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Investing in Youth: Latvia

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Foreword

As highlighted in the OECD Action Plan for Youth, successful engagement of youth in the labour market is crucial not only for their own personal economic prospects and well-being, but also for overall economic growth and social cohesion. Therefore, investing in youth is a policy priority in all countries, including Latvia, and requires concerted action to develop education systems and labour market arrangements that work together well.

Following the launch of the OECD Action Plan for Youth in May 2013, the OECD is working closely with countries to implement the plan's comprehensive measures in their national and local contexts and to provide peer-learning opportunities for countries to share their experience of policy measures to improve youth employment outcomes.

This work builds on the extensive country reviews that the OECD has carried out previously on the youth labour market and vocational education and training (*Jobs for Youth*, *Learning for Jobs* and *Skills beyond School*), as well as on the OECD Skills Strategy.

The present report on Latvia is the third of a new series on Investing in Youth which builds on the expertise of the OECD on youth employment, social support and skills. This series covers both OECD countries and countries in the process of accession to the OECD, as well as some emerging economies. The report presents new results from a comprehensive statistical analysis of the situation of disadvantaged youth in Latvia exploiting various sources of survey-based and administrative data. It provides a detailed diagnosis of the youth labour market and education system in Latvia from an international comparative perspective, and offers tailored recommendations to help improve school-to work-transitions. It also provides an opportunity for other countries to learn from the innovative measures that Latvia has taken to strengthen the skills of youth and their employment outcomes, notably through the implementation of a Youth Guarantee.

The work on this report was mainly carried out within the Social Policy Division of the Directorate for Employment, Labour and Social

Affairs (ELS). The report was prepared by Stéphane Carcillo and Sebastian Königs, with input from Irina Možajeva (University of Latvia) and Andreea Minea (Sciences Po Paris), and under the supervision of Monika Queisser (Head of the Social Policy Division). The report benefited from many useful comments provided by Stefano Scarpetta (Director, Employment, Labour and Social Affairs) as well as by staff in the OECD Economics Department and the Directorate for Education and Skills.

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Table of contents

Figures

Tables

Acronyms and abbreviations

AIPY	Agency for International Programmes for Youth
ALMP	Active labour market policy
AW	Average wage
DB	Disability benefit
EHIS	European Health Interview Survey
ESF	European Social Fund
EU-SILC	European Union Statistics on Income and Living Conditions
FA	Family allowance
GDP	Gross domestic product
GMI	Guaranteed Minimum Income
HB	Housing benefit
IEP	Individual Education Plan
IKVD	State Service of Education Quality
ISCED	International Standard Classification of Education
LFS	Labour force survey
LIIS	Latvian Education Information System
LVL	Latvian lats
MoE	Ministry of Economics
MoES	Ministry of Education and Science
MoW	Ministry of Welfare
NEET	Youth not in employment, education or training
NGO	Non-governmental organisation
PES	Public employment service

PIAAC	Programme for the International Assessment of Adult Competencies
PISA	Programme for International Student Assessment
PMC	State Pedagogical Medical Commission
SA	Social assistance
SEA	State Employment Agency
SEDA	State Education Development Agency (VIAA in Latvian)
UA	Unemployment assistance
UB	Unemployment benefit
UI	Unemployment insurance
VECC	Vocational education competence centre (PIKC in Latvian)
VET	Vocational education and training
VIIS	State Education Information System
YEI	Youth Employment Initiative
YG	Youth Guarantee

Executive summary

The situation of youth in the Latvian labour market has changed dramatically over the last decade. After plummeting in the years of catch-up growth since the mid-2000s, unemployment among 15 to 29 year-olds increased threefold during the recent deep recession of 2009 to reach 28.3% of active youth in 2010. The share of youth not in employment, education or training (the NEET rate) soared to 22%. The economic recovery that started in 2011 allowed for a quick return of NEET rates back close to the OECD average – a trend that was not observed in many other countries heavily hit by the crisis. In 2013, the NEET rate was 16.5%, and it continues to decline. The main driver of the recovery for youth was however not job creation but the demographic situation: the strong increase in employment rates since 2010 can be explained primarily by a decline of the youth population, due to both low birth rates and high emigration, while the number of youth in employment increased only little.

To offer all young people a career perspective, and to avoid negative ("scarring") effects of unemployment and inactivity on future employment and earnings, it is essential to re-engage NEETs into education or employment as quickly as possible. This is a challenge, in particular as a substantial fraction of NEETs may be difficult to reach out to: in 2013, about 30% of NEETs were either unemployed but not registered with the public employment service, or inactive (i.e. not looking for work) without family, health or educational reasons. NEET status is moreover not a short-term phenomenon: over 70% of NEETs remain out of employment or education for more than six months.

Identification of NEETs' characteristics is crucial for designing well-targeted policies that can bring the young people back into employment or training:

- In Latvia, like in other countries, low education is an important risk factor for NEET status; about a third of NEETs have attained at most lower-secondary ("basic") education.
- Inactivity is much more frequent among young women than among men, which reflects the large number of young women who stay

away from the labour market due to pregnancy or childcare. In 2011, inactive youth with family obligations represented about 20% of all NEETs.

- Male NEETs are more often unemployed than inactive. Among the inactives, more than a quarter of young men report poor health or a disability.
- Among NEETs, young women, individuals with low education and those with poor health tend to remain out of employment or education for longest.

Young people's incomes are closely tied to their labour market status, and the strong increase in youth unemployment during the crisis was associated with massive earnings losses. Their exposure to labour market shocks and their risk of poverty, however, depend crucially on the design of the design of the welfare system.

- Social benefits in Latvia played a crucial role in cushioning young people from the impact of the crisis: The unemployment benefit receipt rate doubled during the recession to 12% of the youth population; means-tested social assistance receipt increased more moderately, but average benefit levels rose significantly; housing benefit receipt rates among youth rose by a factor of 15 since 2007.
- Post-crisis social benefit receipt rates among youth in Latvia are relatively high by OECD standards. This, however, mainly reflects high receipt rates of non-means-tested family allowances.
- Fewer NEETs are covered by unemployment benefits in Latvia than in OECD countries. Benefit receipt moreover does not appear to be strongly conditional on job-search behaviour, as indicated by identical receipt rates for unemployed and inactive NEETs.
- Inactive NEETs tend to be covered better than unemployed NEETs, in particular by disability and family benefits. The growing share of young disability benefit recipients is a reason for concern since exit rates from disability benefit are extremely low.
- Youth poverty has strongly increased during the crisis, but it is nearly back to its pre-crisis level and a little lower than in the OECD on average. Youth in Latvia are moreover less at risk of poverty than other working-age people or older persons.

Education and training are key to reducing the share of youth who become NEETs and benefit-dependent. Latvia's performance in PISA is around or slightly below the OECD average. Early-school leaving rates have

fallen among 20-29 year-olds, but remain particularly high for young boys and in vocational education. Information on school attendance and at-risk youth is shared between schools and municipalities, but sharing is uneven across the country. The long tradition of providing extra-curricular "interest-education" activities is an important strength of the educational system, as it integrates youth from various social backgrounds and provides young people with important "hard" and "soft" skills. The provision of career guidance varies significantly across schools and municipalities. Vocational education in Latvia has been suffering from a bad reputation, but recent comprehensive reforms are an important step towards a modern and more attractive vocational education system. Yet, vocational education remains very much school-based, and Latvia lacks a proper apprenticeship system. The recent pilot for work-based learning is a valuable first step in that direction. Introduction of a larger-scale apprenticeship system will however require an appropriate legal framework that ensures training quality and specifies the rights and obligations of employers, schools and students.

For those out of the education system, options used to be relatively limited before 2011. The share of unemployed participating in an active labour market measure was particularly low when the crisis hit, and, in the absence of job opportunities, the main relief programme was public work. Recent reforms have aimed at improving the efficiency of interventions and substantially extended participation among young inactive and unemployed, with a focus on skills. Starting in 2011, career counselling and training was improved, the support for regional mobility was strengthened, and a number of programmes gave rights to stipends for youth ineligible to unemployment benefits. In 2014-15, a comprehensive Youth Guarantee was introduced in three stages, i) reinforcing further the availability of active measures; ii) developing a "second chance" training programme of 1 to 1.5 year with the support of VET schools for those with very low skills; and iii) promoting outreach activities to re-engage youth and the training of youth specialists in municipalities. While it is too early to assess the efficiency of this plan, participation of youth in short training programmes and the number of career consultations have increased since 2014. A number of challenges remain:

- Caseloads of counsellors working at the public employment service or municipal social services are high, limiting their capacity to follow up on the most disadvantaged youth and to enforce the conditionality of income support on programme participation.
- Hiring subsidies are rare even for low-skilled youth in a context where labour costs at the minimum wage are significant compared to the cost of average-wage workers.

- Links between VET institutions and employers are weak lowering the odds that participants in second-chance programmes find employment.

Key policy options

- Tighten the links between programme participation and income support for young people; reinforce the gate-keeping for disability benefit receipt of youth.
- Improve the sharing of information on at-risk youth between schools and municipalities but also employment services to further reduce early school-leaving and non-completion of VET and other training programmes.
- Develop a quality apprenticeship system, with tight links between schools and employers while involving social partners in programme design; this may require recourse to a system of financial incentives to encourage employers to provide learning opportunities.
- Further improve and reinforce career counselling in schools to motivate students at risk of dropping out to enrol into VET, including apprenticeships.
- Consider connecting the network of extra-curricular "interest-education" with other social, health and employment services to improve outreach to at-risk youth.
- Reduce caseloads per counsellor at the public employment services and in municipalities for the most disadvantaged youth by improving coordination between services and ideally hiring additional counsellors. Expand targeted hiring subsidies for low-skilled youth and those who have completed an intensive training programme.

Assessment and policy options

How are young Latvians faring in the labour market?

The economic crisis struck young people in Latvia heavily: Employment among 15-29 year-olds collapsed from about 50% in 2007 to 40% in 2010. The unemployment rate more than tripled from 9.7% in 2007 to 28.3% in 2010, and mong OECD countries, only Spain had a higher youth unemployment rate in that year.

This labour market crisis occurred against the backdrop of a striking demographic challenge: Since 2002, the number of young people aged 15-29 years has fallen by 23% in Latvia due to low fertility rates and high emigration, compared to a drop of less than 1% across the OECD. The trend is likely to continue in the years to come unless net migration to Latvia increases very strongly.

Since 2010, the labour market situation of youth has recovered significantly, and at about 48%, youth employment rates in 2013 were nearly back to their pre-crisis level. This rise was, however, not so much due to an increase in employment but rather due to the decline of the youth population. In absolute terms, the dramatic job losses during the crisis were not even nearly matched by job creation during the recovery. The unemployment rate of 16.4% is still nearly twice as high in 2013 as it was in 2007.

A more suitable measure of the labour market performance of young people is the NEET rate, i.e. the share of youth who are not in employment, education or training. In 2013, the NEET rate remains slightly higher in Latvia (16.5% or 63 000 NEETs aged 15-29 years) than the OECD average (15%), but it compares favourably to the rates experienced in countries similarly hit by the crisis such as Greece, Spain and Italy.

More than one out of two NEETs in Latvia are not looking for work (or *unemployed*) and thus classified as *inactive* NEETs. This corresponds to the average share observed across OECD countries. The sharp increase in Latvian NEET rates during the crisis was, however, exclusively due to the

growing number of unemployed NEETs, while the share of inactive NEETs has been declining steadily and was completely unaffected by the crisis.

Who are the NEETs and what are the risk factors?

The majority of NEETs in Latvia are aged 20 to 29 years. This is partly explained by high shares of inactive NEET among women, especially among 25-29 year-olds. Among female inactive NEETs, 63% report childcare or other family issues as the primary reason for inactivity, and another 10% report pregnancy. Male NEETs are more often unemployed than inactive. Among inactive male NEETs, more than a quarter report suffering from poor health or a disability.

Low to medium education levels are common among NEETs. About one-third of the NEETs aged 15 to 29 have low education (i.e. at most "basic education"), and about half have only attained upper secondary education. Among 25-29 year-olds with low education, the NEET rate reaches 38%.

A significant share of NEETs, in particular among those who are inactive, may moreover be facing substantial health-related obstacles to employment, among inactive NEETs particularly mental health problems.

NEET rates in Latvia also differ substantially by ethnicity. The majority of NEET youth are ethnic Latvians, but nevertheless, ethnic minorities are over-represented among NEETs. In 2013, other ethnicities accounted for about 29% of the overall youth population but for 39% of all NEET youth

NEET status is moreover not a short-term phenomenon: over 40% of all youth in Latvia (or 72% of all youth with a NEET spell) experience a spell of more than six months. Among NEETs, young women, individuals with low education and those with poor health tend to remain out of employment or education for longest.

The incidence of poverty and the role of income support

Youth in Latvia have access to all major income-support programmes for working-age individuals, and these benefits played a crucial role in cushioning the effects of the crisis for young people. The unemployment benefit (UB) receipt rate doubled during the recession to 12% of youth (aged 16-29 years). It has since declined back to its pre-crisis level, and is now slightly lower than the OECD average. For means-tested social assistance (SA), receipt rates among youth rose much more moderately, but benefit levels increased due the expansion of the Guaranteed Minimum Income (GMI). Also the duration of SA benefit receipt increased

substantially after the crisis, with about half of all spells among youth lasting longer than six months. Housing benefits (HB) are received today by a far larger share of youth than before the crisis: the receipt rate reached 9.6% in 2013 compared to 0.6% in 2007. By contrast, fewer young people today than before the crisis are supported by family allowances. This likely reflects a decrease in generosity of benefits during the crisis, but possibly also an ageing youth population. Disability benefit (DB) receipt has been showing a steady upward trend among young people since 2007 (though little reaction to the crisis), and is the fourth-highest among OECD countries. This is worrisome, as DB receipt often turns out to be (quasi-)permanent: for youth on DB, long-term benefit receipt is the norm, with nearly 95% of young DB recipients having benefit spells that last longer than 12 months. Overall, social benefit receipt rates among youth in Latvia are relatively high by OECD standards, which, however, mainly reflects that about half of youth live in a household that receives family benefits. Few NEETs are covered by unemployment benefits, and there appears to be no strong conditionality on job-search behaviour: unemployed NEETs are not more likely to receive UB than inactive NEETs. As a result of low UB receipt rates among unemployed youth (13% in Latvia compared to 29% in the OECD on average), the overall coverage of social benefits tends to be weaker for unemployed NEETs than for the inactives, who often receive disability or family benefits.

In 2011, about half of all NEETs (unemployed or inactive) were registered at the State Employment Agency (SEA), and only one out of four registered young jobseekers received UB.

The poverty rate for youth in Latvia has strongly risen during the crisis, but is nearly back to pre-crisis levels. It was 17% in 2013, which is lower than for other working-age people or older persons. As in other countries, NEETs however experience much higher poverty rates (26%), and the risk is particularly high for those not living with their parents. Youth poverty rates vary between regions: they are two to three times higher in Latgale (26%) and Vidzeme (30%) than in the capital Riga (11%).

Raising school completion rates and providing high-quality professional training

Education in Latvia has undergone profound changes in the context of a rapidly shrinking youth population, and recent years of fiscal consolidation have imposed strict constraints on staff and educational means. The number of schools and vocational education institutions has been reduced over the last decade, but student teacher ratios remain very low by international

standards. In the vocational education system, a further streamlining is currently underway.

