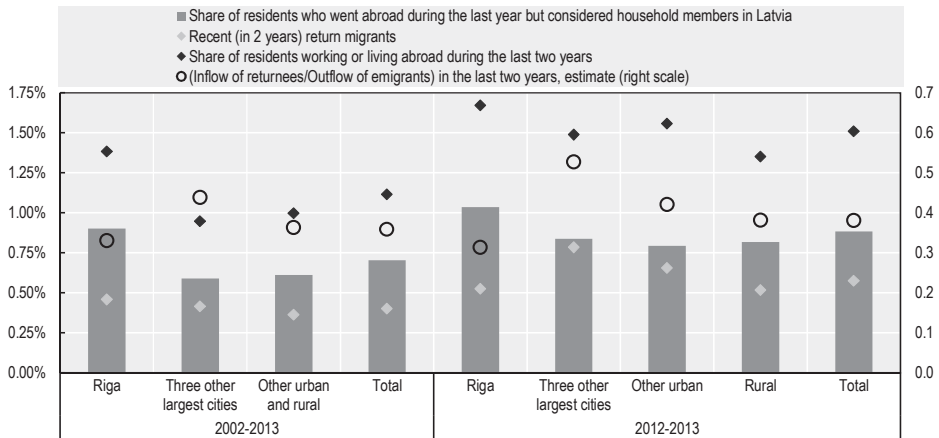
Source: Hazans, M. (2015), “Emigration from Latvia: Return intention of post-2000 emigrants from Latvia”, paper for the OECD. Based on the project “The Emigrant Communities of Latvia: National Identity, Transnational Relations, and Diaspora Politics” implemented by the Institute of Philosophy and Sociology, University of Latvia in co-operation with the Faculty of Economics and Management, University of Latvia and supported by ESF Project 2013/0055/1DP/1.1.1.2.0/13/APIA/VIAA/040.

Not all Latvians who go abroad to work or study remain abroad, in fact. Analysis of the LFS by Hazans (2015) suggests that about half of guestworkers – those who go abroad for work, but whose household is still in Latvia – return (Figure 2.10). This share is higher in peripheral cities, and

lowest in the capital. While the impact of emigration on rural areas is less than it is on cities, the return rate so far is also lower.

Figure 2.10. About half of temporary workers abroad with household in Latvia return

LFS-based estimates of outflow of emigrants and inflow of returnees, by type of settlement



Note: “Other main cities” here refer to the three largest cities after Riga (Daugavpils, Jelgava and Liepaja), while all other urban settlements (population below 55 000) are “small”.

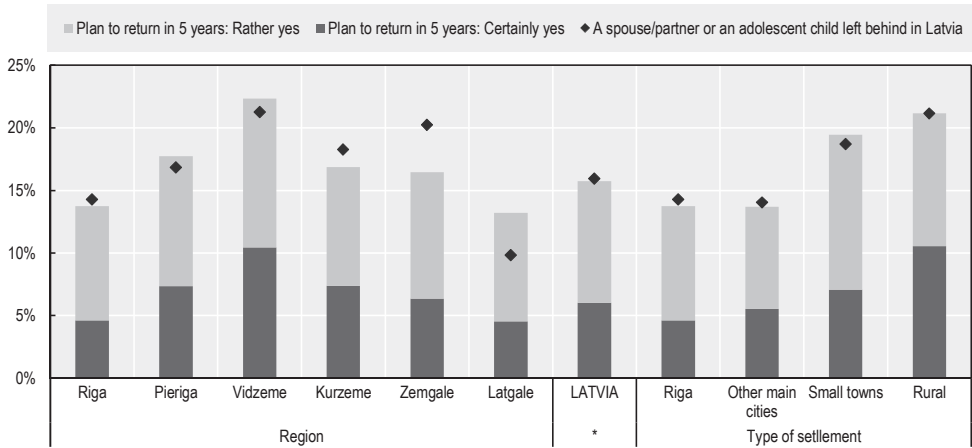
Source: Hazans, M. (2015), “Emigration from Latvia: Return intention of post-2000 emigrants from Latvia”, paper for the OECD. Based on the project “The Emigrant Communities of Latvia: National Identity, Transnational Relations, and Diaspora Politics” implemented by the Institute of Philosophy and Sociology, University of Latvia in co-operation with the Faculty of Economics and Management, University of Latvia and supported by ESF Project 2013/0055/IDP/1.1.1.2.0/13/APIA/VIAA/040, using LFS microdata.

The share of emigrants who plan to return is, as noted above, low: about 16% of all recent emigrants. Those least likely to return are from Riga and from the Latgale region (Figure 2.11). In part this is because many are from national minorities, who have a lower return propensity than ethnic Latvians. Emigrants with some minority background (national minority, non-Latvian mother tongue, Russian-speaking spouse or partner, etc.) are less than 5% of the emigrant population, and substantially less likely to return than ethnic Latvians without minority background. They are more likely, however, to plan a return within six months, as they do not enjoy free labour market access in the European Union (Hazans, 2015).

There is a difference in migration from urban and from rural areas. Migrants from rural areas, who were more likely to leave for shorter term employment abroad, have a higher propensity to return. Most returning Latvians go back to the city or region from which they left, rather than gravitate exclusively towards the capital. This means that the in an economy

increasingly centred on the capital, skills acquired abroad and brought by returning emigrants will be more difficult to utilise, as these migrants tend to return to rural areas where their family awaits, but employment opportunities are much more limited and where they left financial problems which may not be resolved. Further, as this group tends to emigrate due to an inability to find work, they are likely to leave again if the job market has not improved in their home region. Emigrants from urban areas, on the other hand, were more likely to leave due to non-economic factors, such as dissatisfaction with the political process in the country – factors which are associated with reluctance to return. While internal mobility is increasing the concentration of Latvians in the capital, the capital and the other large cities are also losing a larger share of their population to emigration than the rest of the country, indicating that even the broader opportunities available in the capital are not enough to stop emigration.

Figure 2.11. Emigrants’ plans to return and family members left behind in Latvia
Share of recent emigrants (since 2000) who say they are likely or very likely to return to Latvia



Source: Hazans, M. (2015), “Emigration from Latvia: Return intention of post-2000 emigrants from Latvia”, paper for the OECD. Based on the project “The Emigrant Communities of Latvia: National Identity, Transnational Relations, and Diaspora Politics” implemented by the Institute of Philosophy and Sociology, University of Latvia in co-operation with the Faculty of Economics and Management, University of Latvia and supported by ESF Project 2013/0055/1DP/1.1.1.2.0/13/APIA/VIAA/040.

The higher propensity to return among less educated Latvians is also visible in the characteristics of return migrants: 27% of departing Latvians are tertiary-educated and only 18% of those returning. Programmes to reintegrate returning Latvians, then, will have to take into account the lower education level of the larger share of returnees.

