

EFFECTIVENESS OF ACTIVE LABOR MARKET POLICY MEASURES IN LATVIA

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Abstract

The impact of the Covid-19 pandemic on the world of work has been both devastating and far-reaching. In order to reduce the unemployment rate, it is necessary to increase motivation and incentives to look for a job, to improve readiness for work and help to find a suitable job, as well as to expand employment opportunities. Public employment services have become an important point for jobseekers, giving workers and employers access to a number of passive and active labour market support mechanisms. Active labour market policies are a key tool through which welfare states seek to improve the employment prospects of the unemployed. Ongoing monitoring and evaluation of the impact of active labour market policies and programs are needed to strengthen the effectiveness and efficiency of policies in responding to the needs of different groups. This study analyzes the data obtained from the survey of the unemployed with the aim of finding out how actively the unemployed cooperate with the state employment service and use services offered by it, as well as to reveal the possible shortcomings and shortcomings of this society, so that it is possible to eliminate them and increase the efficiency of this cooperation.

Key words: unemployed, Covid-19, unemployment, unemployed women, employment services, unemployment reduction measures.

Introduction

The International Labour Organization (ILO) has called for global action to bring about an inclusive, sustainable and lasting recovery from the Covid-19 crisis. According to the ILO, the impact of the pandemic on the world of work has been both devastating and far-reaching. There has been a loss of working hours, an increase in unemployment, inactivity and underemployment. Labour and business incomes have declined, including an increase in bankruptcies, especially among small businesses. New challenges have emerged in the areas of occupational health, safety and fundamental rights. And all of the above has exacerbated poverty as well as gender, economic and social inequalities (ILO, 2021).

Effective activation policies aim to ensure that as many people as possible have access to the workforce and good employment. To ensure this, it is necessary to increase motivation and incentives to look for work, to improve readiness for work and to help find a suitable job, as well as to expand employment opportunities. The implementation of these key elements needs to be managed by an efficient and well-coordinated labour market, as well as by social institutions and policies. Ongoing monitoring and evaluation of the impact of policies and programs is needed to strengthen policy effectiveness and efficiency in responding to the needs of different groups (OECD, 2021).

International empirical evidence suggests that employment services are one of the most cost-effective active labour market interventions aimed at facilitating the transition of workers and enterprises to the labour market. Since the global economic and financial downturn of 2008-2009, public employment services have become an important point for jobseekers, giving workers and employers access to a number of passive and active labour market support mechanisms. In the

current crisis, PES have played a key role in assisting workers and employers with redundancies, leave or reduced working hours (OECD, 2020).

The future of work poses new challenges for public employment services across the OECD. Automation suppresses and changes the skills needed to work in certain occupations, forcing employment services to deal with more complex job transitions. At the same time, digitalisation is promoting the development of new forms of work, such as platforms and remote work. The Covid-19 crisis is likely to accelerate these trends, as certain workplaces may prolong remote work, and companies are automating production processes at reduced margins. Public employment services will need to step up digital training for their staff and jobseekers, and the digitalisation of services has the potential to improve job search, speed up recruitment and devote more time to vulnerable jobseekers and employers (OECD Library, 2020).

Materials and Methods

Participants and Recruitment

In order to find out the impact of the Covid-19 pandemic on the unemployment rate in Latvia, a study has been conducted, during which Latvian unemployed people were interviewed.

The survey was conducted by the research centre SKDS, which has been represented in E.S.O.M.A.R (European Society for Opinion and Market Research) since 2000 and operates in accordance with all the ethical and methodological rules and standards, set by this organization for public opinion and market research institutes. Since 2014, SKDS research centre has been represented in the WIN network of research companies (SKDS, 2020).

The survey was completed by 216 unemployed people aged 18 and over. Data were collected from

October 29, 2020 to November 2, 2020 (Hohlova & Rivža, 2021).