Early-school leaving in Latvia has declined and is now around the OECD average. Challenges remain, however, notably for young men who are twice as likely as young women to leave school without completing upper-secondary education. To further reduce the number of children not registered with an educational institution, both more and better information on school attendance needs to be exchanged between schools, local and national authorities.

Vocational education in Latvia has been suffering from a bad reputation and a lack of attractiveness, and dropout rates are relatively high. Since 2010, reforms have brought about a consolidation of the network of vocational institutions, with smaller institutions merging or shutting down and selected larger institutions acquiring the status of vocational education competence centres equipped with modernised facilities. More recently, the structure and content of vocational education programmes were revised to give social partners more say in the design of programmes. Yet, VET remains mainly school-based and typically includes only very few elements of work-based learning.

Given the apparent success of a recent work-based learning pilot, in which vocational education students receive part of their practical training in participating companies, and ample empirical evidence of the benefits of apprenticeship systems, Latvia would benefit from a more systematic and speedier introduction of company-based learning. This will require an appropriate legal framework that sets quality standards, and specifies the rights and obligations of employers, students and educational institutions. A system of financial incentives – from direct subsidies, over tax rebates or reductions in social security charges, to an indirect levy financing of apprenticeship places – could encourage employers to provide more learning opportunities.

A better system of career counselling in Latvian schools could help motivate students at risk of dropping out to enrol into VET, including apprenticeships. A revision of the system is under way, but there are still too few specialised staff in schools. Compulsory internships towards the end of basic education could help increase the focus on the issue.

The provision of extra-curricular activities in Latvia through an institutionalised system of voluntary after-school "interest-education", which is organised by the municipalities and available to youth at low cost, is an example of an international best practice. This system should remain widely available and attractive to young people, which will probably require further modernising facilities and programme contents – for instance,

focussing more on IT-related and technical skills. This network could also be more widely used to connect social, health and employment services with young people who need them.

Offering NEETs an effective programme guarantee

Between 2007 and 2010, the number of young jobseekers doubled, and the number of long-term young unemployed increased four-fold. In response, the Latvian Government increased funding for activation programmes. In an environment of lacking jobs in the primary labour market, the focus until 2012 was however mainly on temporary public employment, and the degree of activation remained overall relatively low by international standards. 5% of jobseekers in Latvia participated in activation measures in 2012, compared to around 40% in countries like Denmark, France, the Netherlands and Sweden. Caseloads per counsellor reached high levels in the aftermath of the crisis.

Against this backdrop, the authorities started to expand training programmes for youth and promote career guidance following a comprehensive and ambitious Youth Guarantee (YG) strategy. This YG was launched during 2014 in three successive stages: the first one focusses on getting unemployed youth back into employment; the second stage focuses on bringing low-skilled youth into vocational education; the third stage aims at better identifying dis-connected youth and re-engaging them in social activities.

There are a number of challenges to make this YG a success. First, the number of youth assigned to these programmes must rise progressively and the capacity of employment and social services must be adjusted accordingly to maintain low caseloads per counsellor. This is all the more important for outreach and mentoring activities for the most disadvantaged youth which typically require much staff attention, as well as for follow up activities after programme completion. This might call for a targeted and temporary increase in staffing, either directly at SEA and social services or through the temporary recourse to NGOs or private providers with clear activation objectives and appropriate incentives.

Second, the co-operation between social, education and employment institutions must be reinforced to improve both outreach to inactive youth and follow up after programme completion. Despite growing efforts, integration of SEA and municipal social services still appears relatively weak, at least in urban areas, where key actors might be less closely connected. The sharing of information is more or less left to the good will of local and state authorities.

Third, incentives in the system must be reinforced. On the clients' side, appropriate stipends conditional on programme participation should be paid

under the condition of a strict enforcement of obligations. On the employers' side, there is room for expanding targeted hiring subsidies for the most disadvantaged youth and those who complete an intensive training programme.

Chapter 1

Youth labour market outcomes in Latvia

The situation of youth in the Latvian labour market has undergone dramatic changes over the last decade. After plummeting in the years of catch-up growth since the mid-2000s, youth unemployment increased threefold in just two years to reach unprecedented levels. The NEET rate among 15 to 29 year-olds soared accordingly. The recovery that started in 2011 allowed for a quick return back close to the OECD average – a trend that was not observed in other countries heavily hit by the crisis. The recovery for youth was however rather "jobless" in the sense that increasing employment rates are explained primarily by a decline of the youth population driven by low birth rates and emigration.

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.

Introduction

Over the past ten years, Latvia has experienced dramatic demographic and labour market changes. The population, and notably the youth population, has been shrinking due to low birth rates and massive emigration.[1] Unemployment first declined rapidly before the crisis in the context of strong growth, and was even below the OECD average, just before tripling over two years during the crisis to reach one of the highest levels in Europe. Economic recovery is underway but so far jobs for youth have not reached their previous level.

The purpose of this chapter is to examine how youth employment, unemployment and inactivity have evolved during the crisis and more importantly during the recovery. The chapter first draws a picture of youth demographics (Section 1). It then examines the labour market situation of youth in detail (Section 2), and describes the NEET challenge (Section 3).

1. The importance of demographics and migration

Latvia's population is shrinking dramatically. Between the population census in 1989 and the latest one in 2011, the size of the resident population fell by 22%, from over 2.6 million to below 2.1 million citizens. The current population size is 2.0 million, 16% less than at the turn of the millennium (CSB, 2015a).

The most important reason for the population decline is emigration. According to recent estimates (Hazans, 2013), Latvia lost 9.1% of its population (and 14% of its working-age population) to migration over the years from 2000 to 2011.[2] The trend was accelerated by the recent economic crisis, when emigration numbers surpassed 30 000 persons (in 2009 and 2011) and even 40 000 person (in 2010) per year.[3]

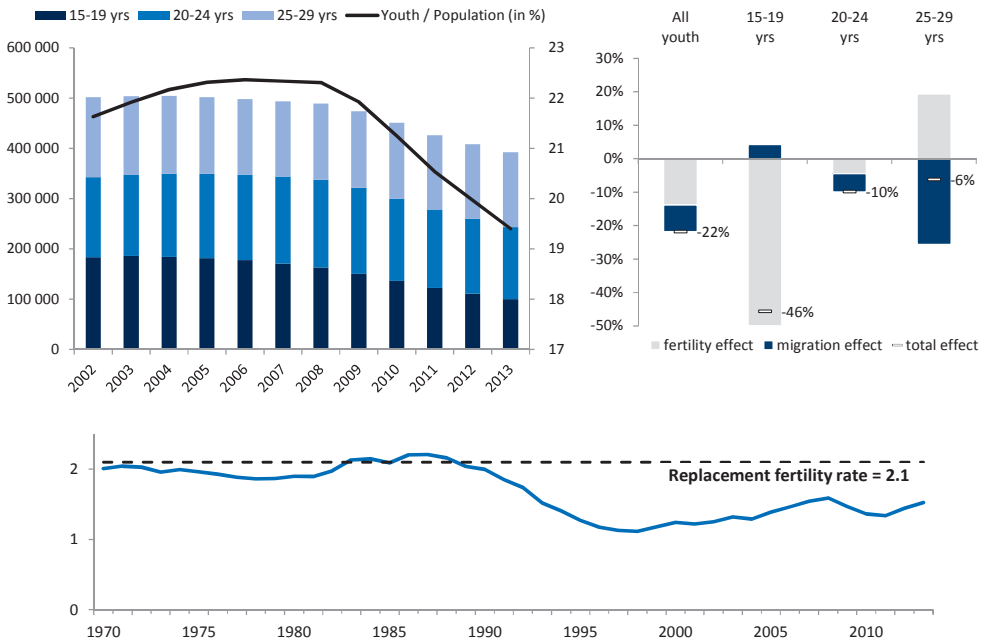
The second major source of population shrinking in Latvia has been the extremely low birth rate. During the transition years, the total fertility rate dropped from 2.16 in 1988 to 1.13 in 1997 (Figure 1.1). While it has partly recovered since, the current value of 1.52 is still well below replacement level and contributes to a further decline in the population size and an ageing population.[4]

The demographic situation in Latvia is particularly striking for youth. Since 2002, the number of young people aged 15-29 years fell from around 494 000 in 2002 to 382 000 in 2013, a drop by 23% (top panels of Figure 1.1). While in 2008, young people still represented around 22% of the overall population of Latvia, their share had shrunk to just 19.1% in 2013. The fall in the population size has been most dramatic for teenagers,

with the number of young people aged 15-19 years declining by 46%.[5] The population of 20-24 year-olds and 25-29 year-olds fell by 11% and 7%, respectively, over the same period.

Figure 1.1. The youth population in Latvia is shrinking rapidly

Left panel: number of young people by age group (left axis) and number of youth as a share of the total population (right axis)
Right panel: causes of the change in the youth population from 2002-13, by age group (%)
Bottom panel: fertility rates



1. The total fertility rate gives the number of children a woman would on average bear during her lifetime given the prevailing age-specific fertility rates. The replacement fertility rate gives the average number of children per woman needed to hold the population constant at given mortality rates. It is approximately 2.1 in developed countries.

2. In the top-right panel, the "fertility effect" has been calculated as the relative decline in the youth population (of the specific age group) that is implied by a given relative decline in the respective size of the birth cohorts. The "migration effect" is the difference between the observed decline in the population size and the decline implied by the "fertility effect". Any other factors that affect the change in the size of the youth population, for instance a change in mortality rates for that age group, cannot be separately identified and will be attributed to the "migration effect".

Source: OECD calculations based on CSB data.

The dramatic drop in the number of teenage youth can be entirely attributed to a drop in birth rates. The cohort born in 1989 – the year when fertility rates first slid below replacement level (bottom panel of Figure 1.1) – reached the age of 15 years in 2004, when the number of teenagers started declining. The subsequent plummeting of fertility rates in the early- to mid-1990s translated into a strong drop in the number of 15-19 year-olds in the late 2000s. Fertility rates have remained well below replacement level since, such that the number of teenagers has continued to decline.

Emigration of youth up to the age of 15-19 years probably even declined slightly between 2002 and 2013. In the absence of the observed massive drop in fertility, the number of 15-19 year-olds would thus have slightly risen.

The older age groups of 20-24 and 25-29 year-olds have naturally been affected later or not yet at all by the fertility drop. Among 20-24 year-olds, population numbers started declining with a five-year delay in 2009. Most of the observed decline in the population size for that group is however due to migration. Those aged 25-29 years in 2013 were still born before 1989. For this group, the decline in population size is entirely due to migration, while the fertility effect is strongly positive due high fertility rates in the mid-1980s.

The implication of past fertility rates for the size of the future youth population is that – in the absence of massive positive net migration to Latvia – the share of 15-19 year-olds will continue to decline, while the population of 20-29 year-olds has its most important decline still ahead of them.

2. The labour market situation of youth

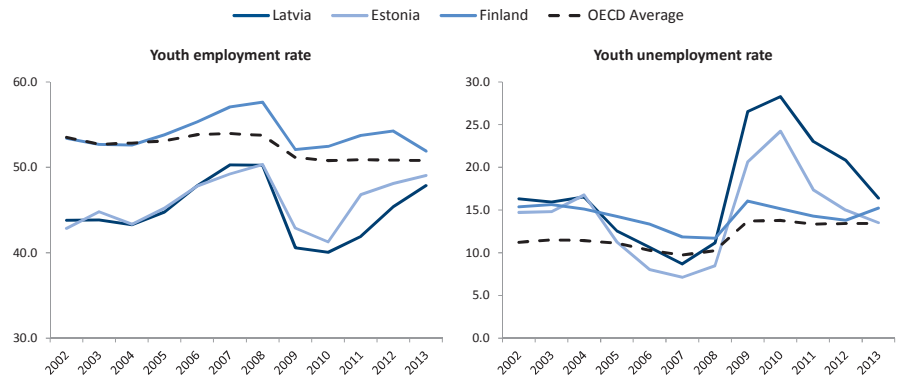
The labour market situation of youth in Latvia over the last decade can be separated into three distinct phases: the boom years until early 2008, the crisis period from 2008 to early 2010, and the recovery thereafter.

Like for the overall working-age population, the employment situation for young people in Latvia developed very favourably in the pre-crisis years: Between 2004 and 2007, the youth employment rate – i.e. the number of 15-29 year-olds in employment as a share of the total youth population – climbed from 43.3% to 50.3% (left panel of Figure 1.2), a result of the exceptional economic growth rates during that period.[6] In 2007, 244 400 young people in Latvia were in work, 29 300 more than in 2004. While the Latvian youth employment rate remained below the OECD average, the gap was narrowed from 9.6 to 3.7 percentage points.

The rise in youth employment was reflected in falling unemployment rates – i.e. the number of unemployed youth as a share of all active youth. From 2004 to 2007, the unemployment rate of 15-29 year-olds dropped from 16.5% to 8.7%, a value below the OECD average (9.7% in 2007).

Figure 1.2. Young people have been hit hard during the crisis

Left panel: employed youth as a share of the total youth population (%)
Right panel: unemployed youth as a share of all active youth (%)



1. Numbers are for individuals aged 15-29 years.

Source: OECD calculations based on the Latvian Labour Force Survey and *OECD Employment Database* (www.oecd.org/employment/database).

Box 1.1. A note on the reading of youth unemployment rates

Unemployment rates are arguably not an ideal measure of the labour market performance for young people. They are calculated as the share of unemployed individuals out of all active individuals, i.e. those who participate in the labour market by working or looking for work. Countries with similar unemployment-to-population ratios could then have very different youth unemployment rates due to differences in labour force participation. This can make comparisons of unemployment rates across groups problematic.

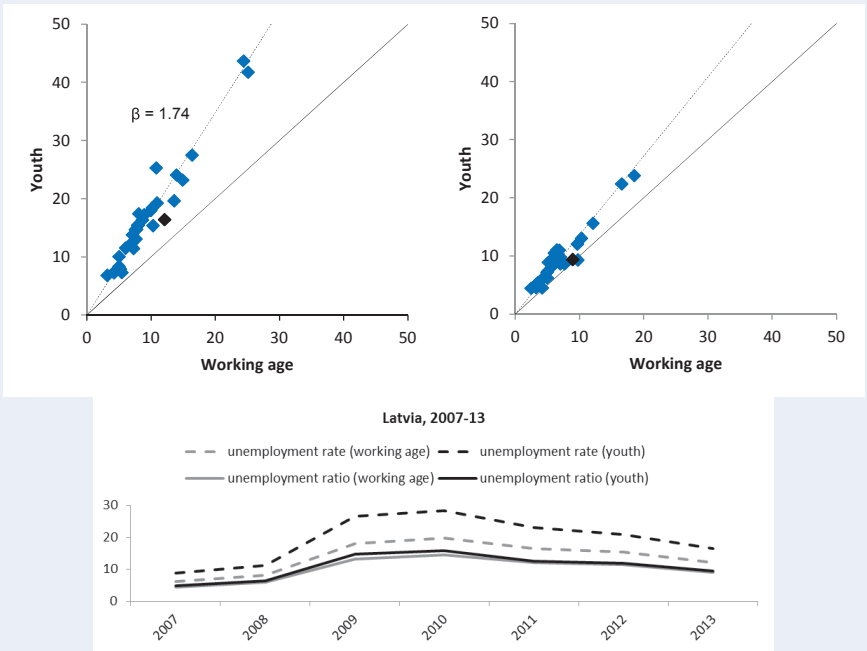
In OECD countries, unemployment rates tend to be systematically higher for youth than for working-age individuals (left panel of Figure 1.3). For Latvia, the rates in 2013 were 16.4% for youth and 12.1% for working-age adults. The share of unemployed persons out of the total population (the unemployment ratio) by contrast was nearly identical for youth (9.0%) and adults (9.4%) (right panel). The gap between the unemployment rates for youth and adults was thus nearly entirely due to differences in participation rates between the two groups, notably due to higher educational enrolment among youth. Similarly, while the impact of the economic crisis on unemployment was much more severe for youth than for working-age adults more generally when measured in terms of unemployment rates, unemployment ratios for the two groups remained very much in line (bottom panel).