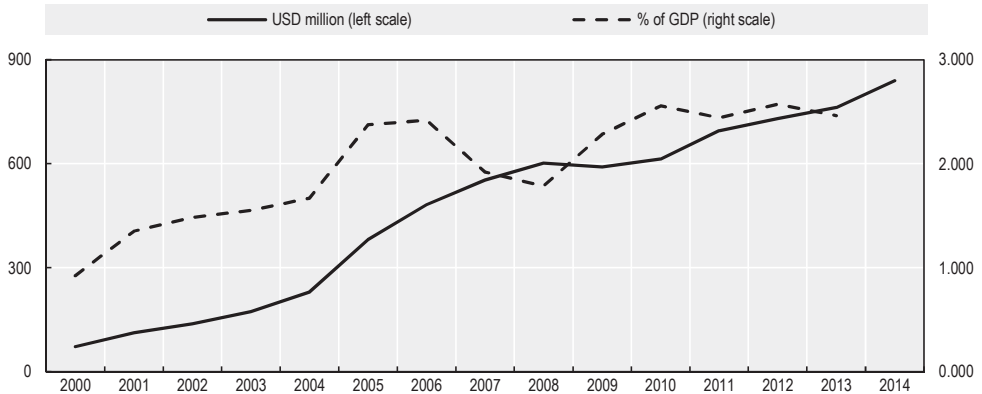
Family formation abroad is one of the main obstacles to return. About half of post-2000 emigrants live abroad with a spouse or partner, or an estimated 136 000 Latvians. At least one in three of these partners are foreigners.

Other major emigration countries in the OECD have a one-stop website with information for prospective returnees (e.g., powroty.gov.pl, a specialised website run by the Polish PES). Latvia does provide information on its portal (latvija.lv) for prospective returning emigrants, mostly by pointing them elsewhere. Specific measures for returning emigrants could be made clearer.

Remittances will likely decline from their present levels

The substantial emigrant population is an important provider of remittances to Latvia; remittances account for about 2.5% of GDP and have increased since the crisis (Figure 2.12). Among OECD countries, only in Luxembourg do remittances account for a larger share of GDP, and this is due to cross-border financial transfers rather than emigrants (Figure 2.4 above).

Figure 2.12. Remittance flows provide a major contribution to GDP



Source: World Bank remittances data.

Calculating remittances in income is also an issue for means-tested benefit eligibility. If a family member is declared as resident abroad, the burden of proof falls on the family members in Latvia to show no income from the absent partner. However, many emigrants – especially less educated Latvians working shorter periods abroad – do not register their emigration.

For the moment, remittances clearly provide an important contribution to Latvian households. Overall, the EU-SILC indicates that transfers (a proxy for remittances) comprised 1.5% of household income in 2012, but for the 9% of Latvian families receiving them, remittances comprised 20% of income. Inter-household transfers accounted for a growing share of household income among poorer households, although this varied through the crisis (Table 2.3).

Table 2.3. Remittances are a key component of household income for one in ten poor families

Contribution of inter-household transfers to Latvian families, by decile, 2007-13

| Year | Decile | | | | | Share of total income (%) | Share of households receiving transfers (%) | Share of income for households receiving transfers (%) |
|------|--------|-----|-----|-----|-----|---------------------------|---|--|
| | Bottom | 2nd | 3rd | 4th | 5th | | | |
| 2007 | 3.5 | 1.4 | 4 | 4.2 | 2.6 | 1 | 11.8 | 10.5 |
| 2008 | 2.3 | 1.6 | 3.5 | 4.5 | 4.1 | 1.4 | 10.8 | 16.2 |
| 2009 | 2.9 | 1.7 | 3.7 | 4.1 | 3.1 | 1.5 | 10.5 | 16.6 |
| 2010 | 7.5 | 1.8 | 2.2 | 2.8 | 2.9 | 1.4 | 11.5 | 15.2 |
| 2011 | 7 | 2.9 | 2.2 | 3.1 | 2.9 | 1.7 | 11.5 | 17.2 |
| 2012 | 6.5 | 1.6 | 1.7 | 2.8 | 2.9 | 1.5 | 9.2 | 20.2 |
| 2013 | 4.8 | 1 | 1.7 | 2.8 | 2.1 | 1.4 | 9.1 | 18.8 |

Note: Transfers include other sources such as alimony payments. Deciles are equalised by the square root of the household size. Both regular inter-household cash transfer received(gross) and household gross income are equalised.

Source: EU-SILC.

As emigrants bring their families to join them, and more Latvians emigrate as a family unit, remittances will decline, with impact on the broader economy. A decline in remittances to the poorest families will create more pressure for anti-poverty measures. The challenge in this area is to shift remittances from household transfers to broader investments in Latvian development. Remittances also go to higher income households, who may be interested in such products as “diaspora bonds” (of little use in times of low borrowing costs) or local infrastructure project financing.

A concerted policy for diaspora relations needs to be expanded

Latvia inherited a social, cultural and political infrastructure for contact with its diaspora from the exiles who left the country after the Second World War. The World Federation of Free Latvians, founded in the 1950s, now has a Memorandum of Understanding (MoU) with the Ministry of Foreign

Affairs. The Ministry of Foreign Affairs also has a MoU with the European Latvian Association. This diaspora network has been growing in countries of new Latvian migration (e.g. Luxembourg, Belgium and Austria). The existence of long-standing representative bodies facilitates relations with the diaspora. These bodies are not representative of all registered Latvians abroad, since they are based on activism and voluntary participation, nor do they play a statutory role in Latvia.

The institutional framework for diaspora relations was weak until the early 2010s, based on co-operation with traditional diaspora associations. The most concrete policy was a programme for people of Latvian origin to come and settle in Latvia, the Repatriate programme (see Box 2.1). The early post-independence migration coincided with an economic boom, so little attention was given to emigration issues. With the subsiding of the crisis, it became clear that many recent emigrants would not return, and policy has shifted to how to maintain relations with this new diaspora. Emigration issues have recently become the object of policy.

Policy attention is still focused on return, although alternatives are now considered

In 2013, the Cabinet of Ministers approved a “Remigration Support Measure Plan 2013-2016” to support Latvian nationals and their families living abroad in returning to Latvia, as well as those who wish to open businesses in, or maintain business ties with, Latvia. The Plan, which draws on the experience of diaspora outreach programmes in other countries, covers a wide range of actions and objectives. Some of these are meant to smooth the path to employment in Latvia for labour migrants, by creating one-stop information sources for Latvians abroad on return and improving information on the Latvian labour market to Latvians abroad. Others are aimed to support Latvians who return with families they have acquired or raised abroad: Latvian language support for returnee family members and support for reintegration of returning students of Latvian families. A third domain is that of trying to reach highly educated emigrants, with a proposal to provide grants to high-skilled Latvians abroad to return, including potential student debt forgiveness; and to ensure that the public procurement and civil service hiring process is accessible to Latvians abroad. Fourth, these are co-operative efforts with other actors to expand business network development with the Latvian diaspora.