In accordance with the regulations of the Cabinet of Ministers of the Republic of Latvia “Regulations on the Procedure for Organizing and Financing Active Employment Measures and Preventive Unemployment Reduction Measures and the Principles for Selecting Implementers”, the State Employment Agency (SEA) organizes active employment measures and preventive unemployment reduction measures, as well as physical and legal entities and associations of such persons. The measures are financed from the state budget, the European Union structural funds and other sources of funding (Cabinet Regulations, 2011).

In the 2020 report, the SEA issued an opinion that in order to overcome the consequences of the Covid-19 pandemic, the SEA promptly developed and implemented support measures, including wage subsidy measures, which provided employers with wage subsidies for the first three months for SEA-registered unemployed (SEAL, 2021).

The survey was conducted at a time when the number of people with Covid-19 in Latvia began to increase significantly. At the beginning of September 2020, the number of people infected with Covid-19 was 1428, but already at the beginning of October 2020, 3450 people had the disease, and at the beginning of November, 8095 (COVID-19, 2022). An increase in unemployment was also inevitable; if in the fourth quarter of 2019 the unemployment rate in Latvia was 6%, then in the fourth quarter of 2020 the unemployment rate reached 7.9% (Eurostat, 2022). The registered unemployment rate at the end of December 2020 was 7.7% (SEA, 2020), which had also increased compared to the unemployment rate of 6.2% at the end of December 2019 (SEA, 2019).

Survey development

Prior to the survey, the existing solutions on the unemployed and unemployment indicators were studied, only information on employment agencies and the measures implemented by them was collected, as well as informal conversations with the unemployed provided information on the actual situation, problems and possible problems. The survey started with finding out the demographic information, and only the unemployed were selected using filters. Only both registered and unregistered unemployed were surveyed, which was important because the State Employment Agency, like agencies in other countries, offers statistics only on registered unemployment. This article will cover both the data obtained and the national official statistics that are relevant and the objectives of the study.

Demographics included age, gender, marital status, level of education, income, nationality and region of residence. When answering the questions,

the respondents could choose from the suggested specific answer options, and only one question was an open question.

Three questions of the survey were aimed at clarifying the circumstances regarding the cooperation of the unemployed with the SEA and their involvement in active employment measures or preventive measures to reduce unemployment. Respondents were asked whether they plan to work with the SEA to find a job, and whether the unemployed person also applied for an active employment measure when applying for the status of an unemployed person, and if the answer to this question was positive, he / she was asked to name exactly what event the unemployed had applied for.

Results and Discussion

At the macroeconomic level, the problem of unemployment is most often addressed by pointing to business cycle conditions or excessive labour market regulations. Employment and training programs, as well as other active unemployment reduction measures, are much less frequently evaluated to assess their effectiveness in reducing the duration of unemployment or guaranteeing new jobs with a decent income (Vassiliev *et al.*, 2005).

Active labour market policies are a key tool through which welfare states seek to improve the employment prospects of the unemployed. Active labour market policies consist of a variety of interventions: public employment services that promote the link between jobseekers and employers, training programs that increase employment opportunities by accumulating human capital, the creation of public jobs that create additional jobs in the public sector, and subsidized employment that includes recruitment incentives for employers, such as wage subsidies (Fredriksson, 2020).

In most countries, public employment services inform the unemployed about available job vacancies, and the services they provide are usually free of charge for both employers and the unemployed. Unemployed people usually use two job search strategies. The first is to use the services of a public employment service, where the public employment service acts as an intermediary between employers offering vacancies and the unemployed. The second strategy is to use the private or active search methods of the unemployed, including advertisements in newspapers and databases, as well as direct contacts with employers and indirect contacts through friends and relatives (Fougère, Pradel, & Roger, 2009).

By registering with the public employment service, an unemployed person acquires not only rights but also obligations. When registering with the Latvian SEA, the unemployed have the following obligations:

to search for a job independently and with the help of the SEA and immediately after receiving the SEA individual job search plan, to visit the SEA on the day specified in the individual job search plan and to present within working days from the day of receipt of the invitation, to participate in the activities provided for in the individual job search plan, including filling in the job search diary (SEA, 2022).