Also comparisons of youth unemployment rates between countries can be misleading: Both Latvia and Denmark have very similar youth unemployment-to-population ratios (9.4 vs. 9.0%). Since labour force participation among youth however is considerably higher in Denmark (69 vs. 57%), youth unemployment rates differ by 3.4 percentage points: 16.4% in Latvia, 13.0% in Denmark.

Box 1.1. A note on the reading of youth unemployment rates *(cont.)*

Figure 1.3. Unemployment rates can be a misleading measure of labour market performance for youth

Left panel: unemployment rates for youth and adults, in percent
Right panel: unemployment ratios for youth and adults, in percent



1. Unemployment rates are calculated as the unemployed as a share of the active population (those employed or unemployed). Unemployment ratios are the number of unemployed as a share of the total population. In the two top panels, β gives the slope of the dashed line, which is equal to the ratio of the values for youth and working-age individuals across countries.

2. Latvia is represented in black.

3. Youth are individuals aged 15-29 years, working-age individuals are those aged 15-59 years.

4. Data are for 2012 except for Latvia (2013) and Chile (2011).

Source: OECD calculations based on the Latvian Labour Force Survey, the EU-LFS and national labour force surveys.

To avoid such pitfalls and to account for differences in inactivity across countries and age groups, this review focuses primarily on the NEET rate – i.e. the share of youth not in employment, education or training – as a measure of labour market performance among youth. The benefit of this measure is that it is expressed as a share of the total population, and moreover that it considers not only unemployment but also inactivity among youth outside of education.

The economic crisis struck young people in Latvia heavily: Youth employment collapsed to from 50.3% in 2007 to 40.1% in 2010. The unemployment rate more than tripled from 9.7% in 2007 to 28.3%. In 2010, over 70 000 young people were actively looking for work. Among OECD countries, only Spain had a higher youth unemployment rate in that year (31.7%, the OECD average was 13.8%). The number of vacancies plummeted from above 20 000 on average in 2007 to just 2 000 in the year 2010 (CSB, 2015b).

The labour market situation of youth has shown an impressive recovery since. At 47.9%, youth employment rates in 2013 were nearly back to their pre-crisis level. The unemployment rate of 16.4% is still nearly twice as high as in 2007, but much closer again to the OECD average of 13.4%.

The remarkable recovery of youth employment rates in Latvia since 2010 however can only be understood in the context of the country's special demographic situation.

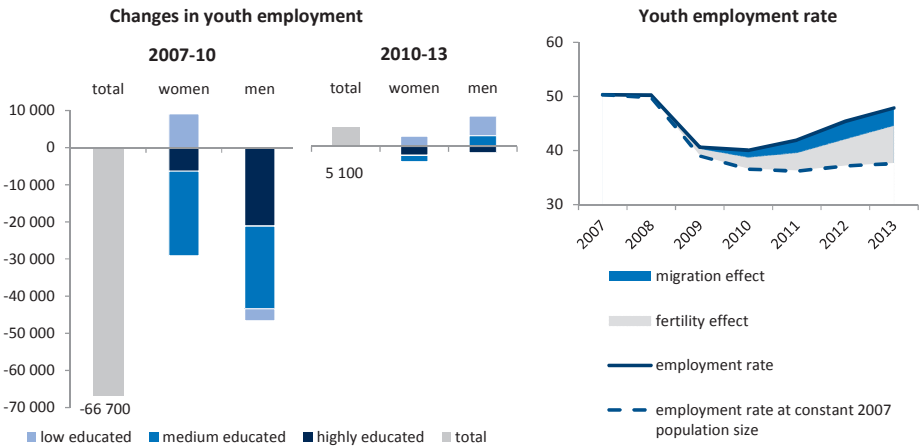
In absolute terms, the dramatic job losses observed during the crisis were not even nearly matched by corresponding gains in employment during the recovery. Between 2007 and 2010, total youth employment dropped from 244 400 to 177 600, implying a net loss of 66 700 jobs for young people. In 2013, youth employment stood at 182 700, a net gain of about 5 100 jobs for young people during the recovery from 2010-12 (Figure 1.4).

This relatively modest net gain in youth employment was associated with the strong rise in employment rates shown in Figure 1.2 because of the simultaneous decline in the overall youth population. In other words, the rise in the employment rate (or employment-to-population ratio) was not so much due to an *increase in employment* (the numerator), but rather due to the *decrease in the youth population* (the denominator) over the same time period.

The impact of demographics on the youth employment rate can again be decomposed into a fertility effect and a migration effect. In the absence of any change in the size of the youth population, the observed changes in employment from 2007-10 would have implied an even larger drop in the employment rate to 36.2% (instead of the observed 40.1%). Similarly, the observed employment increase from 2010 to 2013 would have translated into only a very mild recovery of youth employment rates to 37.6% in 2013 (right panel of Figure 1.4, dashed line). This is 10 percentage points less than the observed employment rate of 47.9% (solid line). About two-thirds of this difference (7 percentage points) can be explained by the effect of fertility rates on the size of the youth population (grey-shaded area). The remainder is due to the effect of migration on the size of the youth population (blue-shaded area). Overall, these results illustrate the enormous impact of Latvia's demographics on the labour market situation of young people.

Figure 1.4. The rise in the employment rate after 2010 was primarily due to demographic effects

Left panel: change in the number of employed youth by sex and level of education
Right panel: youth employment rate as observed and anchored at the population size of 2007



1. Numbers are for individuals aged 15-29 years.

2. Education levels are defined as follows: "low-educated": at most lower-secondary education (ISCED levels 0-2); "medium-educated": upper- or post-secondary education (3-4); "highly-educated": tertiary education (5-6).

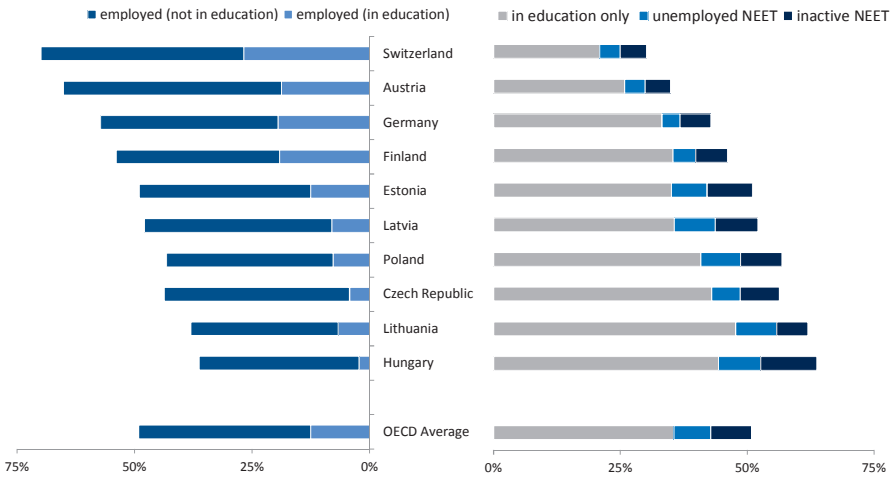
Source: OECD calculations based on the Latvian Labour Force Survey.

One reason for the below-average youth employment rate in Latvia is that only few youth combine studies and work. In 2013, the share of those in education *and* employment among all youth was 8% in Latvia, compared to 13% on average in the OECD (Figure 1.5). It is around or above 20% in countries with well-designed quality apprenticeship systems like Switzerland, Austria, Germany and Finland. The share of youth only in employment is higher by contrast in Latvia (40%) than in the OECD on average (37%) or in countries like Germany (38%) or Finland (35%). Similarly, a larger share of youth in Latvia are only in education (36%) than in countries with an established apprenticeship system like Switzerland (21%), Austria (26%) or Germany (33%).

Finally, 16% of Latvian youth in 2013 were not in employment, education or training (NEET), falling nearly equally into the two groups of *unemployed* and *inactive* NEETs. A discussion of this result is provided in the following subsection.

Figure 1.5. The share of youth combining education and employment in Latvia is relatively low

Labour market status of youth in percent, 2012/13



1. Data are for 2012, except for Latvia (2013)

2. Countries are sorted by the labour force participation rate (the share of individuals who report being employed or unemployed) in descending order.

3. The OECD average is non-weighted excluding Australia, Israel, Japan, Korea and Turkey.

Source: OECD calculations based on the Latvian Labour Force Survey, EU-LFS and national labour force surveys.

3. The NEET challenge

The share of youth who are not in employment, education or training (NEET) is slightly higher in Latvia than in the OECD on average.[7] In 2013, 16.5% of young people aged 15-29 years (63 000 persons) were NEET (Figures 1.4 and 1.5), compared to a share of 15% across OECD countries. This OECD average however hides considerable cross-country differences: In the countries struck worst by the crisis, NEET rates are substantially higher today than in Latvia, reaching for instance 30% in Greece, 26% in Spain and 25% in Italy. Fewer than one out of ten young people are NEET in some of the Central and Northern European countries like Austria (9%), Norway (8%) or the Netherlands (7%).[8]

In Latvia, the 30 500 *unemployed* youth account for less than half of all young people not in employment, education or training. More than one out of two NEETs in Latvia (or 32 000 young people in total) are not looking for work and thus classified as *inactive* NEETs. These shares correspond

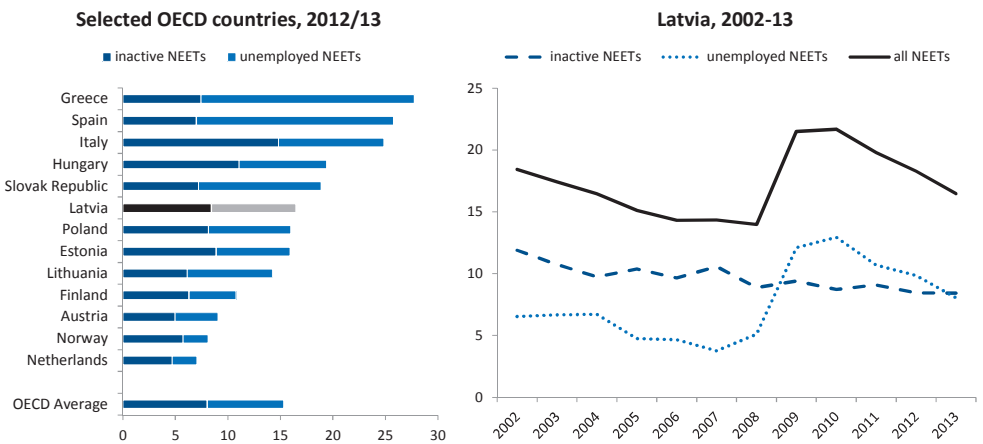
closely the ones observed across OECD countries on average, where 53% of all NEETs are inactive (left panel of Figure 1.5).

The large fraction of NEETs who are inactive – both in Latvia and the OECD as a whole – underlines the importance of looking beyond unemployment rates when assessing the labour market situation of young people. This is true especially in countries where NEET rates are low, and in which the contribution of *inactives* to the total number of NEETs tends to be larger.

Trends in unemployment and NEET inactivity in Latvia differed considerably over the last decade, and notably during the crisis (right panel of Figure 1.6). The share of unemployed NEETs out of the total youth population was low in the pre-crisis years but rose during the crisis from 3.8% in 2007 to 13.0% in 2010. This corresponds to an increase of 26 500 young people while the overall youth population declined by 42 500 over the same time span. The share of *inactive* NEETs was much higher initially, but steadily declined from 12% in 2002 to 8% in 2013, and it remained completely unaffected by the crisis. The sharp increase in Latvian NEET rates during the crisis was hence exclusively due to the growing number of unemployed NEETs.

Figure 1.6. Half of all NEETs in Latvia are inactive, but this share has been declining

Inactive and unemployed NEETs as a share of the youth population, in percent



1. Data in the left panel are for 2012, except for Latvia (2013).
2. Countries in the left panel are sorted by the total NEET rate in descending order.
3. The OECD average is non-weighted excluding Australia, Israel, Japan, Korea and Turkey.

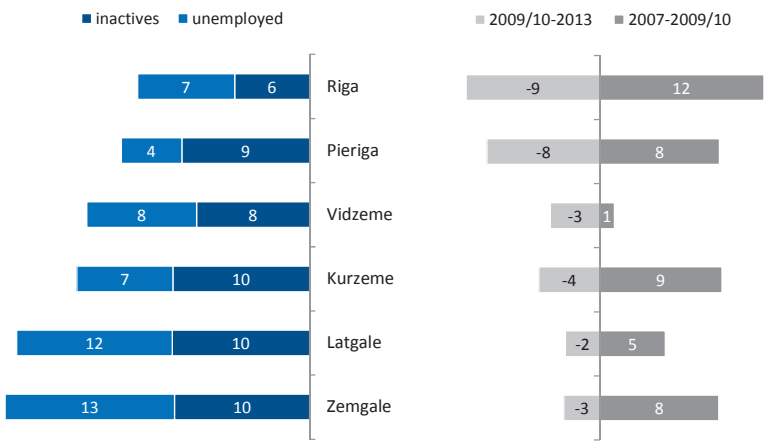
Source: OECD calculations based on the Latvian Labour Force Survey and the EU-LFS.

These trends, which can be observed across many OECD countries (Carcillo et al., 2015), illustrate that the challenge of high NEET rates result from two distinct phenomena. Especially in the countries hit hardest by the economic crisis, the NEET challenge results primarily from soaring numbers of *unemployed* youth. These young people are willing but unable to find work. In nearly all countries, including those with low overall NEET rates, there is a second, relatively stable group of *inactive* NEETs. These young people do not attempt to find work, either because they are not interested in working (for instance due to child care duties at home) or because they are not ready for work for other reasons (for instance due to health problems).

Within Latvia, there is a substantial regional divide in NEET rates (Figure 1.7). At around 13 to 14%, NEET rates are lower in Riga and the surrounding Pieriga region than in the rest of the country.[9] This reflects greater economic opportunities in the capital city and a more educated youth population. NEET rates are highest in the two smallest regions: the easternmost region of Latgale (22%), which includes Daugavpils as Latvia's second-largest city, and the more rural southern region of Zemgale (23%).

Figure 1.7. There are strong regional differences in NEET rates

Left panel: NEET rates in percent by region, 2013
Right panel: change in NEET rates in percent points by region



1. In the right panel, the increase in NEET rates during the crisis is calculated from 2007 to the peak year: 2009 for Riga, Vidzeme and Zengale, 2010 for Latgale, Kurzeme and Pieriga. Similarly, the drop in NEET rates during the recovery is calculated from the peak in 2009 or 2010 until 2013.

Source: OECD calculations based on the Latvian Labour Force Survey.