An Action Plan for the Diaspora 2015-2017 was introduced by the government in 2014, and covers four pillars:

- *Identity*: Reinforcing Latvian identity, through summer camps, media, and other outreach initiatives. Supporting the Latvian Language and Literature, both abroad and for returning Latvians who have not been in the Latvian system.
- *Civic and political engagement*: Latvians enrolled in the electoral register have the right to vote abroad. In the 2014 elections, there were 98 precincts abroad, and 23 000 voters out of 78 000 eligible, a record high level of participation but only half the participation rate in Latvia (59%).
- *Co-operation*: Working towards co-operation in economics, culture, education and science. This brings together schools, associations, the Latvian Youth Forum. The Ministry of Foreign Affairs has held World Latvian Economic and Innovation Forums in 2013 and 2015. The Ministry of Culture hosts an annual diaspora conference. It also organised the First World Latvian Economic and Innovation Forum in July 2013, to bring together entrepreneurs and investors from the global diaspora. This is in line with good practice in this area across OECD countries.
- *Assistance*: Providing assistance to those who wish to return as repatriates or those re-migrating, including the integration of their children into the Latvian education system.

These plans contain elements of positive action plans taken by a number of OECD countries in response to large-scale emigration. Limited funding – a few hundred thousand euros in the first years – has meant that only those actions which imply the lowest costs – such as improved relations with diaspora organisations – have been implemented.

There are a number of domains in which Latvia is working to adjust. The Ministry of Education and Science, which oversees Latvian language education policy, found that material developed for the older diaspora was no longer appropriate for the recent emigrants, necessitating new curricular material. The ministry also had to take responsibility for scholastic reintegration of children of Latvians returning from abroad. In 2013, almost 500 Latvian children returned to Latvia (one-fourth from the United Kingdom), of whom 40% had never been in school in Latvia. For these children, three years of additional support (in language and in culture) is provided, tracked by the ministry.

In light of the central role of the Latvian language, improving prospects for return will also depend on ensuring that emigrants' children are familiar with the language. Language education for this group is supported by the Latvian Language Agency, which grew out of a UNDP programme of Latvian as a Second Language. Language support is provided, with about

100 Latvian-language “weekend schools” in the main emigration countries, of which 70 schools are in Europe.⁷ The Latvian Language Agency provides direct financial support to 35-40 schools and to Latvian language summer camps. Until the mid-2000s, a “social integration secretariat” funded the teachers, but these salaries are now subsidised by the World Federation of Latvians.

In Latvia itself, support was provided through a national integration centre for third-country nationals, which provides legal support, translation and language support. This centre was created in 2012 due to the availability of targeted and earmarked funds from the European Union – meant for immigrant integration – and served about 700 users annually. While not originally designed for returning Latvians, it served as the structure to provide expanded services to returning Latvians. The integration centre operated until June 2015. In October 2015, Shelter Safe House, a non-governmental organisation, was tasked with the integration of third-country nationals.

One of the main and traditional areas of investment for diaspora relations is the cultural sphere. The Ministry of Culture supports festivals (essentially, song and dance), as well as “3x3 camps” which bring three generations of diaspora to Latvia together. A social integration foundation funds summer camps for 250 children of Latvians abroad. These initiatives can be particularly useful to maintain contact with diaspora, although there is the risk that these benefit only emigrants who already feel a strong desire to maintain contact with the home country. Subsidised summer camp experiences in particular should be targeted at youth who are less active in diaspora communities and whose knowledge of the language or culture is weaker. Youth visits have been shown in Israel, for example, to have the strongest long-lasting effects among the least connected diaspora youth. Non-subsidised places could be offered as well to parents abroad who wish to send their children to Latvia. Programmes for less connected emigrants will become more important as the diaspora settles definitively in other countries.

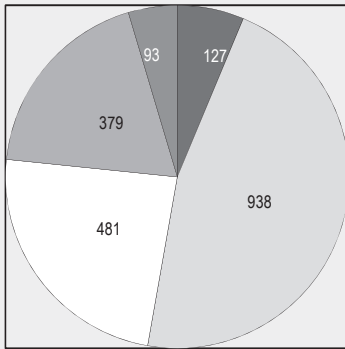
Relative to the exiles of the post-War period and their children, the recent wave of emigration is less educated, and less prone to speak Latvian with their children or invest in Latvian culture in the new country. Latvia must seek new forms of cultural outreach to reach this less attached and motivated population. The National Electronic Media Council, which oversees radio and television, has a pilot competition for diaspora television. The programme, “the Fifth Region”, is shown on Latvian television.

Box 2.1. Latvia offers repatriation to foreigners of Latvian origin

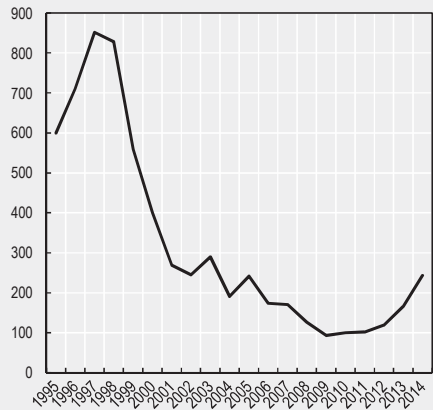
Latvia has a legislative framework for “returning Latvians” – those of Latvian origin who left Latvia prior to May 4, 1990 and their descendants. The “Latvian origin” requirement excludes a large part of the Latvian-born population – mostly in the Russian Federation, Israel and Belarus – who do not qualify as citizens or as of “Latvian or Livonian descent”. This programme is similar to ethnic repatriation programmes which existed in a number of OECD countries, such as Hungary, Greece and Finland. Once recognised, repatriates may bring their household goods duty-free, receive up to EUR 710 to cover travel and shipping costs, and are potentially eligible for financial assistance from the Ministry of Interior during the first six months (equivalent to the 90% of the unemployment benefit). The programme saw a significant number of repatriates in the mid-1990s and the number has remained low since then. Most of the repatriates came from FSU countries or from North America, with recent repatriates almost entirely from the Russian Federation and Ukraine. Repatriates receive permanent residence permits and are eventually eligible for naturalisation under the same conditions as other foreigners.

Repatriates’ source countries, 2003-14

- OECD Europe
- Other FSU
- Other
- Russian Federation
- OECD non-Europe



Annual repatriations, 1995-2014



Source: Office of Citizenship and Migration Affairs.

Note: There is no evidence on the retention rate of repatriates. Geopolitical crises may lead to increases in interest from eligible candidates in nearby countries, but the programme is likely to make only a marginal contribution to net migration in the future.

Regarding return support, the Ministry of Economy has identified a number of issues for returnees: information; access to the labour market; weak support for the high-skilled, especially academics and scientists. Among the target areas of action are to provide support for post-graduate study, an e-learning web-based language platform; and support for entrepreneurs, through a business start-up programme. These are all dependent on a diaspora plan which is not fully funded. There appears to be a strong potential for business contacts. The 2014 emigrant survey in 2014 identified some entrepreneurship or business potential in at least one in three post-2000 emigrants from Latvia (Table 2.4), although non-response on certain questions led to exclusion of half the sample. The survey found that 3.6% of the emigrants have a business in Latvia and 23% have plans to establish such a business or to help their employers to establish co-operation with partners in Latvia.