The study involved 216 unemployed people aged 18 to 63. The age group most represented in the study is from 55 to 63 years (27.8%), followed by the group of respondents from 35 to 44 years (25.9%), while the least represented age group is from 18 to 24 years (7.9%). 27.3% of men and 72.7% of women participated in the survey. 49.1% of respondents have secondary or secondary special education, 43.1% of respondents have higher education, while 7.9% of respondents have only basic education.

When asked if the respondent had ever been in paid employment, 100% of the answers were 'yes'.

The majority of the unemployed surveyed (57.86%) are not registered unemployed, while the registered unemployed are 42.13%.

The largest number of unregistered unemployed is in the age group from 35 to 44 years, while the largest number of registered unemployed is in the age group from 55 to 64 (persons of pre-retirement age).

Unregistered unemployed are those who have chosen not to co-operate with the employment service, and therefore do not receive its services, which tend to make the unemployed establish an employment relationship as soon as possible.

Studies in previous years have found that unemployed people from particular countries have been denied the status of registered unemployed, such as in countries where the sick unemployed person was not currently available for work or in countries where they were not registered because they were seeking part-time employment. Various restrictions on obtaining registered unemployment directly affected young people, such as young people who were in search of their first job, so they were not eligible for unemployment benefits, young people who were full-time or even part-time students and looking for part-time work, or even young people who were part-time students and were available for work (European Commission, 2006).

Young people also take part in this study, but the number of respondents aged 18 to 24 is only 7.9% of all respondents. In addition, according to the Latvian regulations, a young person who has reached the age of 15 and has not been enrolled in a primary or secondary education program (Support for Unemployed, 2002) can become unemployed, which is also the only restriction for a young person to obtain the status of a registered unemployed person.

The largest number of respondents in the study is in the age group from 55 to 63 years – 27.8%. Persons of pre-retirement age are singled out as a risk group, which may, for example, be a participant in the active employment measure 'Measures for certain groups of persons', i.e., the employer may participate in the measure and receive a subsidy for this unemployed person, but only if the unemployed person has no more than two years left until reaching the retirement age (SEA, 2020, Subsidised work places).

Respondents were asked whether they intended to cooperate with the SEA, and four possible answers to this question were offered. When processing the obtained data, the author performed a cross-tabulation analysis to compare the positions of men and women. 20.3% of men and 10.8% of women admitted that they are forced to cooperate with the SEA. This answer option was offered to the respondents because in informal conversations with the unemployed the author found out that many unemployed people acquire the status of registered unemployed only to receive unemployment benefits, and these unemployed are not open to employment and formally meet the SEA requirements for as long as possible.

The majority of respondents indicate that they plan to find a job on their own or with the help of friends and relatives, and for this reason do not cooperate with the SEA. This answer option was marked by 40.7% of men and 43.9% of women.

Of course, there are also respondents who admit that they plan to cooperate with the SEA and get involved in the proposed activities. 16.9% of men and 21.7% of women admitted that they will cooperate or are already cooperating with the SEA.

However, there are also respondents who do not cooperate with the SEA because they do not plan to enter into an employment relationship. 22% of men and 23.6% of women do not plan to enter employment.

In summary, it can be concluded that the majority of the unemployed surveyed do not want to cooperate with the SEA and that only 16.9% of men and 21.7% of women consider this cooperation useful.

In order to find out whether there is a significant difference between the sexes regarding the attitude of not cooperating with the SEA, we performed a Chi-square test and clarified that such a difference does not exist

($\chi^2=3.5 < \chi^2_{0.05}=7.82$, $df=3$, $sign=0.030$, $n=216$); therefore, it is not necessary to develop a special approach to promoting the cooperation of the unemployed depending on gender.

The study found that a fairly large number of unemployed people do not plan to enter employment at all; most likely they are current or future long-term unemployed. The negative impact of long-term unemployment on the country's economy

Table 1

Do you plan to cooperate with the State Employment Agency to find a job?