One reason for the lower NEET rates in Riga and Pieriga is that both regions benefited more than other regions from the economic recovery since 2009/10. Exposure to the crisis was strongest in Riga (increase in NEET rates by 12 percentage points from 2007 to 2009), but the impact was large also in Kurzeme (plus 9 percentage points), Pieriga and Zemgale (both plus 8 percentage points). While in Riga and Pieriga NEET rates in 2013 are nearly back to pre-crisis levels, Kurzeme and Zemgale have so far benefited little from the recovery.

Notes

1. Unless noted otherwise, youth are defined throughout this document as individuals aged 15/16 to 29 years.

2. Official statistics count a net emigration of 238 000 individuals between 2000 and 2013, which corresponds to 10% of the population in the year 2000 (CSB, 2015c).

3. A contributing factor to pre-crisis migration was Latvia's accession to the European Union in 2004, which brought about (an initially restricted) right to free movement within the European Union. The most important destination countries in the pre-crisis years were the United Kingdom and Ireland (Hazans, 2013).

4. Eurostat forecasts predict a further decline in the size of Latvia's population size to 1.9 million by 2020 and 1.6 million by 2030 (Eurostat, 2014).

5. From 182 000 in 2002 to 97 000 in 2013.

6. Real annual GDP growth rates in Latvia were 8.9% in 2004, 10.2% in 2005, 11.6% in 2006 and 9.8% in 2007 (OECD, 2015).

7. Throughout this report, NEET status is defined on the basis of two variables: the ILO labour force status and enrolment in formal education during the past four weeks. *Unemployed* NEETs are those ILO unemployed who are not in education or training. *Inactive* NEETs are those ILO inactive who are not in education or training. Participation in informal education (i.e. classes, conferences or seminars attended for work or personal interest outside of the formal education system) is not considered.

8. For an overview of NEET rates in other OECD countries, see Carcillo et al. (2015).

9. Riga and Pieriga are defined as two separate statistical regions by the EC NUTS Regulation but belong to the same administrative planning region Riga. The four other statistical regions Kurzeme, Latgale, Vidzeme and Zemgale coincide with the respective planning regions.

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Chapter 2

Characteristics of youth not in employment, education or training (NEETs) in Latvia

Identifying NEETs' characteristics is important for the design of well-targeted policies that can bring young people back into employment or training. In Latvia, like in other countries, NEET status is often related to a range of different "risk factors": Individuals with low educational attainment are strongly overrepresented among NEETs. High rates of inactivity among young women are frequently due to pregnancy, childcare or other family responsibilities. Inactive men frequently report suffering from poor health. Among NEETs, young women, individuals with low education and those with poor health tend to remain out of employment or education for longest. There are substantial differences in NEET rates across regions in Latvia.

Introduction

Understanding the situation and the background of the NEETs is essential for designing well-targeted policies that help young people find their way back into education or employment. NEETs are far from a homogeneous group and they may face a range of different hurdles to participation in education and employment. Also the type and degree of support a young person needs depends much on the individual challenges faced.

The previous chapter discussed the importance of distinguishing between the unemployed and the *inactive* NEETs. This chapter examines both groups in terms of their individual and household characteristics (Section 1), before presenting insights into the *dynamics* of NEET status and the duration of spells (Section 2).

1. Who are those not in employment, education or training (NEET)?

Individual characteristics

NEET status and educational attainment

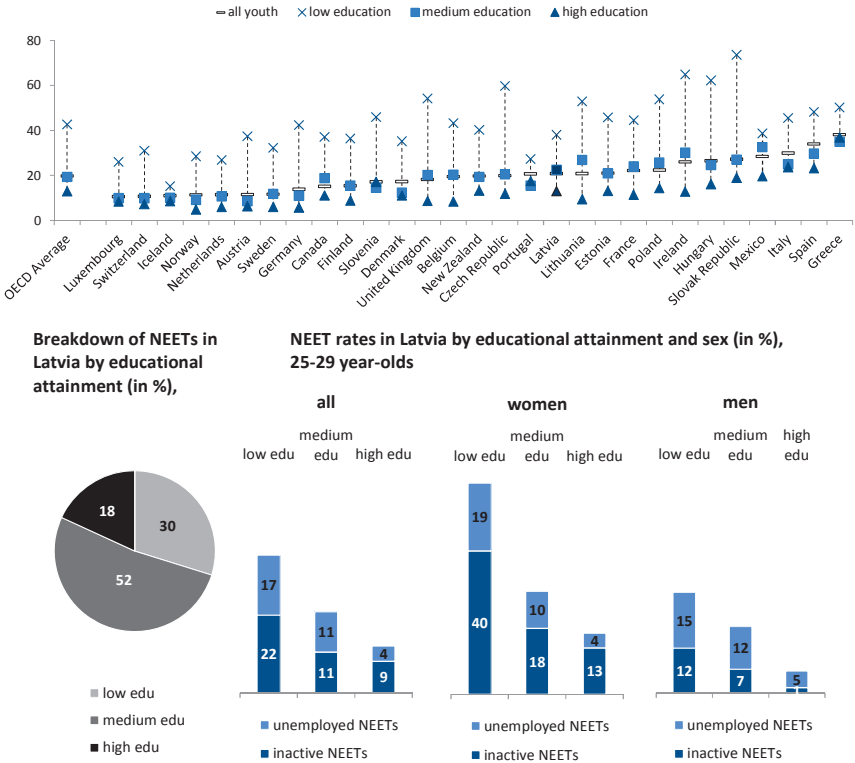
In a labour market that increasingly demands skilled workers, low educational attainment and particularly the lack of foundation skills (such as basic reading, writing and mathematics) can be important causes of NEET status.

Across OECD countries, the NEET rate among 25-29 year-olds with at most lower-secondary education is 43%, more than three times as high as for youth with tertiary education (13%, see top panel of Figure 1.7). Overall, youth with at most lower-secondary education make up 36% of those not in employment, education or training (Carcillo et al., 2015). More specifically, recent results from the OECD Survey on Adult Skills (PIAAC) show that young people with low literacy or numeracy skills have on average more than twice the risk of being NEET than those with medium skill levels (OECD, 2015, Figure 4.7).[1]

While also in Latvia, low-educated youth are overrepresented among NEETs, the majority of NEETs have gone beyond lower-secondary "basic education". Over two-thirds of NEETs aged 15-29 years have acquired at least an upper-secondary degree (ISCED 3 or higher) and 18% even have a tertiary degree (ISCED 5 or higher). At 30% of all NEETs, youth with at most "basic education" (ISCED level 2 or lower) account for a relatively small fraction of NEETs (bottom-left panel of Figure 2.1).

Figure 2.1. NEET status is strongly related to low education, but most NEETs in Latvia have a secondary degree

Top panel: NEET rates for 25-29 year-olds by educational attainment, 2012/13
Bottom-left panel: shares among all NEETs in Latvia in percent, 2013
Bottom-right panel: shares among youth in Latvia per subgroup in percent, 2013



1. The term "low-educated" is used to describe individuals with at most lower-secondary education (ISCED levels 0-2); "medium educated" refers to individuals with upper- or post-secondary education (3-4), and "highly-educated" is used to describe individuals with tertiary education (5-6).

2. Data in the top panel are for 2012 except for Latvia (2013). No data were available for Australia, Chile, Israel, Japan, Korea, Turkey and the United States.

3. The OECD average is non-weighted.

4. Countries are ordered in ascending order by the NEET rate for all youth.

Source: OECD calculations based on the EU-LFS, the Latvian Labour Force Survey and national labour force surveys.

The relationship between educational attainment and NEET status is more evident for older youth.[2] The NEET rate among those aged 25-29 years is 38% for those with low education compared to only 13% for those with high education (bottom-right panel of Figure 2.1). For young

women, this relationship is even stronger. For a finer breakdown of NEET rates by educational attainment in Latvia, see Figure 2.A1.1 in Annex 2.A1.

NEET status and age

The teenage dropout is not representative of the typical NEET. Across OECD countries, as in Latvia, NEET rates tend to be systematically higher among youth in their twenties than among teenagers (top panel of Figure 2.2). NEET rates tend to be highest among 25-29 year-olds (21% in Latvia, 20% in the OECD), and lowest among teenagers (6% in Latvia, 7% in the OECD).

High rates of inactivity among women in their 20s are the principal reason for a relatively old NEET population, and most inactive women stay at home for child care. For instance, among women aged 25-29 years, 17% are NEET inactive. 73% of all NEET inactive women report pregnancy, childcare, or other family issues as the primary reasons for inactivity (bottom panel of Figure 2.2).

Among young men, rates of NEET inactivity are much lower (at 5% to 6%). The main causes for inactivity reported by young men are family reasons (25%), a disability or sickness (27%) and discouragement from the labour market (15%).

NEET status and health

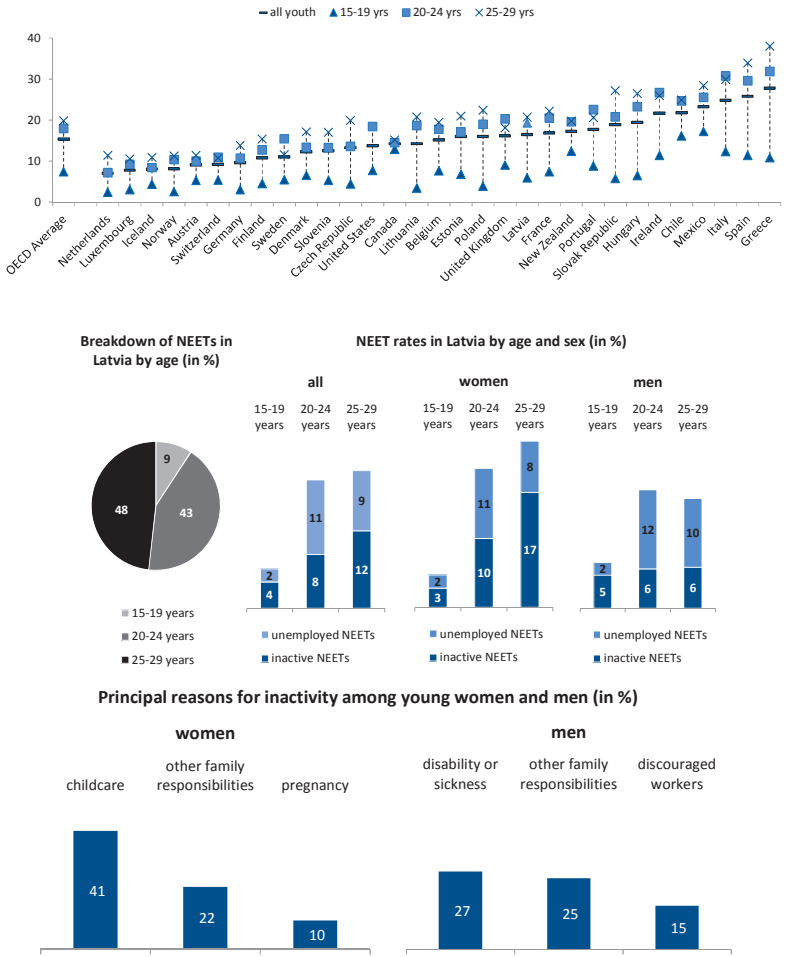
As discussed above, physical or mental health problems can be a contributing factor to NEET status. Recent OECD research highlights the importance of mental disorders among young people, with about one out of four youth aged 15-24 years being affected (OECD, 2012). Individuals with severe disorders, which are much less frequent, encounter particularly large obstacles to labour market participation.

Survey data on self-reported health confirm that NEETs in Latvia are more likely than other youth to suffer from problems of physical or mental health. Health problems tend moreover to be more prevalent among inactive than among unemployed NEETs.

Physical health problems are relatively frequent among youth in Latvia (top panel of Figure 2.3). Of those aged 15 to 24 years, nearly one-quarter report having had at least a chronic physical condition or disease over the past 12 months.[3] 14% report "some" or "strong" physical limitations over the past six months, and 6% have had "moderate" to "extreme" physical pain in the last four weeks.

Figure 2.2. Nearly half of all NEETs in Latvia are above 25 years

Top panel: NEET rates by age group in percent, 2012/13
Middle-left panel: shares among all NEETs in Latvia in percent, 2013
Middle-right panel: shares among youth in Latvia per subgroup in percent, 2013
Bottom panel: reasons for inactivity among inactive NEETs, in percent, 2013

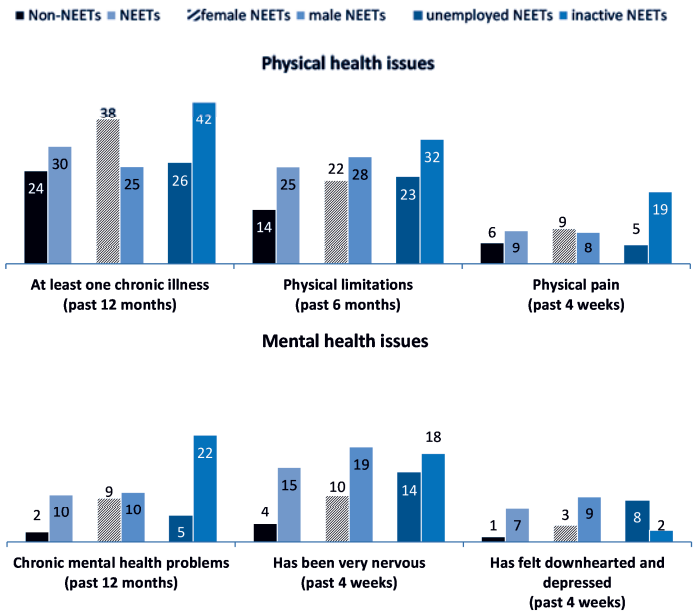


1. Data in the top panel are for 2012 except for Latvia (2013). Data on 25-29 year-olds are missing for the United States. No data were available for Australia, Chile, Israel, Japan, Korea, and Turkey.
2. The OECD average is non-weighted.
3. Countries are ordered in ascending order by the NEET rate for all youth.
4. The reasons for NEET inactivity in the bottom panel are self-reported.

Source: OECD calculations based on the EU-LFS, the Latvian Labour Force Survey and national labour force surveys.

Figure 2.3. Inactive NEETs often suffer from physical or mental health problems

Share of youth who report physical and mental health problems in percent, 2008



1. Results are for youth aged 15 to 24 years because those aged 25 to 29 years cannot be separately identified.

2. The EHIS 2008 does not provide sampling weights adjusted on the basis of the 2011 census. The results presented thus likely do not account sufficiently for migration-induced changes in the composition of the youth population. Since results are for 2008, they are not affected however by the heaviest migration waves during the years 2009-11.

Source: OECD calculations based on the European Health Interview Survey (EHIS) 2008.

Among inactive NEETs, prevalence of all three categories of physical health problems is substantially higher: In particular, 32% of inactive NEETs report having had physical limitations, and 19% indicate recent physical pain. For young males, this confirms the earlier result from Figure 2.2, according to which health problems and disabilities are the main self-reported cause of NEET inactivity. The fact that also many female inactive NEETs indicate suffering from health issues may suggest that such problems coincide with family responsibilities or pregnancy. The figures are also more or less in line with the 20% of inactive youth who report touching Disability Benefits (see Chapter 3).[4]

Unemployed NEETs only report a higher incidence of physical limitations than non-NEETs, but do not indicate chronic illnesses or physical pain more often.