Table 2.4. Many Latvians abroad have the potential to create and develop businesses in Latvia

Share of post-2000 Latvian diaspora who are self-employed, have business plans or businesses, by destination, 2014

| Characteristics | United Kingdom | Ireland | Germany | Rest of EEA | Rest of the world | Total |
|---|----------------|---------|---------|-------------|-------------------|-------|
| Self-employed, no plans in Latvia | 6.8 | 4.8 | 10.5 | 8 | 16.7 | 8.2 |
| Plans business or co-operation in Latvia, not self-employed | 16 | 19.9 | 19 | 20.6 | 18 | 18.1 |
| Self-employed & plans business or links in Latvia | 2.1 | 0.3 | 2.3 | 2.7 | 3.6 | 2.2 |
| Has a business in Latvia but no further plans | 3 | 1.2 | 4.6 | 3.6 | 3 | 3.2 |
| Has a business in Latvia and further plans | 1.7 | 0 | 2.2 | 2 | 2.7 | 1.7 |
| None of the above | 70.5 | 73.8 | 61.4 | 63.1 | 55.9 | 66.5 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |

Note: For about half of respondents, insufficient information was available to determine business potential. These are excluded.

Source: Hazans, M. (2015), “Emigration from Latvia: Return intention of post-2000 emigrants from Latvia”, paper for the OECD. Based on the project “The emigrant communities of Latvia: National identity, transnational relations, and diaspora politics” implemented by the Institute of Philosophy and Sociology, University of Latvia in co-operation with the Faculty of Economics and Management, University of Latvia and supported by ESF Project 2013/0055/1DP/1.1.1.2.0/13/APIA/VIAA/040.

This proportion is lower in the UK (30%) and Ireland (26%) but higher in Germany (39%) and other non-English-speaking EEA destinations (37%), but especially in non-EEA destinations (44%). The differences between destinations are mainly due to different self-employment rates. Emigrants working in construction are over-represented among those with business potential. The current global business outreach could better target certain sectors and destination countries to ensure that intentions of emigrants are fully supported.

Return policy will not be the main driver of return decisions

Based on what is known about return intentions and those Latvians who have returned, the impact of these support policies is likely to be limited on both the propensity to return and the likelihood that emigrants will not re-depart. Their ability to address emigrant-specific issues is limited. The main reason given for interest in returning to Latvia currently is the presence of family ties. Returning Latvians go to their home areas, often rural areas in which employment opportunities are poor. Returning migrants were often overqualified for their job abroad and have suffered deskilling. Job matching tools could be improved, as could a means for emigrants to stay in the pool of candidates. For equity reasons, salary top-offs for returning workers have not been included in the package of return policy, nor are there facilitations for foreign spouses of returning Latvians. Among the proposals discussed in Latvia is one to write off loans for Latvians who studied abroad in fields of priority interest in Latvia. This would help counterbalance the lower income in Latvia for highly qualified emigrants who studied abroad, but only to the extent they have outstanding loans. Latvians who study in other EU countries are unlikely to have outstanding study-related debt.

Finally, other countries (e.g., Ireland and Poland) have also devoted resources to supporting those emigrants who are most in need and in difficulty – unemployed, ill or otherwise vulnerable – assisting them to return home when they have no resources. While the return of indigent emigrants may not be of immediate economic benefit, it can be an important component of diaspora outreach and has seen uptake where it is available.

3. Latvia has yet to start the uphill battle to attract labour and economic migrants to Latvia

Although labour market slack has yet to vanish, and increasing employment rates is a higher priority, a tight labour market seems likely by the late 2020s due to population declines. The European Commission assumes that there will be net positive migration from 2025 in its 2012 Ageing Report, even if it does not expect this to counteract the decline in the working age population (European Commission, 2012). The Latvian mid-term labour market forecasts (2014) even more optimistically assume net positive migration from 2016, with net positive migration driven by immigration of non-Latvian citizens, rather than returning nationals, from 2020. The Ministry of Economy forecasts net migration of about 5 000 foreigners annually from 2020, with a focus on selective labour migration for gaps in the labour market. This scenario is at odds with both current migration trends and the absence of policy activity in this area.

International migration to Latvia, excluding nationals, is low relative to the OECD average. According to the national definition, inflows of foreigners were equivalent to 1.6 per thousand inhabitants in 2012-13, against outflows of 2.1 in 2012 and 1.5 per thousand in 2013. This compares with permanent migration flows into OECD countries of about 6 per thousand – with much lower outflows – and about 2.5 per thousand – excluding intra-European mobility – in OECD Europe.

Excluding students and focusing on the categories most closely related to economic and labour force activity, most initial temporary permits to Latvia are issued for investors, a category which has increased sharply since its introduction in 2010 (see Box 2.2). Latvia's investor programme is larger than that in other OECD countries, relative to the population and economy, yet does not appear to have led to business development. Most recipients do not actually take up residence in Latvia. Attracting investors as residents involves more than providing visas, since investors are drawn by political, legal and environmental stability and an infrastructure for their families such as international schools.⁸ Visas alone are not enough to bring entrepreneurs and business investors, while the economic climate and context are predominant among considerations. Further, Latvia requires a high level of Latvian language certification for most management positions, posing an obstacle for foreign investors whose business operations require interaction with Latvian authorities and the public. Since one resource of Latvia is its multilingual workforce, every effort should be made to prevent language requirements from hindering development of businesses serving foreign markets.

After investors, the main groups of foreigners receiving permits are workers who do not meet the threshold for the highly qualified, family members of permit holders, and, lastly, skilled employees (Table 2.5).

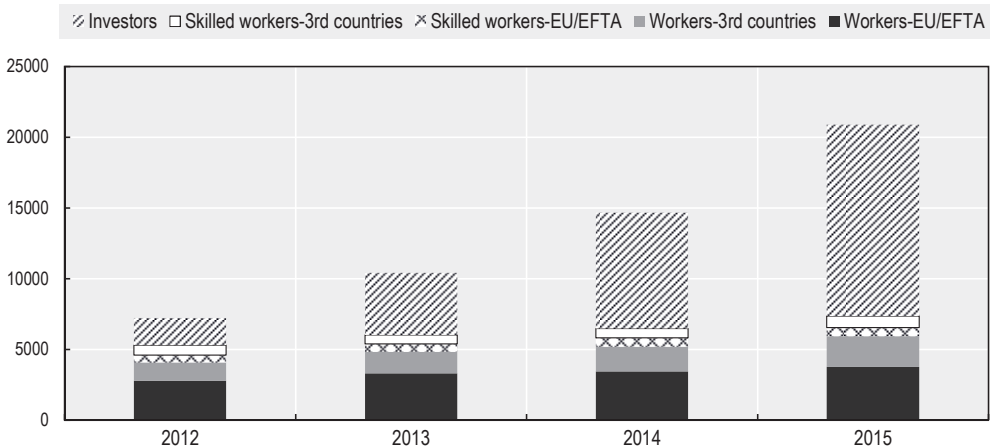
Table 2.5. Foreigners in Latvia: Inflows (first temporary permits) by permit category, selected categories, 2004-14

| Category | Nationality | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------|-------------|------|------|------|------|------|------|------|------|------|------|------|
| Workers | EU | 311 | 515 | 511 | 921 | 944 | 275 | 162 | 297 | 418 | 447 | 411 |
| | Non-EU | 169 | 255 | 508 | 1648 | 1411 | 395 | 343 | 627 | 732 | 814 | 1055 |
| Skilled/Employers | EU | 90 | 18 | 66 | 89 | 51 | 69 | 126 | 92 | 56 | 53 | 38 |
| | Non-EU | 211 | 202 | 221 | 310 | 331 | 169 | 211 | 215 | 177 | 181 | 286 |
| Family reunification | EU | 88 | 92 | 76 | 79 | 71 | 52 | 43 | 55 | 58 | 63 | 77 |
| | Non-EU | 334 | 406 | 409 | 533 | 483 | 322 | 310 | 392 | 441 | 524 | 654 |
| Investors | EU | | | | | | | 0 | 0 | 0 | 1 | 0 |
| | Non-EU | | | | | | | 155 | 1674 | 2575 | 3904 | 5605 |

Source: Data provided by the Office of Citizenship and Migration Affairs.