			Your gender		Total
			Male	Female	
Do you plan to cooperate with the State Employment Agency to find a job?	Yes, I plan to actively cooperate with SEA representatives and get involved in the proposed activities	Count	10	34	44
		% within Do you plan to cooperate with the State Employment Agency to find a job?	23%	77%	100%
		% within your gender	17%	22%	20%
		% of Total	5%	16%	20%
	No, I plan on my own (including with the help of relatives and friends)	Count	24	69	93
		% within Do you plan to cooperate with the State Employment Agency to find a job?	26%	74%	100%
		% within your gender	41%	44%	43%
		% of Total	11%	32%	43%
	I am forced to cooperate with the SEA	Count	12	17	29
		% within Do you plan to cooperate with the State Employment Agency to find a job?	41%	59%	100%
		% within your gender	20%	11%	13%
		% of Total	6%	8%	13%
	I do not plan to enter into an employment relationship	Count	13	37	50
		% within Do you plan to cooperate with the State Employment Agency to find a job?	26%	74%	100%
		% within your gender	22%	24%	23%
		% of Total	6%	17%	23%
Total	Count	59	157	216	
	% within Do you plan to cooperate with the State Employment Agency to find a job?	27%	73%	100%	
	% within your gender	100%	100%	100%	
	% of Total	27%	73%	100%	

grows especially in times of crisis. The recording of unregistered unemployment plays an important role. It is not just the long-term unemployed who become unregistered precisely because they lose their entitlement to benefits that need to be counted; the unregistered unemployed are also those who have no entitlement to unemployment benefits at all, such as workers with too short length of service. Particular attention should also be paid to the increase in short-term unemployment, which more often affects women and young people who do not apply for registered unemployment, as they often agree to work in short-term or temporary jobs as well as part-time jobs (Lafuente, 2019).

However, it is important to find out the reasons for the position of the unemployed not to cooperate with the SEA.

In order to find out whether the level of education of the unemployed person can be singled out as a factor

of non-cooperation with the SEA, we performed a cross-tabulation analysis. The results show that 11.3% of the unemployed with higher education and 18.3% with secondary education have confirmed that they are forced to cooperate with the SEA, but no unemployed person with primary education has chosen this answer option. At the same time, 64.7% of unemployed people with basic education confirmed that they do not plan to cooperate with SEA and plan to find work independently (including with the help of relatives and friends). A large number of unemployed people with secondary education (40.6%) and with higher education (41.9%) also chose this answer option.

In order to find out whether the interest to cooperate with SEA differs significantly depending on the level of education, we performed a Chi-square test and found out that there are no significant differences ($\chi^2=8.32 < \chi^2_{0.05}=12.59$, $\text{sign}=0.032$, $n=216$). This proves that it is necessary to stimulate the unemployed of all

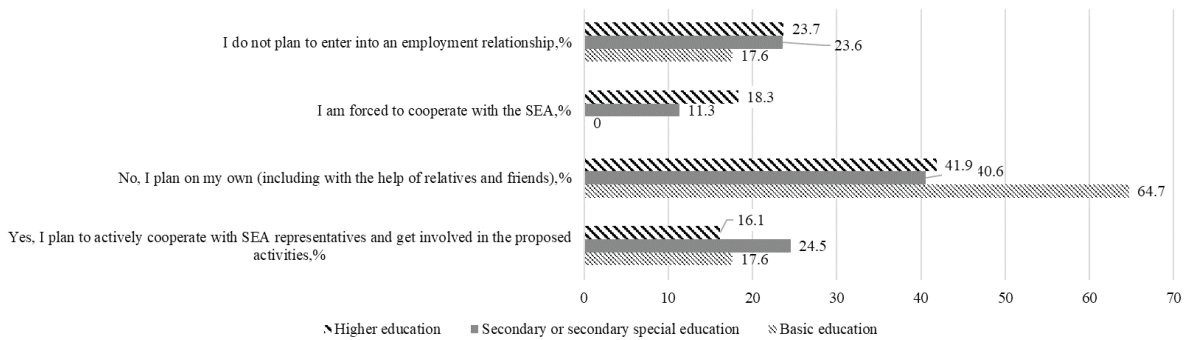


Figure 1. Answers to questions ‘Do you plan to cooperate with the State Employment Agency to find a job?’ and ‘Your level of education?’

educational levels to cooperate more actively with SEA and that a specialized approach is not necessary for the unemployed of a certain educational level.