Mental health issues are much less frequent among youth in Latvia than in other OECD countries, but tend to affect NEETs more often than other young people. Only 2% of all Latvian youth report having had chronic mental health issues over the past 12 months, compared to 5% among unemployed NEETs and 22% among inactive NEETs.[5] This category includes for instance chronic anxiety or depression. A slightly larger share of 4% of young people in Latvia report having felt "very nervous" during the past four weeks; the corresponding shares are 14 and 18% among unemployed and inactive NEETs. Feelings of downheartedness or depression are reported by 1% of all youth and 2% of inactive NEETs, but interestingly by 8% of all unemployed NEETs. This likely reflects that unemployment more than inactivity tends to be involuntary.

While these results suggest that especially chronic mental health problems may be an important cause for inactivity among youth, it is worth noting that the relationship between mental health issues and NEET status may of course run in either direction. Indeed, a likely reason for the increased share of unemployment NEETs who report downheartedness or depression may simply be their frustration from not finding a job. In other words, downheartedness may be the *consequence* rather than the *cause* of NEET status. This could also explain rates of downheartedness are lower for inactive NEETs, as inactivity may more often than unemployment be a deliberate choice. By that line of reasoning, it seems unlikely however that the high prevalence of chronic mental health problems among inactive youth would simply be consequence of their NEET status.

The main implication of these results is that a significant share of NEETs, in particular among those who are inactive, may face substantial health-related obstacles to employment. Any interventions intended to help these young people must work by addressing these issues along with any potential additional challenges that the young person may face. Programmes that for instance only address a young person's educational needs in isolation are likely to fail.

Evidence on doctor's visits suggests however that NEETs generally receive the medical treatment they require: Among NEETs who report having had strong physical limitations during the past six months, 86% indicate having seen a specialist over the past 12 months. This is only slightly lower than among all youth with strong physical limitations (89%); 76.5% of NEETs with less than "good" self-assessed health report having

visited a doctor over the past 12 months (84.5% among all youth with less than "good" self-assessed health).[6]

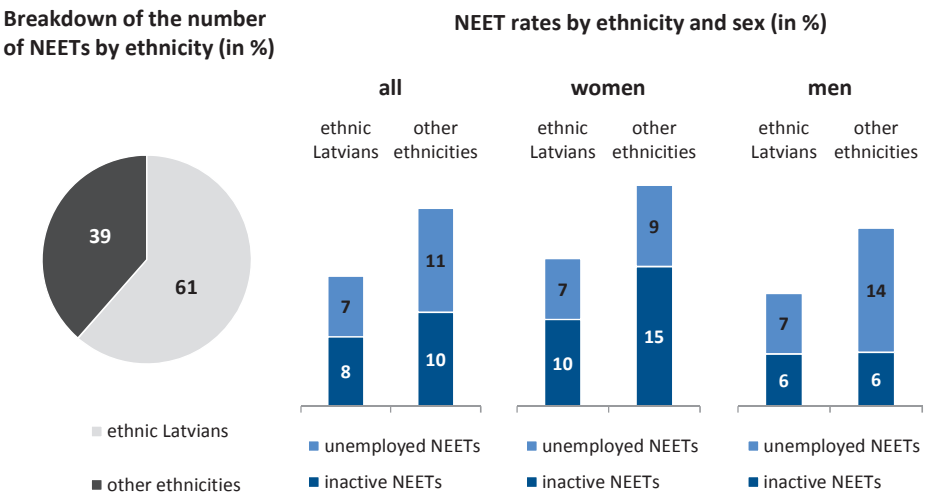
One contributing factor to the relatively high number of youth who regularly visit a doctor is that minors in Latvia are exempt from patient co-payments for state financed health services irrespective of income. In cases where a young person with health problems fails to attend a doctor, one reason may be neglect, i.e. the failure to act on appearing symptoms.[7]

NEET status and ethnic background

NEET rates in Latvia also differ by ethnicity. While the majority of NEET youth are ethnic Latvians, ethnic minorities are over-represented among NEETs compared to their share in the total youth population. In 2013, other ethnicities accounted for about 29% of the overall youth population but 39% of all NEET youth (left panel of Figure 2.4). The Latvian LFS does not provide a more detailed breakdown among those with non-Latvian ethnicity. Among all youth, the largest minority are the 23% ethnic Russians (who account for three-quarters of non-ethnic Latvian youth), followed by 1.5 to 2% of Belarusians, Poles and Ukrainians (CSB, 2015).[8]

Figure 2.4. NEET rates are higher for non-ethnic Latvians

Left panel: shares among all NEETs in percent, 2013
Right panel: shares among all youth in that subgroup in percent, 2013



Source: OECD calculations based on the Latvian Labour Force Survey.

The reasons for the higher NEET rates among non-ethnic Latvians are difficult to determine. Levels of educational attainment are comparable between the two groups, and, if anything, even slightly higher among the ethnic minority youth. Many non-ethnic Latvian youth live in the economically weaker Latgale region. They are however also strongly overrepresented in Riga and urban centres more generally, where labour market perspectives tend to be better. NEET rates moreover tend to be higher among non-ethnic Latvians both in Riga and in Latgale.[9]

Interesting gender differences can be observed when decomposing NEET rates among ethnic and non-ethnic Latvians into the *unemployed* and *inactives* (right panel of Figure 2.4). Among ethnic minority men, higher NEET rates appear to be primarily due to labour market factors. The 7 percentage-point gap in NEET rates is entirely driven by the higher share of *unemployed* among non-ethnic Latvian men, while the rate of *inactivity* is identical for the two groups at 6%. For young women, the disparity in NEET rates between ethnic and non-ethnic Latvians is primarily due to a difference in NEET *inactivity*.[10]

Unfortunately, data are lacking that would allow studying these differences in greater detail, and there has consequently also been little academic research on this issue.[11]

Household and parents' characteristics

NEET status and living arrangements

A young person's living arrangements can be an important determinant of success in education and the labour market. Inactivity may be the result of caring duties, for instance for (single) parents with young children, who may choose to stay at home with their young child or who have trouble finding suitable child care arrangements. Living with one's parents can also matter if problems at home affect a young person's capacity to succeed in education or work.

The household situation of a young person moreover directly affects the income situation. The parents or the partner may provide an informal safety net to a young person in the case of joblessness or low income. Entitlements to benefits may moreover depend on the size of the household and the incomes of other household members.

Two-thirds of Latvian youth aged 15-29 years live with their parents (left panel of Figure 2.5). Among youth not living with their parents, about equal shares live with other adults (including a partner above the age of

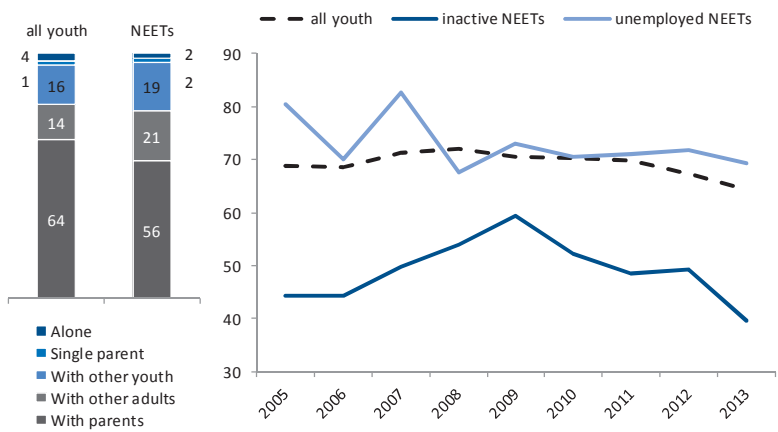
29 years, 16%) or with other youth (including a partner aged 29 years or younger, 15%). Only very few youth live alone or alone with a child.[12]

The economic crisis did not lead to a noticeable postponement of young people's decision to leave home. Over the last decade, the share of youth who live with their parents remained relatively stable around 70%. A somewhat greater share of young people living independently in 2012 and 2013 may reflect the recovery or an ageing of the youth population (see discussion in Chapter 1).

Inactive NEETs are much less likely to live with their parents than unemployed NEETs or other youth. This probably reflects that many of them are young women with a partner who stay at home for childcare. The fact that for the inactives, the share living at home substantially rose during crisis (from 44% in 2006 to 59% in 2009) may indicate that their income situation was less secure than for the unemployed NEETs.

Figure 2.5. Inactive NEETs are much less likely than other youth to still live with their parents

Left panel: household types among youth and NEET youth in percent, 2013
Right panel: the share of youth and NEETs living with their parents in percent



1. Numbers are for youth aged 16-29 years.

Source: OECD calculations based on EU-SILC.

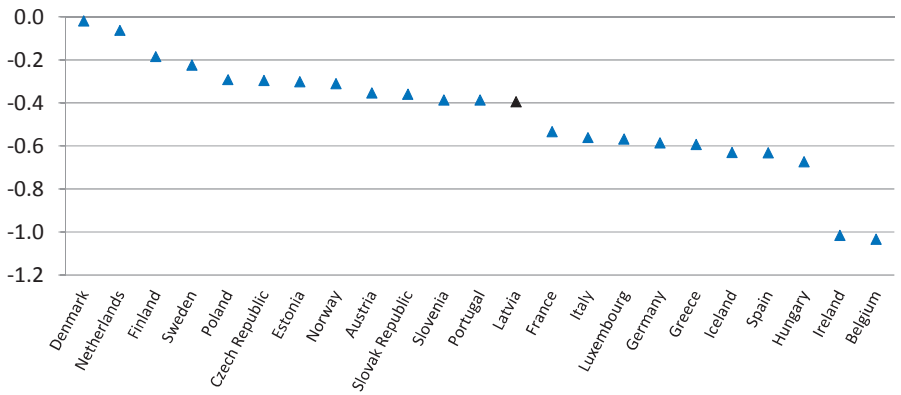
NEET status and parents' disadvantage

Across the OECD, there is strong evidence that NEETs tend to come from more disadvantaged families than other youth:

In nearly all OECD countries with suitable data, NEETs' parents are found to have lower educational attainment than the parents of youth in education or employment. The parental attainment gap is small in some of the Northern European countries (Denmark, Finland, Sweden) and the Netherlands, but reaches a full ISCED point in Ireland and Belgium. In Latvia, the maximum educational attainment of NEETs' parents is 0.4 ISCED levels lower than that of non-NEETs' parents, which comparable to the average of the OECD.[13]

Figure 2.6. NEETs' parents are on average less educated than the parents of non-NEET youth

Gap in educational attainment between the parents of NEET and non-NEET youth in ISCED points for those still living with their parents, 2012/13



1. Numbers are for youth aged 16-29 years.

2. Numbers are for 2012, except for Latvia (2013), Belgium (2011) and Ireland (2010).

Source: OECD calculations based on EU-SILC.

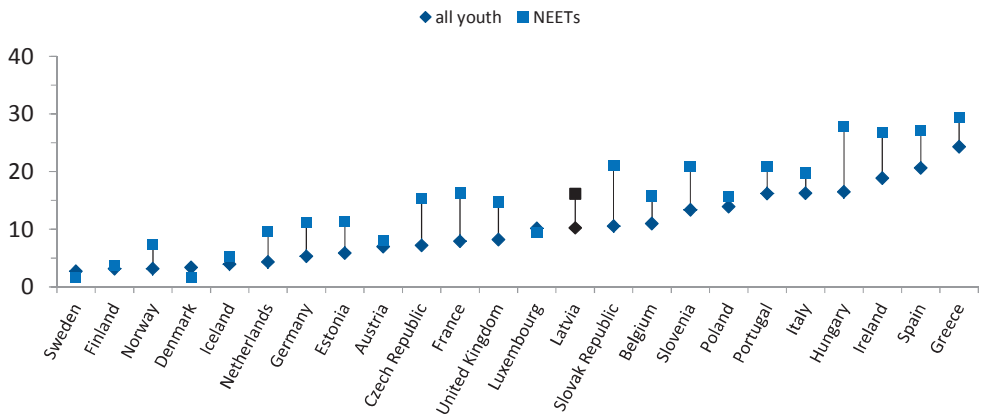
The association between parental education and NEET status observed across OECD countries can be interpreted in different ways. One conclusion may be that parental education directly affects the level of education of the children, which, as seen, is strongly related to NEET status. If parents with low educational attainment are less inclined (or less capable) to encourage their children to pursue higher education, this would reduce the children's opportunities in the labour market and raise their likelihood of becoming NEET. An alternative explanation is that young people whose parents have low education come more generally from disadvantaged backgrounds. In that case, the relationship shown in Figure 2.6 may for instance reflect a

direct effect of poverty (not education *per se*) on the likelihood of being NEET.

Like parents' educational attainment, also the parents' employment status differs between NEETs and non-NEETs, with NEETs' parents being much more likely to be out of work (Figure 2.7). In Latvia, in 16% of cases where a young NEET lives with their parents, neither of the two parents is in work. The corresponding share for non-NEETs is only 10%. This is problematic because it indicates that NEETs' parents are not always in a position themselves to financial support their children who are out of employment, education or training.

Figure 2.7. NEETs are more likely than other youth to live with workless parents

Share of youth and NEET living with workless parents in percent of those still living with their parents, 2012/13



1. Numbers are for youth aged 16-29 years.
2. Numbers are for 2012, except for Latvia (2013), Belgium (2011) and Ireland (2010).

Source: OECD calculations based on EU-SILC.

Overall, these findings show a strong accumulation of economic disadvantage among NEETs that goes beyond the mere fact of a lack of paid employment. The high incidence of caring responsibilities especially among young women and many cases of bad health particularly among young men indicate that there may be substantial hurdles to labour market entry for inactive NEETs. Low educational attainment of NEETs furthermore suggests that they may have few employment possibilities and a low earnings potential when seeking employment.

2. The dynamics of NEET status

The analysis presented in this chapter thus far provided a *cross-sectional* characterisation of young NEETs in Latvia in terms of their personal characteristics and living conditions, giving a snapshot picture at a single point in time (or multiple of these snapshots over the crisis years).

This section extends and complements the earlier cross-sectional analysis by presenting results on the *dynamics* of NEET status on the basis of longitudinal survey data. It provides insights on the following issues:

- What share of youth in Latvia are NEET *at some point* during their transition from school to work?
- *For how long* do NEETs in Latvia remain out of employment, education or training?
- How many *separate "spells"* do young NEETs typically have?
- What are the *characteristics of long-term NEETs*?

These questions are addressed using the 2012 panel of the European Union Statistics on Income and Living Conditions (EU-SILC, see Box 2.1), based on which youth are followed for a 48-month period from January 2009 to December 2012.

Box 2.1. Data and methodology of the longitudinal analysis

An analysis of the dynamics of NEET status comes with substantial data requirements: The identification of young people's "NEET trajectories" needs to be based on individual level longitudinal data that permit identifying the educational status and labour market participation over a longer time horizon. Since the focus of the analysis will be specifically on periods of unemployment or inactivity, the number of individuals in the sample must moreover be reasonably large such that enough NEETs can be identified.

The data used in the analysis come from the 2012 panel of the European Union Statistics on Income and Living Conditions (EU-SILC). This panel provides monthly information on individuals' activity status – including any periods of unemployment and inactivity – over the 48-month period from January 2009 to December 2012. The sample is restricted to all individuals aged 15-29 years at the beginning of the observation period irrespective of their initial activity status. Individuals with missing information on labour market activity for one or several of the 48 months are dropped. A country is included in the analysis if no more than 10% of all observed trajectories are incomplete.