Most of the increase in temporary permit holders in Latvia has been in the investor category (Figure 2.13). The stock of foreign workers (holding a temporary permit for employment) has increased slightly since 2012. Most foreign workers in Latvia are general workers category rather than the highly skilled category, especially Bulgarian, Belarussian, Ukrainian and Russian nationals working in construction and in the shipbuilding industries.

Figure 2.13. Valid temporary permits, by reason, 1 January 2012-15



Source: Data provided by the Office of Citizenship and Migration Affairs.

In 2015, 2.8% of the resident population in Latvia held a foreign nationality. Most of these were nationals of the Russian Federation, and some were non-citizens who had acquired Russian nationality, rather than migrants. The number of permanent residents has been increasing, from 44 300 in 2012 to 51 000 in 2015; all but 500 of this increase were nationals of the Russian Federation. As 10 000 new permanent residence permits were issued over the period, about 3 000 permanent residents left Latvia in 2012-15.

Box 2.2. Latvia's Investment Permit Scheme has issued permits but not brought many residents

Latvia introduced an investor permit scheme in 2010; it has since become one of the largest schemes in the OECD in terms of annual issuances relative to the size of the economy. When created, investors could buy property (valued at LVL 50 or 100 000, depending on the location); invest in a business; or purchase government bonds. In exchange, they would receive a temporary renewable visa allowing stay in Latvia and granting mobility in the Schengen area. They would be able to work and become eligible for permanent residence under the same conditions as other temporary permit holders. Most investors opted for the real estate purchases, as the threshold was set quite low. In the first four years, there were about 4 000 primary applicants, and about 11 000 family members applying by November 2014, and 11 750 active permits issued. Most (10 000) were for Russians, followed by Chinese, Ukrainian and Uzbek nationals.

Conditions were tightened in 2014, first with the imposition of a quota and the increase in the fees (to EUR 25 000), and then, in September 2014, by higher investment thresholds. The threshold now stands at 250 000 for bonds, 150 000 for real estate and 80 000 for businesses. In practice, according to the Ministry of Interior, most property purchases even under the lower threshold were for high-value property (above 250 000). Investors generally use intermediators, and several banks have produced investment products for foreigners interested in the visa.

The investor permit scheme is considered to have brought in much-needed investment – about EUR 1.2 billion, concentrated in the property sector – but the investment programme cannot be linked with an increase in foreign business. Estimates of the number of investor who actually reside in Latvia range from 7% to 10% of the total holding permits, although permit holders renew assiduously their permits every year. This reduces the benefit from expenditures by high net worth individuals.

Investor programmes such as the Latvian one have been put in place in many OECD countries, but are difficult to evaluate (OECD, 2011). Due diligence on the source of capital is complex. While there is a competition among countries to offer favourable terms to investors, it can be difficult to set a price on the value of a residence permit – especially if it leads to long-term residence, naturalisation and family members settling in the country. Relative to its size, Latvia issues far more investor permits than most OECD countries, and with a lower threshold. Spain, for example, introduced a similar visa in 2009, setting the property value threshold at EUR 160 000. This was lifted to 500 000 in 2013. Spain's bond purchase threshold was set at 2 million, and investment projects required to be "of general interest". Spain issued 490 permits to property-buyers in the first 15 months of the higher threshold (mostly buyers from China). Portugal also introduced a property-purchase visa, in 2012, with a threshold of EUR 500 000. In the first 30 months, about 1 800 visas were issued for real estate purchases, mostly to Chinese buyers. The United Kingdom also has an investment visa, set at GBP 1 million; it issues a record 1 170 in 2014 annually. Following advice from the UK Migration Advisory Committee, the minimum was doubled in 2015. The United Kingdom also has a visa for entrepreneurs with a much lower threshold – GBP 50 000 – although other criteria are strict. More than 1 000 entrepreneurs were admitted annually in 2013 and 2014.

The migration policy framework is under-developed

The policy environment for modernising the labour migration framework in Latvia is unfavourable. Among EU countries, public opinion regarding migration is consistently among the most negative, whether measured in the Eurobarometer survey or in national polls (e.g., SKDS polling). In the November 2014 Eurobarometer survey, 79% of Latvian respondents had a negative opinion of non-EU migration to Latvia, and 63% had a negative opinion of EU migration, making Latvia the most hostile to immigration among EU countries. In the European Social Survey, Latvia is one of the countries where migration is least likely to be seen as having a positive economic effect. Opinion surveys also indicate a generally negative attitude towards integration. Akule (2007) attributes this to association with the integration of the Russian-speaking population and a perception that immigrants are a source of problems. At the same time, immigration is not considered to be one of the major issues facing Latvia, which is not surprising given the very low levels of recent immigration to Latvia.

As a result, the political sphere in Latvia has not considered immigration of non-Latvian citizens to be an important policy issue, and even in the context of drastic declines in the working age population, policy initiatives in the area have been limited and largely driven by European directives, requirements and funding, or in reference to specific initiatives not related to demographic development or the labour market. The admission of high-skilled foreign workers is subject to fewer restrictions than that of less qualified foreign workers, but the country takes no further efforts to be attractive, such as accelerated access to permanent residence or relaxed family reunification conditions. Concern over maintaining the majority of the “titular nation” may explain some of the reluctance (e.g., Mensah, 2010; Akule, 2007). Even in a context of low immigration, political parties are resistant to any initiatives which might favour immigration. The paradox for Latvia is that the most likely recruitment pool for labour migrants by Latvian employers is the CIS countries: geographically close, with well-known education systems and the use of a language still widely spoken in Latvia. These countries still represent a large share of labour migrants. In light of the policy objective to strengthen the use of the Latvian language, explicitly targeting recruitment from this pool would require more political consensus.

The difficulty of policy making in this area is reflected in the discussion of a Labour Migration Concept, which began in 2006. A first draft Concept was drawn up for 2007, but was not approved. Elements of the draft concept have been absorbed into legislation, particularly a reduction in permit fees (Silina-Osmane, 2010). Discussion of a general migration concept is still

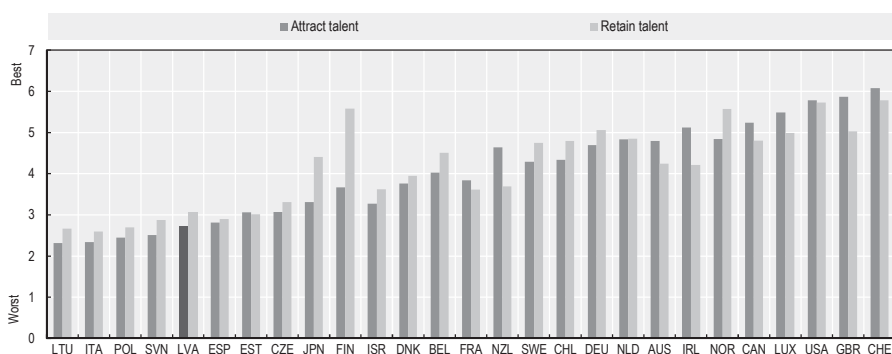
continuing in 2015. Political and historical issues thus hinder access to what would otherwise be natural labour recruitment channels in post-Soviet countries.