Employment agencies have a heterogeneous set of functions, including: mediation services to facilitate the link between supply and demand; providing up-to-date information on the situation in the labour market for employers and jobseekers - this function is implemented by compiling data on job vacancies and potential applicants; provision of active employment measures and preventive measures to reduce unemployment; management and coordination of labour migration. Unemployment teaching programs must provide the unemployed with the skills they need, making them more attractive to employers. In addition, training programs must be in line with market requirements. Subsidized employment mainly refers to wage subsidies, where part of labour costs are covered by public funds to encourage employers to hire the unemployed, often focusing on certain groups, such as the long-term unemployed (Fredrikson, 2020).

The Latvian SEA “Measures for Certain Groups of Persons” offers to subsidize jobs: for the unemployed with disability, for the unemployed over the age of 55 but who have no more than two years left until retirement, for the unemployed who have been unemployed for at least 12 months, for the unemployed with refugee or alternative status and unemployed under the age of 29 (State Employment Agency, 2022; Subsidized Jobs).

Respondents who participated in the survey and answered that they had applied for active employment measures offered by the SEA were asked to indicate exactly which measure the unemployed person had applied for. Virtually all of the unemployed who answered this question indicated that they had applied for various types of courses and training; a couple of respondents answered that they had applied for paid temporary public works.

According to SEA statistics, career counselling was most often provided to the unemployed in 2021 – 28,702, however, career counselling is one of the

mandatory measures that a registered unemployed person must attend in order to maintain the status of a registered unemployed person. The unemployed themselves most often applied for paid temporary public works – 5762 unemployed. 4074 unemployed participated in non-formal training, 936 unemployed applied for vocational training, retraining and qualification improvement, 577 unemployed were involved in the measure for certain groups of persons (subsidized jobs), 295 unemployed participated in the development of skills required for work, 141 unemployed received training at the employer, 132 unemployed people took part in events to start a business or self-employment, and 50 unemployed people received support in the event for people with addiction problems (State Employment Agency, 2022; SEA activities).

One of the reasons why the unemployed may refuse to cooperate with the SEA is the close link between the SEA and the fulfilment of minimum requirements within a certain period of time; such pressures and formal rules are burdensome for many unemployed and contrary to their individual characteristics (Kerschbaumer & Boost, 2020).

Recent studies by the ILO show that worldwide it is much more difficult for women to find work than for men, and that women tend to work in low-quality jobs in vulnerable conditions, with no improvement expected in the near future (International Labour Organization, 2022).

Also in this study, we found that there is a fairly large predominance of unemployed women, and most of them do not want to cooperate with the SEA because they do not see the point. The Latvian SEA does not offer special active employment measures or preventive measures to reduce unemployment, the target group of which would be women.

Women are one of the groups most affected by Covid-19, so special programs should be set up specifically for women. This is the case, for example, in Spain, whose employment service Lanbide runs 11 programs targeting women (OECD Library, 2020).

Conclusions

1. It is necessary to continue work in order to find out and minimize the causes that are the basis for the unemployed choosing not to cooperate with SEA, taking into account the results obtained in the study that no specific approach is needed depending on the unemployed person's gender or education level.
2. Active employment measures and preventive measures to reduce unemployment targeting women need to be introduced, as women are one of the groups most affected by the Covid-19 pandemic, and a specialized approach is needed to address these negative effects.
3. In the process of implementation of active employment measures and preventive measures

to reduce unemployment, it is also necessary to provide for the possibility to deviate from formal requirements, so that, taking into account the characteristics and requirements of the individual, it is possible to grant exemptions for the fulfilment of the minimum requirements in general or for the fulfilment within a certain period of time.

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