The NEET spells studied in the analysis are defined as consecutive months in which the young respondent reports having been out of employment, education or training. Two periods of NEET status that are interrupted by a single month in education or employment are interpreted as two distinct spells. No distinction is made between NEET inactivity and unemployment due to the small sample size.

Periods of NEET status are frequent among youth in Latvia: Among the young people observed in the sample, 55% have a period out of employment, education or training at some point during the 48-month observation period (Figure 2.8), compared to 43% on average across all countries studied. The share is larger only in Greece and Austria (both 59%), and it is much lower in Norway (27%), Slovenia (32%), the Slovak Republic (34%), or Lithuania (36%). One reason for the high number of youth with a NEET spell is of course that the crisis years 2009 and 2010, when Latvian NEET rates peaked at 21% and 22% (see Figure 1.6 in Chapter 1), are part of observation period.[14]

The 55%-share of youth with a NEET spell is also much higher than the "cross-sectional" NEET rate of around 20% reported for Latvia for the years 2009-12 in Figure 1.6. This illustrates that also less disadvantaged youth tend to experience at least short periods out of employment, education or training at some point during their transition from school into the labour market. In a panel with a longer observation period, the share of youth who experience some time as NEETs would be even higher.

NEET spells of youth in Latvia moreover tend to be comparatively long (Figure 2.9): 40% of all youth in the panel (or 72% of all youth with a NEET spell) have a spell of over half a year (a "long NEET spell"). The share of youth with a long spell is higher only in Greece (48%). In Austria, where the share of youth with a period of NEET status is higher, only 38% of youth remain NEET for more than six months.

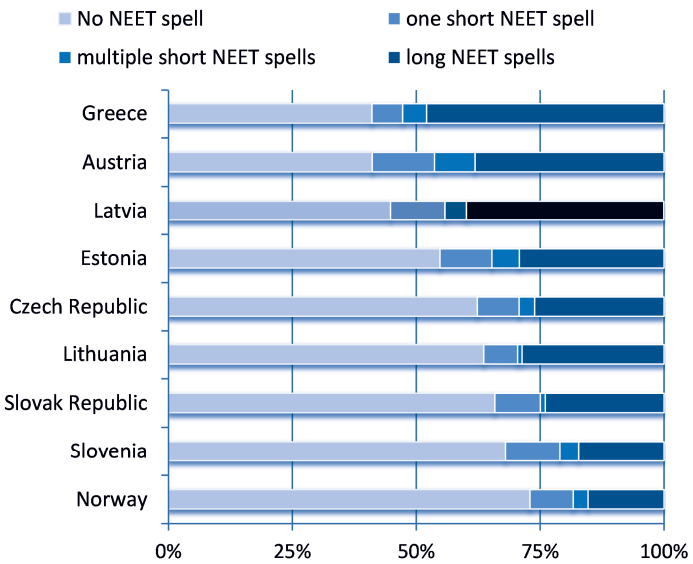
Repeated "cycling" into and out of NEET status by contrast does not seem to be frequent: Only 4% of youth in Latvia have multiple short spells. The share is slightly higher in Estonia (6%) and Austria (8%).

Combining information on spell lengths and the number of spells per individual illustrates that NEET status in Latvia is not a short-term phenomenon: Across different spells, 30% of all youth in the sample are out of employment, education or training for more than 12 months in total out of the four-year observation period (Figure 2.9). Another 11% are NEETs for 7 to 12 months.

Among individuals with long periods of NEET status, young women are overrepresented (bottom left panel of Figure 2.9). 71% of youth with more than 12 NEET months during the observation period are female. This is likely a consequence of the earlier finding that NEET inactivity is much more frequent among young women than young men and that a large share of young women among inactive NEETs have caring duties.

Figure 2.8. The majority of youth in Latvia experienced a spell of NEET status between 2009 and 2012

NEET spell lengths and frequencies among youth (in percent of all youth)



1. Sample members are aged 15-29 years in January 2009 and are observed for 48 consecutive months until December 2012. For Estonia and the Slovak Republic, the observation period is January 2008 to December 2011.

2. Short spells are defined as lasting a maximum of six consecutive months; long spells are those of duration seven months and longer.

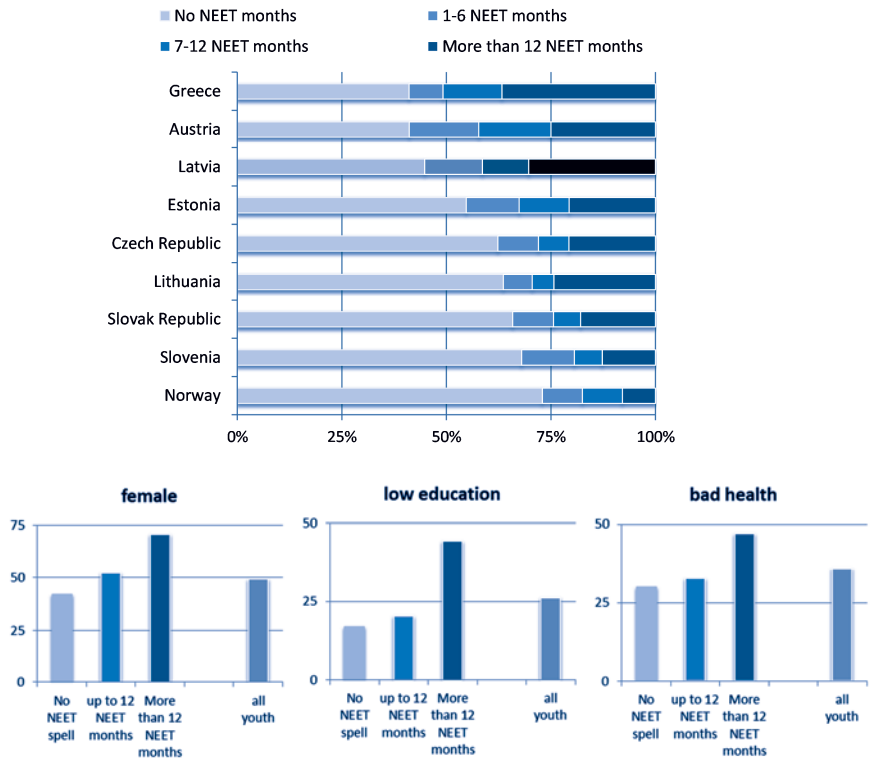
3. Censored spells are included in the calculations with their observed lengths. For Latvia, 60% of individuals with at least one NEET spell over the observation period are NEETs in the first or final period of the panel and hence have a censored spell.

Source: OECD calculations based on the longitudinal EU-SILC, 2012.

Next to family status, low educational attainment and health problems are associated with long NEET spells. While only about a quarter of young people have not gone beyond basic education ("low education", ISCED 0-2), the same is true for 44% of youth with a total NEET duration of over 12 month.[15] Similarly, 47% of youth in the sample report having a "bad" or "very bad" self-assessed health compared at some point during the observation period, compared to only 36% in the overall youth population.[16]

Figure 2.9. Long-term NEET status is particularly frequent in Latvia among women and youth with low education and bad health

Total time spent NEET across spells
in percent of all youth (top) and by subgroup in Latvia (bottom)



Reading note: Top: 30% of all youth in Latvia are NEETs for more than 12 months out of the total 48-month observation period. Bottom: The share of women is 42% among youth without any NEET spell in Latvia, 52% among youth with a total time spent NEET of up to 12 months and 71% among youth with a total time spent NEET of more than 12 months.

1. Sample members are aged 15-29 years in January 2009 and are observed for 48 consecutive months until December 2012.

2. Censored spells are included in the calculations with their observed lengths. For Latvia, 60% of individuals with at least one NEET spell over the observation period are NEETs in the first or final period of the panel and hence have a censored spell.

3. Individuals with "low education" are those with at most lower-secondary education (ISCED levels 0-2) at any time during the observation period.

4. Individuals with "bad health" are those whose self-reported health status is "bad" or "very bad" (the bottom-two out of five possible categories) at any time during the observation period.

Source: OECD calculations based on the longitudinal EU-SILC, 2012.

Notes

1. PIAAC stands for Programme for the International Assessment of Adult Competencies. Latvia did not participate in the study.

2. The reason is that youth in their teenage years or early 20s are unlikely to have attained tertiary education.

3. The most frequently named problems are chronic back problems (8.6% of all youth), allergies (8.2%), migraines (4.5%) and neck disorders (4.3%).

4. More specifically, there are a number of reasons for why the share of inactive NEETs reporting health problems may differ between Figures 2.2 and 2.5. First, Figure 2.2 gives the *primary* self-reported reason for inactivity. Some youth who suffer from health problems may however be inactive for other reasons (e.g. pregnancy or childcare). This is true especially since the chronic illnesses and physical limitation shown in Figure 2.5 are reported to have happened during the last 12 and 6 months, respectively. Second, since the results come from two different surveys, there are some methodological differences: The identification of a young person's labour force status and educational enrolment is less straightforward in EHIS than it is in the Latvian LFS. EHIS data moreover only cover youth aged 15 to 24 years (rather than 15 to 29 years as in the LFS) and are available only for the year 2008 (rather than 2013 as in the LFS).

5. Chronic mental and physical illnesses moreover tend to coincide: Among NEETs with chronic mental problems, 72% report that they also have chronic physical problems.

6. Self-assessed health is reported on a five-level scale: "very good", "good", "average", "poor" and "very poor".

7. Možajeva (2012) reports that 29% of youth in Latvia indicate not paying close attention to an illness that they do not consider serious, and 34% state that they do not take actions to prevent an illness after detecting first symptoms (Health Survey, 2008). Procrastination is mentioned as the reason of unmet medical needs more often in Latvia than in any other European country except for Switzerland (EU-SILC, 2008). In a more recent study of

self-assessed health and attitudes towards health, Možajeva (2014) asserts a widespread lack of responsibility for the own health in Latvia.

8. Data on ethnic background of youth in Latvia obtained from the Latvian labour force survey are similar but not identical to those provided by the CSB. Based on the LFS, 70.8% of youth in Latvia in 2013 were ethnic Latvians, while 29.2% had "other ethnicities". CSB data for 2013 calculate 69.0% of ethnic Latvians (CSB, 2015).

9. The gap in NEET rates between non-ethnic and ethnic Latvians is comparable in the Latgale region (26 *vs.* 18%) and in Riga and Pieriga (19 *vs.* 10%).

10. The ethnicity gap in inactivity (and employment rates) can also be observed for non-youth working-age women. For individuals aged 30 to 64 years, the gap in inactivity rates between non-ethnic and ethnic Latvians women is 9 percentage points (3 percentage points for men); for employment rates, the gap is 14 percentage points for women (8 percentage points for men). Both gaps tend to be smaller in Latgale than in the Riga and Pieriga region.

11. For young men, the ethnicity gap in unemployment can be observed both in the Latgale region and Riga/Pieriga, which suggests that it is not simply driven by regional differences in unemployment rates. It however occurs only for low- and medium-educated young men. For a short overview of the labour market situation of ethnic minorities in Latvia, see Zimmermann et al. (2008).

    For young women, there is little evidence of systematic differences in family status between the two groups as one of the potential drivers of inactivity. The share of married young women is higher for non-ethnic than for ethnic Latvian young women (23 vs. 16%), however the likelihood of sharing a household with their partner (married or not) is nearly identical for the groups at 27 to 28%. There is also no evidence that non-ethnic Latvian young women may be more likely to live in a household with a small child. Potential differences in the self-reported reasons for inactivity would be difficult to identify due to the modest sample size.

    Other potentially important determinants of NEET status – like language skills or labour market preferences – are not measured in the LFS data.

12. It is unfortunately difficult to reliably determine whether a young person lives with *their own* child. The EU-SILC data used for the analysis provide information on the respondent's parents if

they live in the same household, but not on whether the respondent has a child. For the few households consisting of a young person and a child (aged below 15 years), it seems safe to assume a single parent households. By contrast, in cases where a young person lives together with an adult and a child, it is impossible whether the child is the young person's own child or a younger sibling.

13. A caveat of this analysis is that the parents' educational attainment can only be identified for youth who still live at home. As described above, this is only the case for two out of three young people in Latvia; in the Northern European countries, the share is lower still at around 40%. The results presented may thus suffer from a composition effect if educational attainment of a young person's parents systematically differs between youth living at home and those living independently. This is probable, for instance because a young person's decision to leave home may depend on the parents' income and thus educational attainment.

14. There is no evidence that youth systematically report themselves NEET only during the summer months. If this were the case, this would be an explanation of the high share of youth with a period of NEET status. NEET rates in Latvia indeed rise from June to July (by about 2 percentage points on average), yet no corresponding fall in NEET rates is observed in August or September. Instead, NEET rates tend to be higher for the whole second half of the calendar year. The observed cyclicality pattern of NEET spells therefore rather suggests that youth remain NEET for some time after graduating from school in July before transitioning into employment.

15. It is worth pointing out however that youth with low education naturally leave school at a younger age and are therefore more likely to have periods of NEET status during the observation period.

16. It is worth noting that the reported spell durations and implied total duration of NEET status are likely *underestimates* of the true values. Due to the short observation period, a relatively large number of spells are not fully observed: Among all youth in the Latvian panel, 33% are not in employment, education or training in either January 2009 (the first period of the panel) or in December 2012 (the final period). In these cases, spells are artificially "cut off" (or "censored") and therefore not included in the calculations with their full duration.

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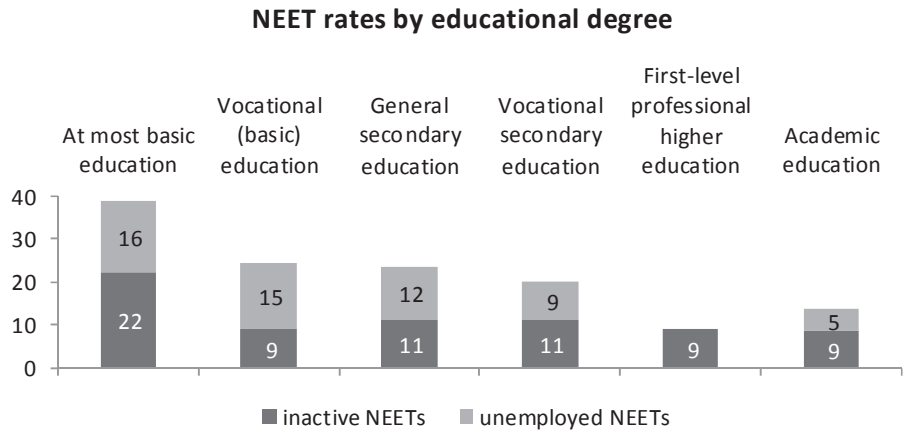
Annex 2.A1
NEET rates by educational degree

Figure 2.A1.1. NEET rates are similar for youth with general and vocational education

Shares among youth in Latvia per subgroup in percent, 2013



Source: OECD calculations based on the Latvian Labour Force Survey.