Latvia's approach contrasts with the policy initiatives taken, and attention given, in neighbouring Estonia, which faces similar – albeit less severe – challenges to sustaining the working age population. Basic infrastructure to attract skilled migrants has been put in place – an information portal, for example – as well as policy measures such as job search extensions for international graduates, and facilitations for skilled workers in obtaining residence permits. A report from the Estonian National Audit Office (2014) examined migration policy choices in light of the structural difficulties of attracting foreign workers to Estonia, and identified additional areas for policy action.

Attracting highly skilled migrants – even if the policy framework were more favourable – would still be difficult. The Global Competitiveness Index provides a measure on the perception of a country as able to attract and retain talent. Latvia scores poorly on both counts relative to other OECD countries, although its neighbours fare similarly (Figure 2.14).

Figure 2.14. Latvian entrepreneurs do not think Latvia can attract or retain talent

Capacity of selected countries to attract or retain talent, 2013-14



Source: Global Competitiveness Index, 2014-2015 edition, http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf.

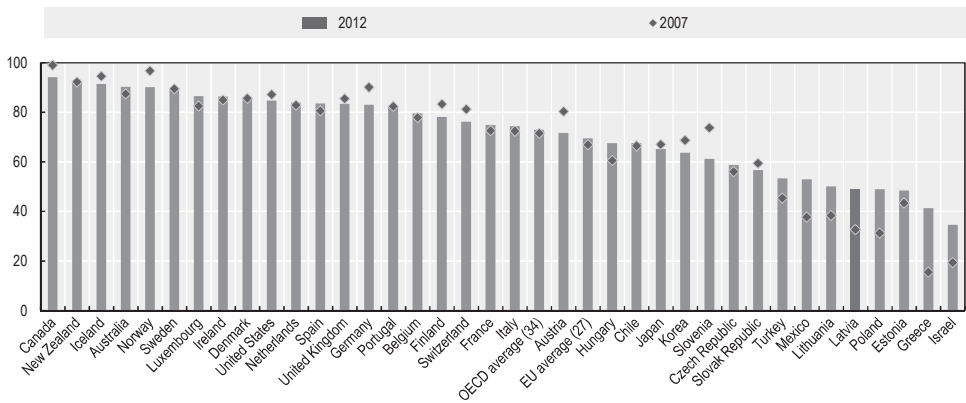
Latvian respondents also do not see their country as a good destination for migrants from other countries (Figure 2.15).

The permit framework in Latvia is largely determined by the requirements and standards of European directives, and does not in itself present an obstacle to labour migration. A salary threshold for work permits is set at the average monthly salary (about EUR 800), and a labour market

test – involving a one-month publication requirement with the public employment services – is imposed. Contracts must meet average wage requirements, registration requirements, as well as any conditions applying to regulated professions where relevant. Temporary foreign workers are not covered by the public health insurance scheme, even if they are regularly employed. The sectors which were driving work-permit requests during the boom years – construction, shipbuilding and even restaurants – have seen large declines in hiring. Most labour migrants are technical trade staff on shorter term positions. R&D is not a driver of their recruitment: the research sector has shrivelled since 1991, from 16 000 employees to 4 000, so that this is not a driver of high skilled migration. To combat the risk of undeclared work, certain sectors (construction, forestry and security) have an ID card requirement, showing the name of the worker and the subcontractor.⁹ This measure was not developed specifically to prevent abuses of foreign workers, but such requirements in other OECD countries (Finland and Norway, for example) have improved compliance, reduced chain contractor abuse, and provided greater protection for vulnerable foreign workers.

Figure 2.15. Latvians do not think that their country is a good place for migrants from other countries

Share of the population who think that their city or area of residence is a good place for migrants from other countries to live, 2007 and 2012



Source: Data provided by the Gallup World Poll 2012.

For all professions, the standard Latvian language requirements are applied to foreign workers; these requirements apply, as noted, to many occupations. Language requirements are applied to foreign workers on temporary permits only in a few non-European OECD countries. Most

countries see such requirements as potentially limiting investment by multinationals or export-oriented firms. In Latvia, however, there remains scope for recruiting non-Latvian speaking foreign workers in positions not considered of public interest, as long as these workers have no communication with the public or with government authorities. It would thus be possible for businesses serving clients abroad (call centres, service firms) to hire staff working in foreign languages. Likewise, it would be possible to recruit workers for back-office or internal tasks as long as the managers or foremen meet the official language requirements. Indeed, there is no evidence that most new recruits from abroad receiving work permits have Latvian language skills.

Regarding the integration framework, until now, most resources devoted to integration of immigrants have been in response to European guidelines and funding. In fact, even the crude measures provided by the legislative benchmarking exercise MIPEX show that the Latvian framework for integration is, while compliant with European obligations, the least favourable regulatory framework for integration in the European Union (MIPEX 2014). European and other external funding is the main support for language and other initiatives targeted at third-country nationals.

A weak integration framework has implications for the return initiatives promoted for Latvians abroad. As noted above, the survey of Latvians abroad conducted in 2014 estimated that about 50 000 Latvians abroad had a non-Latvian partner. Return to Latvia would require integrating this spouse (usually a foreign husband) and any children; this is one of the largest obstacles to return. Attention to structures and programmes for the integration of foreign workers would extend to this group and could reduce this obstacle. As Latvians abroad with a foreign partner are disproportionately highly educated (62% compared with 42% for those with no foreign partner), they are a resource to attract to address skills shortages.

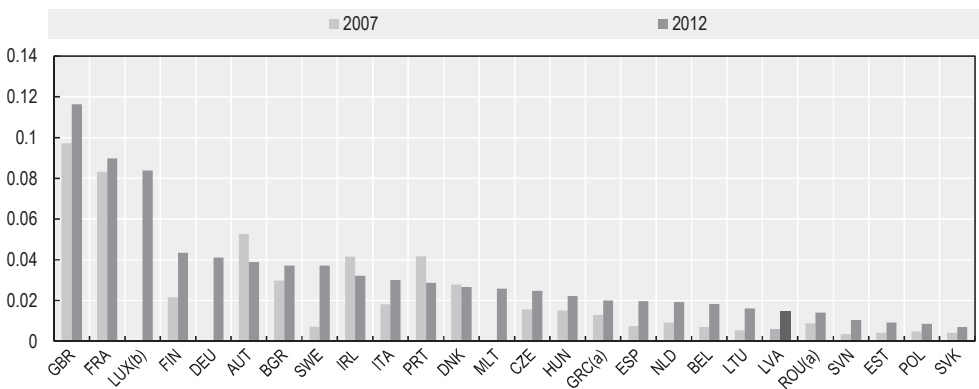
The potential resource represented by international students is underutilised

There are many reasons why most OECD countries are making increased efforts to attract international students. In countries where there are shrinking student enrolments, as well as closure of higher education institutions, attracting students from abroad can help maintain enrolment and institutions. High fees for foreign students also contribute to university budgets in many countries. In Latvia, declining enrolment has not yet led to a decline in the number of institutions, and higher fees for non-EU international students are set only to take into account the additional cost of services such as pre-course preparation and support during studies. The overall cost, as noted above, remains relatively competitive (Figure 2.2).