Chapter 3

Benefit receipt and youth poverty in Latvia

Social benefits have played a key role in cushioning the effects of the crisis for young people: Unemployment benefit receipt rates among youth doubled but have since returned to pre-crisis levels, social assistance benefit levels increased, and receipt of housing benefits is much more frequent today than before the crisis. Post-crisis benefit receipt rates in Latvia are relatively high by OECD standards, which, however, mostly reflects receipt of non-means-tested family benefits. Few NEETs are covered by unemployment benefits, and there appears to be no strong conditionality on job-search behaviour. Inactive NEETs tend to be covered better than the unemployed, in particular by disability and family benefits. The growing share of disability benefit recipients might however be a reason for concern, especially since exit rates from disability benefit receipt are extremely low. Youth poverty in Latvia has strongly risen during the crisis, but is nearly back to pre-crisis levels. It is generally less severe than working-age or adult poverty, but there is significant regional variation.

Introduction

Income-support programmes, in the form of unemployment benefits, social assistance, housing benefits or family allowances, play an important role as automatic macroeconomic stabilisers. By alleviating income shocks for families and youth affected by joblessness or a decline in earnings, they bolster aggregate demand while ensuring decent incomes. Nearly all OECD countries initially reacted to the economic crisis by expanding social spending, both relative to falling GDP (from around 19% of GDP in 2007 to 22% in 2009-10) but also in absolute terms (OECD, 2014). In Latvia, total public social expenditures increased by 29% from LVL 2 620 millions in 2007 to LVL 3 389 millions in 2010, a more than 7 percentage-point increase relative to the declining GDP (from 11.6% of GDP in 2007 to 18.7% in 2010) (OECD, 2015).

Careful attention needs be paid in this context to protecting the needs of the most vulnerable, including youth and families with children. Young people have been affected particularly severely by the economic crisis as illustrated by the rising unemployment and NEET rates described in the previous two chapters. At the same time, their coverage by income-support programmes tends to be weaker than for other working-age adults, because they often lack the required employment record to qualify for contribution-based unemployment benefits (or, if they qualify, are entitled to less generous benefits for a shorter duration).

This chapter discusses the social safety-net for youth in Latvia.[1] Section 1 describes the system of income support. Section 2 focuses on coverage of income support for young people by looking at the development of benefit receipt rates during the economic crisis and at patterns of benefit receipt among young people. Section 3 provides evidence on benefit adequacy by studying poverty among young people in Latvia.

1. The Latvian income-support system

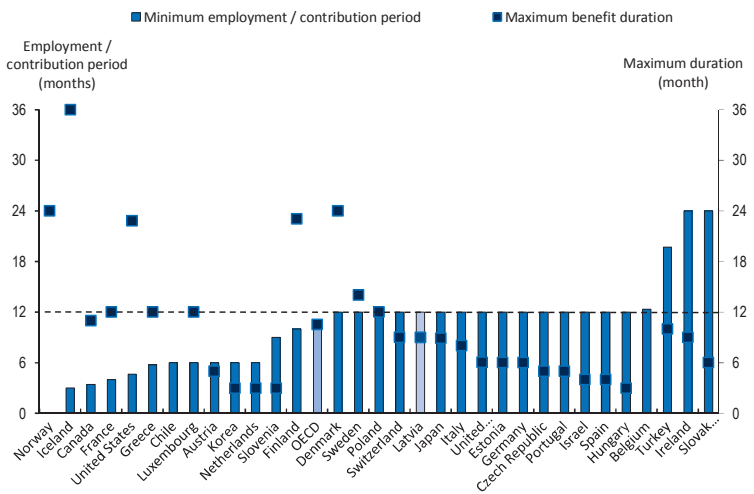
Youth in Latvia in principle have access to all major income-support programmes for working-age individuals: The minimum-age threshold for insurance-based unemployment benefits (UB) is 15 years and hence low enough for all young people with a contribution history to qualify. The same applies for sickness and disability benefits (DB). No age limits exist, as in some OECD countries, for receipt of household-based benefits like social assistance (SA) or housing benefits (HB). Family allowances are available to the parents of youth up to a certain age, or to the young person directly in case they have children. For an overview of the benefits available to youth without an employment history in OECD countries, see Table 3.A1.1 in Annex 3.A1.

Unemployment insurance benefits for youth with a work history

Unemployed youth with a sufficient contribution history are entitled to receipt of unemployment benefits (UB, *bezdarbnieka pabalsts*). Benefit receipt is conditional on registering as a jobseeker with the State Employment Agency (SEA, *Nodarbinātības valsts aģentūra* – abbreviated as NVA in Latvian). The applicant must have paid contributions for a minimum of 12 months in total, which is standard in the OECD, and for at least nine out of the last 12 months before registering as unemployed.[2] The maximum duration of UB receipt is nine months, which is slightly lower than the OECD average (11 months, see Figure 3.1).

Figure 3.1. Minimum employment/contribution period and benefit duration of unemployment insurance benefits

For a 20 year-old with one year of employment record, living alone and without children, in 2012



1. The young person is assumed to have only one year of contribution record to unemployment insurance after having left school. See Carcillo et al. (2015, Table 6), for more details on programme rules.
2. State of Michigan for the United States.
3. There are no UI schemes in Australia and New Zealand.
4. The OECD average for the maximum benefit duration is based on countries where this limit exists.

Source: Carcillo, S. et al. (2015), "NEET Youth in the Aftermath of the Crisis: Challenges and Policies", *OECD Social, Employment and Migration Working Papers*, No. 164, OECD Publishing, Paris, http://dx.doi.org/10.1787/5js6363503f6-en.

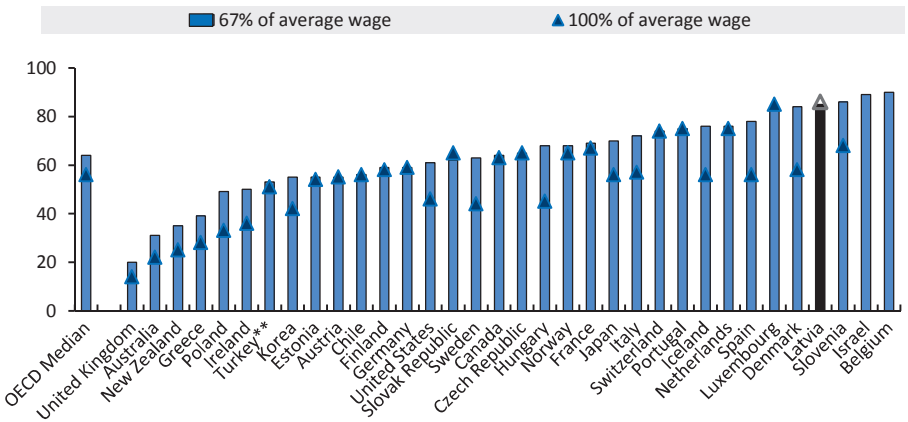
Since replacement rates depend on the jobseekers' contribution history, UB payments will typically be lower for youth than for older working-age

adults. During the first three months of unemployment, Latvian jobseekers with a contribution history of one to nine years are eligible to 50% of the average insured wage.[3] Excluding other benefits, such as housing benefits, the corresponding *net replacement rate* for a single person previously paid a low wage (67% of the average wage) or the average wage would be 85%, which is relatively high among OECD countries (see Figure 3.2).[4]

For all jobseekers, replacement rates are reduced relatively steeply to 75% of their initial level if the duration of unemployment exceeds three months, and further to 50% of the initial level after six months. The replacement rate of youth who have been unemployed for more than six months will thus typically be down to 25% of their previous wage.

Figure 3.2. Unemployment insurance benefit generosity

Net replacement rates at different earnings levels for singles without children in the initial phase of unemployment, 2013



1. Initial phase of unemployment but following any waiting period. It is assumed that individuals do not qualify for cash housing assistance or social assistance top-ups. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (i.e. monthly values multiplied by 12) even if the maximum benefit duration is shorter than 12 months. For Turkey the average wage (AW) value is not available. Calculations are based on average production worker (APW).

Source: OECD tax-benefit models, www.oecd.org/els/social/workincentives.

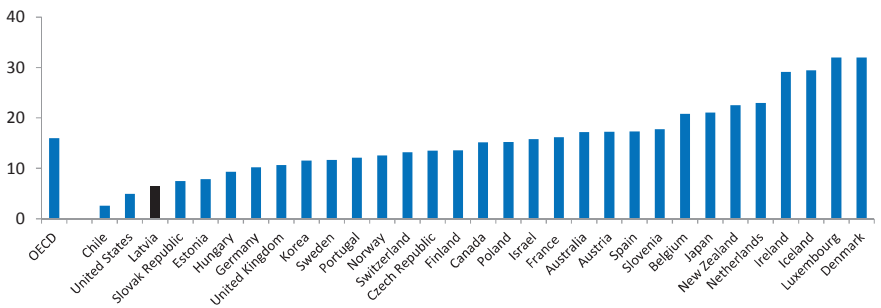
Benefits for those without a work history

Youth in low-income households may qualify for receipt of means-tested Guaranteed Minimum Income (GMI, *pabalsts garantētā minimālā ienākuma līmeņa nodrošināšanai*), which is paid to individuals in

households that are categorised as "needy". The status of a "needy" household is granted upon application by the municipal social service if the family income over the last three months did not exceed a threshold of LVL 90/EUR 128.06 (50% of the minimum wage until the end of 2010) per family member.[5] The monthly level of GMI payments is set at LVL 35/EUR 49.80 per month per head net of any income earned. This represented about 6.4% of the average wage in 2013, which is low by OECD standards (see Figure 3.3). GMI benefits are granted for the duration of the period that a household has been classified as being "needy", a status that is granted for a period of three or six months and renewable afterwards.

Figure 3.3. Social assistance benefit generosity

Amount for single without children as a share of the average wage in percent, 2013



1. All amounts are shown on an annualised basis. Social assistance rates include potential supplements and take account of other benefits in the means test. For Canada: State of Ontario; for Iceland: Reykjavik; for Japan: Tokyo; for Spain: Madrid; for Switzerland: Zurich. For more details on programmes included in this figure see www.oecd.org/social/soc/benefitsandwagestax-benefitcalculator.htm.

Source: OECD tax-benefit models, www.oecd.org/els/social/workincentives.

Local authorities can moreover provide support in emergency situations (*pašvaldības pabalsti ārkārtas situācijās*). "Needy" individuals are also entitled to receipt of a local housing allowance (*dzīvokļa pabalsts*) paid in cash or in kind, the level of which varies across municipalities, and which can be received in addition to GMI.

Family benefits for youth

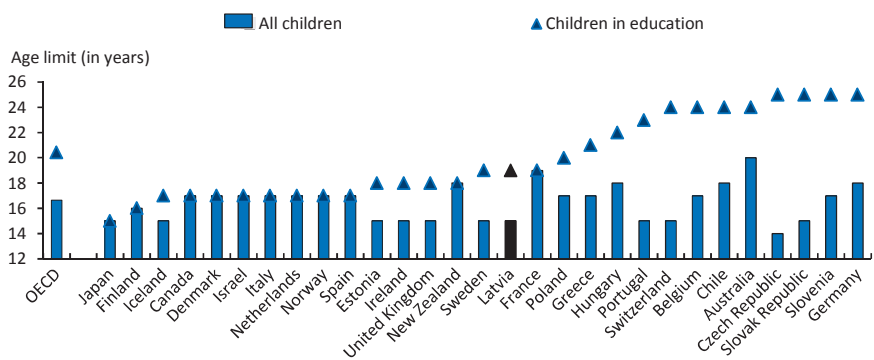
Youth benefit from the state family benefit (*ģimenes valsts pabalsts*) that their parents receive for them. State family benefit is paid to the parents of all unmarried youth up the age of 19 years who are in education or training, which is close to the average of the OECD countries (see Figure 3.4).[6] The benefit level is LVL 8 (EUR 11.38) per child irrespective

of income, plus a supplement of LVL 75 (EUR 106.72) per month in case the child is disabled.

Youth with a child may moreover receive family allowances in their capacity as young parents: In addition to the state family benefit, the primary care giver is entitled to childcare benefits (*bērna kopšanas pabalsts*) from the birth of the child until the child reaches the age of two, conditional on being out of employment. The level of benefits is LVL 120 (EUR 171) per child per month until the child reaches the age of one-and-a-half years, and LVL 30 (EUR 42.69) thereafter.[7] Youth with the required contribution history also qualify for the standard maternity benefits (*maternitātes pabalsts*), paternity benefits (*paternitātes pabalsts*) and parental benefits (*vecāku pabalsts*). A one-off childbirth benefit (*bērna piedzimšanas pabalsts*) of LVL 296 (EUR 421.17) is paid immediately after birth.

Single parent households are generally entitled to alimony from the separated parent. In cases where the collection of alimony is impossible, a state child support (*valsts uzturlīdzekļi bērniem (alimenti)*) can be received until the child reaches the age of 18 years. The level of state child support is EUR 90 per month for a child aged up to the age of seven years and EUR 108 per month for children aged 7 to 18 years. Such payments can be an important income source for youth in single parent households or young single parents.

Figure 3.4. Upper age limits payable to the young person living with their parents, 2012/13



1. Family cash benefits or non-wastable tax credits are included.
2. For Canada: State of Ontario; for Switzerland: Zurich
3. See Carcillo et al. (2015, Table 8) for details on programmes.

Source: OECD tax-benefit models, www.oecd.org/els/social/workincentives.

Finally, young minors who have lost one or both of their parents, and who are unmarried, may qualify for state social security benefit for dependents (*Valsts sociālā nodrošinājuma pabalsts apgādnieka zaudējuma gadījumā*). Benefit receipt can be extended up to the age of 20 years if the young person is enrolled in vocational or general secondary education, or up to the age of 24 years if the young person pursues full-time higher education. The level of benefits is LVL 45 (EUR 64.03) per month. If the deceased parent contributed to social insurance, minors who have lost a parent may also qualify for survivor's pension (*apgādnieka zaudējuma pensija*), which can be extended up to the age of 24 years if they are full-time students.

Family benefits can generally be received in addition to UB, SA or HB.

Sickness and disability benefits

Two types of insurance-based benefits are available to young people with a sufficient contribution history who are incapable of working for health reasons.

Sickness benefits (*slimības pabalsts*) are paid for 26 weeks from the initial day of incapacity and amount to 80% of the person's average insured wage over the previous 12 months.[8]

In case of a recognised disability and an insurance history of at least three years, youth can receive an invalidity pension (*invaliditātes pensija*). The benefit amount depends on the severity of the disability (Group I or II) and is calculated on the basis of the person's average insured wage in the three years prior to the claim. A minimum disability pension is available to individuals who lack the contribution record for the standard disability pension.

Irrespective of their contribution history, disabled youth above the age of 18 years can receive an increased state social security benefit in the case of disability (*valsts sociālā nodrošinājuma pabalsts invaliditātes gadījumā*) of up to LVL 83.24 (EUR 138.74) per month depending on the severity of the disability.

Changes in the income-support system during the crisis

Latvia reacted to the economic crisis by increasing access and maximum benefit duration of UB, and by raising the GMI level. In July 2009, the maximum duration of UB receipt, which had been only four and six months for jobseekers with a contribution history of less than 10 and 20 years, respectively, was extended to nine months for all eligible jobseekers. In January 2010, the minimum contribution period was reduced from 12 out of

the last 18 months, to nine out of the last 12 months. Both measures benefited young people, who typically lack long contribution records. The GMI level was temporary increased, first from LVL 27 to LVL 37 in January 2009, and then to LVL 40 for adults and LVL 45 for children in December 2009. The maximum level of LVL 135 per household was removed in October 2009. In July 2009, the maximum GMI benefit receipt duration of nine months was lifted.