However, internationalisation of higher education is one of the Ministry of Education and Sciences policy development agenda. Further, the Sustainable Development Strategy of Latvia to 2030 sets a goal of raising the share of foreign students in higher education institutions to at least 10%.¹⁰ The State Education Development Agency provides information and administrates scholarships¹¹ for international students interested in studying in Latvia. Latvia still has a very low number of international students relative to major European destinations (Figure 2.16), but comparable to the enrolment in neighbouring countries.

Figure 2.16. There are relatively few international students in higher education

Share of international students among total enrolment, 2007 and 2012



a) Most recent values from 2011.

b) Most recent values from 2010.

Source: UNESCO Institute for Statistics, education database, <http://dx.doi.org/10.1787/d3abd071-en>.

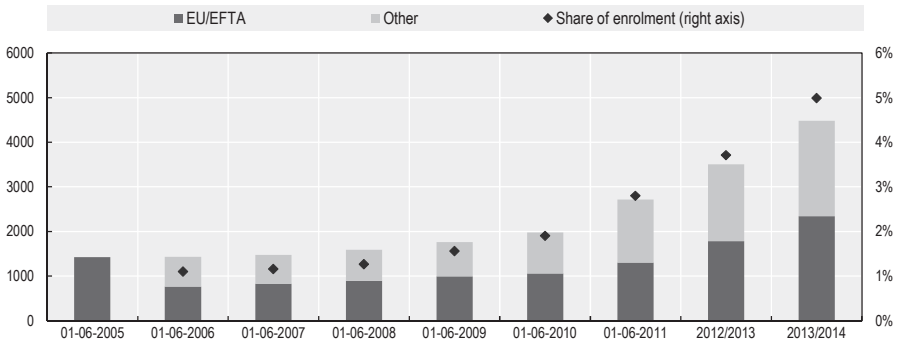
Recent years have seen a sharp increase in the number of foreign students (Figure 2.17), from about 1% in the post-accession years to about 5% of enrolment at the end of 2014 (including resident non-citizens, about 6.4%). In part this reflects falling overall enrolment.

Of the about 5 000 international students in 2014, 1 000 were studying medicine, and about 800 engineering. Many of these students are in programmes where the language of instruction is Latvian, and in fact must learn Latvian to enrol. This group of graduates is a potential resource for Latvia, but very few international students remain in Latvia following their studies. From 2008 to 2011, only 13 third-country nationals remained in Latvia after their studies for the purpose of employment. There is no legislation favouring the transition from study to employment. No job search period is provided to international students graduating, nor is there a labour market test exemption. This is in contrast to the policy trend in most

OECD countries (OECD, 2014) and reflects the general lack of interest or support for labour migration policy in Latvia. There is an objective in the 2014-20 ESF to retain 90 foreign PhD graduates as academics; to achieve this would represent a major improvement over past results.

Figure 2.17. The number of international students is increasing

International students by nationality, 2005-14



Note: No nationality data available for 2005.

Source: Data provided by the Central Statistical Bureau.

Usually, requiring foreign students to study in the national language is a factor encouraging their post-graduate stay. This does not appear to be the case for Latvia, even though language policies currently require students to study in Latvian (20% of the credit points of a study programme may be implemented in other EU official languages), and foreign academic staff also need to develop proficiency in Latvian (visiting lecturers are exempt). Changes to allow the use of EU and other languages at public tertiary education institutions, ease requirements concerning Latvian language competence, and simplify visa and residence permit procedures would increase the internationalisation of higher education. One objective is to provide more PhDs with an opportunity to stay after graduation as foreign staff, who are exempt from language requirements. Without a corresponding relaxation of language requirements in the labour market, however, more instruction in EU official languages would probably not help post-graduate retention, especially in the longer term.

A favourable policy framework can help improve the stay rates of international students. The stay rate for employment for international students in Estonia, for example, is 24% for EU nationals and 17% for third-country nationals (National Audit Office, 2015), although only about one-third of these were still in employment in Estonia after 18 months. This suggests that a 10% overall retention rate is not an unreasonable target for Latvia. While increasing the retention of international students cannot

compensate for the declining tertiary-educated youth workforce, it is an additional way to benefit from the internationalisation of the tertiary sector and should not be ignored.

The language training infrastructure in Latvia can help with integration

Latvia encourages proficiency in the official language through both restrictive measures and widespread availability of language courses. As Latvian language skills are essential and must be certified for many occupations, the minimum level of language proficiency must be acquired prior to employment, rather than on-the-job. In most OECD countries, employers have more discretion in deciding whether workers have an appropriate language level for jobs – especially less skilled jobs. There is a clear trade-off between encouraging rapid labour market entry and postponing language acquisition; in general, longer-term employment outcomes are better where barriers to initial employment are lower (OECD, 2014). Nonetheless, immigrants in Latvia can take advantage of a well-developed existing language training infrastructure designed to increase Latvian language knowledge among all residents.

There are a number of different services providing Latvian language education, including the Latvian language education provided by the Language Agency through diaspora outreach and the small integration centre. Most Latvian language education is provided through the PES to the unemployed.¹² 65% of all those taking the National Certification Exam do so after a PES course. Its focus has been on residents who do not speak Latvian, rather than immigrants.¹³ Until recently, most of the PES demand for language training has been from participants with no Latvian skills, but this has shifted to those with basic Latvian skills seeking to improve them.¹⁴ The number of participants in PES language training courses peaked in 2010 at 11 000, but has fallen since.

The PES spent EUR 1.7 million on Latvian language courses in 2014, when more than 6 400 participants took Latvian language courses.¹⁵ About two-thirds of the participants were unemployed. Language training is conducted through tenders. All VET and other professional training offered through PES subsidies must be conducted in Latvian, so Latvian language classes are the first step for any professional training through private training centres. Participants seeking basic courses – e.g., computer skills, or English – must first pass a basic Latvian language class, something which is not always simple and pass rates can be low, especially for older students. The pass rate in 2014 was 85% for level A, 79% for level B and 69% for level C. The PES pays providers for the first three levels of language instruction (150 hours each, including 30 hours of “applied Business Latvian”). The PES does not set a pass rate for classes to be funded, so that

there is no incentive to pass students who do not qualify. The PES courses occupy a privileged position relative to other private providers, since only the PES courses provide certificates (others give an attestation). Latvian language classes are also offered under the ESF Youth Guarantee.

The Society Integration Foundation conducts outreach to third-country nationals and non-citizens. It had set a target of 600 per year for language training, but fewer than 50 third-country students have actually undertaken the programme, and these are largely re-immigrants and their children, non-citizens who have returned after a period abroad. Overall, the SIF has more than 1 000 non-citizens participating in its programmes. One of the main sources of funding for integration services in Latvia are the European funds earmarked for integration of third-country nationals.

Latvian language certification is required for many occupations in Latvia, including most skilled and semi-skilled occupations. Concrete language requirements vary. The 2000 State Language Law extends the requirement to occupations which affect the “lawful interests of the public (public security, health, morality, health care, protection of consumer rights and employment rights, safety in the work place and public administration supervision)”. The absolute minimum threshold applied to occupations is B2 in the Common European Framework (CEF). For jobs considered of public interest – a list of 2 400 occupations, which expanded rather than contracted in recent years – most (2 000) have a minimum level of C1¹⁶. This includes many technical occupations in IT and engineering, limiting the possibility of using a foreign-language staff. Further, for a number of occupations, C2 – near-native proficiency – is required.¹⁷ Third-country nationals do take language courses, especially for university admission: enrolment requires C1 level. In 2014, there were about 400 third-country nationals who took the university admission test in the Latvian language, mostly from Russia, China and Ukraine.

The interaction of the official efforts to limit the use of the Russian language in the public sphere can run up against the fact that certain parts of the private sector labour market still sometimes demand Russian language skills. According to a 2012 Eurobarometer survey (European Commission, 2012), when asked which two languages other than their mother tongue were important to learn for their personal development, 70% of Latvian residents who were not native Russian speakers thought it was useful to learn Russian for their personal development. Only English was ranked higher, at 75% of all residents. When asked about what languages would be useful for their children, two-thirds of non-native Russian speakers said Russian language was useful, a small increase from 2005. As shown, the Latvian language skills of the Russian-speaking minority have improved since 1990, but the Russian language skills of the Latvian majority have grown weaker. The share of native Latvian speakers age 15 and over able to

conduct a conversation in Russian fell from 70% in 2005 to 67% in 2012 (European Commission, 2012). 27% said they spoke “very good” Russian. Of those who spoke Russian, 42% used it on a near-daily basis. Bilingual ability may be expected for service sector jobs in Riga, although 2012 regulations prohibit vacancy listings from indicating Russian language skills as a requisite, unless it can be proven essential.¹⁸ It is not possible to look at the returns to bilingualism, as there are no datasets providing information on bilingualism, only on household use of language (see Chapter 1). The PES offer Russian language courses as part of their training for the unemployed.

Private sector demand for bilingual Latvian-Russian staff has implications for Latvian emigrants and their prospects for return. Many of the potential returnees today grew up in the 1990s when Russian language education in school had lost its priority (English became the required second language, and only at sixth grade could students choose a third language) in schools where instruction was in the Latvian language. For those who emigrated from rural areas, especially, Russian language skills are lacking, which can be an obstacle to their labour market re-integration, although courses are provided by the PES.

More broadly, as noted, restrictions on the public use of the Russian language may also affect the ability to Latvia to attract third-country labour migrants from what would be – in the absence of political reluctance and reservations – the natural pool of reference for labour migrants: former Soviet countries. The 2014 Estonian National Audit Office report noted that in the case of Estonia, poor information provision for residents who speak Russian was preventing recruitment and integration of Russians. Since a large number of immigrants to Estonia are Russian speakers, they are penalised by linguistic isolation from services and the labour market. In practice, public sector website information in Latvia is often provided in the Russian language, and public offices (e.g., social workers or tax agents) usually have Russian-speaking staff, so that a Russian-speaking public is not isolated. This should be considered a strong point for helping any Russian-speaking immigrants in integration, although Latvia does not promote this persistent multilingual capacity as a factor of attraction.

Finally, language requirements for occupations should be measured against shortages, especially in technical and scientific fields where personnel are highly mobile and the workplace language is often English. Attention should be given to whether high language thresholds for occupations in hospitality and tourism especially are appropriate, and whether enforcement is practical or effective.

Notes

1. Other stakeholders are involved. Past performance by institutions as well as budget constraints are taken into account. The Ministry of Education and Science (MoES) accepts other ministries' recommendations for places in tertiary education institutions that fall under their supervision.
2. Fees for non-EU nationals are generally higher; see below.
3. This does not include Erasmus exchange students from Latvia, of whom there were 2 100 in 2011-12.
4. Hazans (2013) separates the post-2000 emigrants into three waves: pre-accession; post-accession; and crisis-driven. Their characteristics are different, but most left for economic opportunities elsewhere.
5. "The emigrant communities of Latvia: National identity, transnational relations, and diaspora politics" implemented by the Institute of Philosophy and Sociology, the University of Latvia in co-operation with the Faculty of Economics and Management, University of Latvia and supported by the European Social Fund Project 2013/0055/1DP/1.1.1.2.0/13/APIA/VIAA/040.
6. The total – 120 000 – corresponds to the forecast new vacancies projected by 2030, according to the 2012 Ministry of Economics scenario – vacancies the ministry aims to fill preferentially by return migrants rather than new immigrants.
7. There are also three summer schools (one in Australia and two in the United States).
8. Latvia does have two international schools in Riga.
9. The security sector is, however, not authorised for foreigners and non-citizens.
10. As part of the internationalisation of the higher education sector, Latvia has also set a target of 5% of foreign staff.
11. In 2015/16, Latvia provided about 50 scholarships for studies to international students.
12. In previous years, life-long learning language courses supported by the ESF were also offered for employed persons.

13. According to demand, Latvian language courses have also been offered with English as the language of instruction.
14. Outside of the Russian-speaking zones, Russian language niches survive in some post-Soviet industrial contexts, as long as the factory is still operating. The language requirements do not apply for many occupations as long as there is no public interest and the job does not require interaction with the general public or with public authorities. For example, in Liepāja, the closure of the metalwork plant forced a long-standing Russian-speaking community of 200 workers with no Latvian skills to enter the broader labour market and thus to seek to improve language skills.
15. The PES also subsidises English language courses (a prerequisite is knowledge of Latvian). One of the main motivations among requests for subsidised English-language courses is to prepare for employment abroad. According to research among EURES clients in Latvia, foreign language knowledge among those seeking jobs abroad improved markedly during the crisis period (Ribakova, 2009).
16. Some critics have taken issue with the expansion of this “public interest” list to include professions where the need for C1-level language is not immediately evident, such as piercing specialist, sports instructor, photographer, electrician, kitchen chef, etc. (Council of Europe, 2012)
17. Very strict language requirements are allowed under EU rules, but should not be disproportionate; the European Union is not concerned with employment access for nationals as much as with barriers to mobility (free movement of EU nationals for employment).
18. According to 2012 amendments to the law, “it is prohibited to indicate a skill of specific foreign language in a job advertisement, except when it is justifiably necessary for the performance of work duties”.

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From:
**OECD Reviews of Labour Market and Social
Policies: Latvia 2016**

Access the complete publication at:
<https://doi.org/10.1787/9789264250505-en>

Please cite this chapter as:

OECD (2016), "Responding to the decline of Latvia's population", in *OECD Reviews of Labour Market and Social Policies: Latvia 2016*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264250505-6-en>

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