Already in mid-2009, consolidation efforts, however, resulted in cuts in various family allowances. State family benefits and child birth benefits were reduced for the second and additional children. For a four-year period from January 2010, a number of benefits, including also UB, were reduced for recipients with benefit levels above a certain pre-specified threshold.[9] From July 2009 to December 2011, UB recipients had their payments capped at LVL 45 per month after four or six months of benefit receipt depending on the contribution period.

After the expiration of the temporary reduction in benefit levels, Latvia has a more generous UB system today than it had before the crisis, in particular with regard to the longer benefit duration for jobseekers with a short contribution history. The GMI level has been lowered again to the pre-crisis value of a monthly LVL 35 (EUR 49.80) per person, but there is no more maximum benefit receipt duration.

2. Benefit receipt among youth

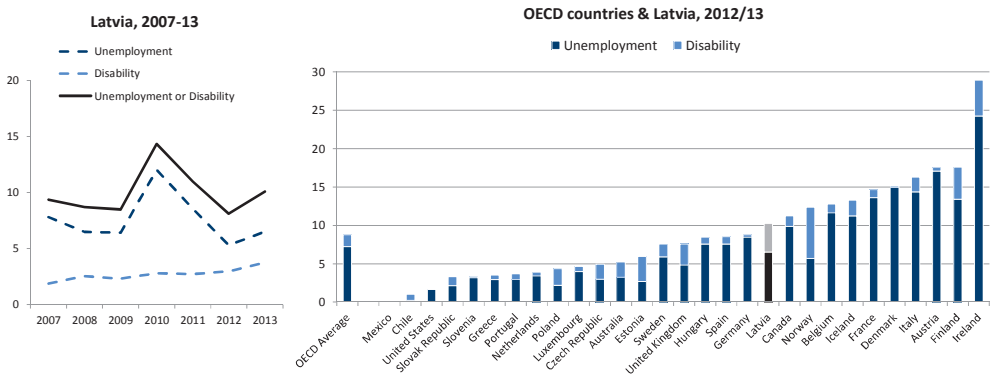
Eligibility rules say only little about the actual coverage of income-support programmes. This section looks youth, and NEETs in particular, who receive different types of benefits in Latvia, and at how long they typically remain on benefits.

Rates of benefit receipt

Unemployment benefits are the first layer of the social safety-net for unemployed youth with a work and contribution history, and soaring youth unemployment rates during the crisis were consequently reflected by a strong rise in UB receipt among young people in Latvia. Between 2008 and 2010, the receipt rate nearly doubled from 6.5 to 12.0% of the youth (16-29 years) population (left panel of Figure 3.5).[10] This reflects higher numbers of unemployed youth, but also the lowering of the required contribution history in early 2010. Also the average amount of UB paid to each young recipient nearly doubled. By 2013, UB receipt had fallen back to the pre-crisis level of 6.5%.

In 2013, the UB receipt rate among youth in Latvia was slightly lower than OECD average of 7.2% (right panel of Figure 3.5). This is a consequence of the strong decline in youth unemployment in Latvia since the crisis compared for instance to Italy or Spain, where the receipt rate too is still higher. Higher receipt rates in other countries, however, also reflect payment of unemployment assistance (UA) benefits to youth without an employment history (Finland, Germany or Sweden) or already after a shorter contribution period (three months in Canada, four months in France, six months in Austria), that the maximum benefit duration is longer (24 months for instance in Denmark and 23 months in Finland), or that additional UA benefits are available for youth who have lost their entitlement to unemployment insurance (UI) benefits (Austria, France, Germany). Such UA benefits are typically means-tested but more generous than SA benefits and often of unlimited duration and thus cushion income losses for jobseekers who are not eligible (anymore) for UI benefits.[11]

Figure 3.5. UB receipt is back to pre-crisis levels, but DB receipt is trending upwards



1. Numbers are for youth aged 16-29 years.

2. Numbers for unemployment benefits in Latvia also include stipends for unemployed youth participating in training courses and severance payments paid by employers. Disability benefits include the state invalidity pension, the state social security benefit paid to the disabled, and a number of smaller disability-related social transfers. Receipt rates give the number of youth who report having received a positive amount of benefits during the past year as a share of the total youth population.

3. The share of youth who received both UB and DB is negligible and therefore not displayed in the left panel.

4. Results in the right panel are for 2012, except for Latvia (2013), Belgium Canada and Chile (2011) Ireland (2010)

5. The OECD average is non-weighted.

Source: OECD calculations based on EU-SILC, HILDA (Australia), SLID (Canada), CASEN (Chile), ENIGH (Mexico) and CPS (United States).

Disability benefits (DB) – which for youth in Latvia are primarily the state social security benefit, but also the state disability pension – did not react to the crisis, but show a steady upward trend since 2007. At 3.7%, the receipt rate in Latvia would have been the fourth-highest among OECD countries behind Norway (6.7%), Ireland (4.7% in 2010) and Finland (4.1%). This trend is a reason for concern, since DB receipt is often (quasi-)permanent, and the probability for a recipient of returning to employment typically very low (OECD, 2010). This will be particularly true for young people with little or no previous work experience.

As in many OECD countries (OECD, 2014), the increase in receipt of means-tested "last resort" social assistance (SA) and housing benefits (HB) followed with a slight delay. And unlike for UB, receipt rates have not reclined in Latvia during the recovery (top-left panel, Figure 3.6).

The share of youth touching SA benefits (i.e. the GMI or municipal special-occasions benefits) only reacted moderately to the crisis, with receipt rates rising by 1 percentage point to 7% in 2011.[12]

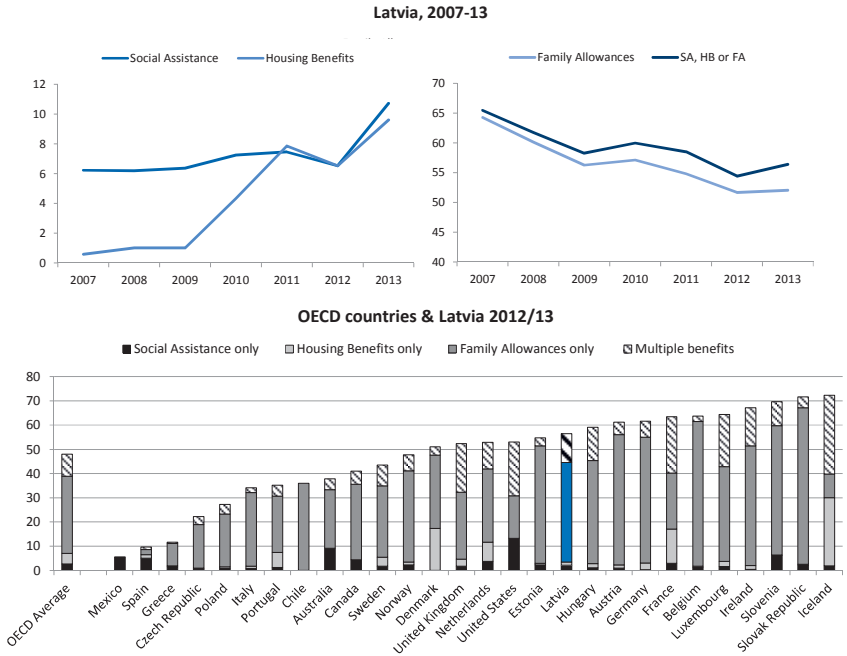
Stable SA receipt rates however hide an important compositional change during the crisis: In the pre-crisis years, SA came nearly entirely in the form of ad-hoc municipal special-occasions benefits (mainly the municipal benefits for emergency situations), while GMI receipt was very low. Between 2009 and 2011, more generous eligibility criteria for GMI led to an increase in receipt rates from 0.2 to 3.1%. In 2013, nearly equal shares of youth receive GMI (6.0%) and municipal special-occasions benefit (6.7%). This expansion of the GMI coincided with an increase in the (self-reported) average *amount* of benefits received in a young person's household by over 50% reflecting higher payment levels and longer benefit durations.[13]

The increase in HB receipt was more noticeable: While only very few young people touched HB before the crisis (receipt rate of 0.6% in 2007), receipt rates reached 7.9% in 2011 and 9.6% in 2013.

Receipt rates among youth of non-means-tested family allowances (FA) have shown a downward trend over the crisis, declining from 63 to 52% between 2007 and 2013.[14] Drivers of this trend are likely an older youth population (which implies that young people's parents are less likely to receive family benefits), lower fertility rates during the crisis, and possibly a reduced take-up due to the described cuts in benefit levels. For the contribution-based maternity, paternity and parental benefits, reduced receipt rates likely reflect a fall in the number of employees with a social insurance contribution record during the crisis.

Figure 3.6. SA and HB receipt rates have strongly risen since 2007, but the opposite is true for FA

Share of youth who receive social assistance, housing benefits or family allowances, in percent



1. Numbers are for youth aged 16-29 years.

2. Numbers for Social Assistance represent receipt of GMI and municipal special-occasions benefits (including municipal support in emergency situations and a number of smaller municipal benefits). Family Allowances include the state family benefit, childcare benefits, the municipal childbirth benefit, maternity, paternity and parental benefits, and a number of other smaller family-related benefits. Receipt rates give the number of youth who report living in a household that received a positive amount of benefits during the calendar year as a share of the total youth population.

3. Results in the right panel are for 2012, except for Latvia (2013), Belgium Canada and Chile (2011) Ireland (2010).

4. The OECD average is non-weighted.

Source: OECD calculations based on EU-SILC, HILDA (Australia), SLID (Canada), CASEN (Chile), ENIGH (Mexico) and CPS (United States).

The overall share of youth who receive any of the three household-level benefits – SA, HB and FA – was 56% in 2013. This is lower than before the crisis (65% in 2007), but still higher than in the OECD on average (48% in 2012, see bottom panel of Figure 3.6).

Benefit coverage of NEETs

Overall benefit receipt rates among NEETs in Latvia are comparable to those across OECD countries (69% vs. 67% of all NEETs). The importance of the different benefit programmes however varies:

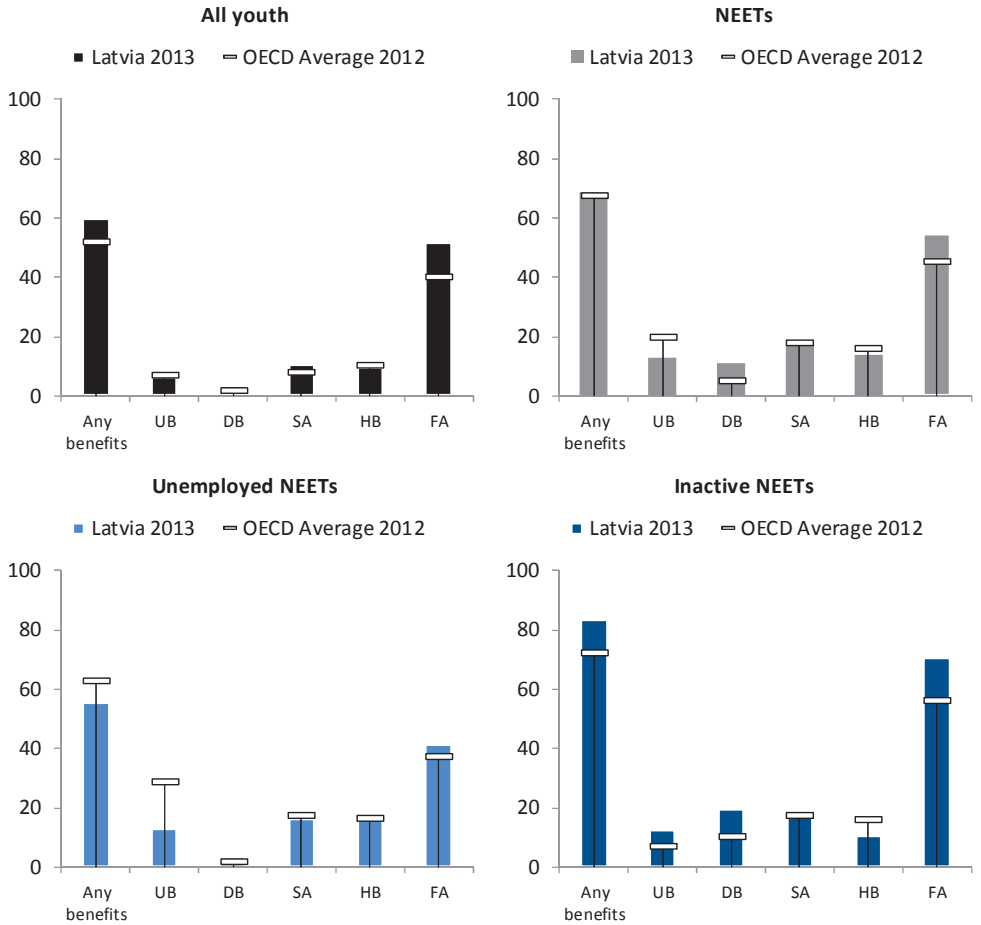
- Benefit receipt rates for Latvian NEETs are highest for non-means-tested family allowances (55% of all NEETs, compared to 45% across OECD countries).
- Coverage of NEETs by unemployment benefits is comparatively poor. Only about 13% of those not in employment, education or training in Latvia touch UB, compared to 20% in OECD countries. Given a relatively standard UB contribution period and benefit duration in Latvia, this likely reflects the large share of NEET youth with long unemployed spells who have exhausted their UB entitlements.
- Rates of disability benefit receipt for NEETs are at 20% and much higher than across the OECD on average (11%). This explains the relatively high rate of disability benefit receipt more generally (see Figure 3.5).
- Coverage of NEETs by social assistance and housing benefits is very similar in Latvia as across OECD countries, with 17% and 14% of NEETs receiving SA and HB, respectively.

Among NEETs in Latvia, the unemployed tend to be much less covered by income-support benefits than the inactives:

- UB receipt rates are virtually identical for *unemployed* NEETs and *inactive* NEETs. While formally, UB receipt is conditional on registration with the State Employment Agency (SEA) and on active job search (see Chapter 5), the high UB receipt rate among inactive NEETs suggests that job-search requirements are not strictly implemented. Across OECD countries, UB receipt is tied to job-search behaviour much more closely, with 29% of unemployed NEETs but only 7% of inactive NEETs receiving UB.
- Receipt of disability benefits is frequent among inactive NEETs, who have a receipt rate of 20% (compared to 11% in the OECD on average). Among unemployed NEETs, 4% receive DB (2% across OECD countries).
- Coverage by FA is much higher among inactive than among unemployed NEETs (84% vs 54%). This certainly reflects at least in part the large share of inactive young women who stay at home for child care reasons.
- Receipt rates of SA and HB are broadly comparable across the two groups, with SA receipt rates of 16-18% and HB receipt rates of 11-16%.

Figure 3.7. Benefit coverage is better for inactive than for unemployed NEETs

Benefit receipt rates in Latvia by subgroup in percent



1. Numbers are for youth aged 16-29 years.

2. For a definition of benefit receipt rates, see Figures 3.5 and 3.6.

Source: OECD calculations based on EU-SILC, HILDA (Australia), SLID (Canada), CASEN (Chile), ENIGH (Mexico) and CPS (United States).

Of course, the analysis of receipt rates just provided can only provide insights of benefit coverage. For an impression of adequacy, the final section of this chapter describes poverty among young people and in particular NEETs. The following section however first looks beyond mere benefit receipt rates at the dynamics of income-support receipt.

The length of unemployment and benefit receipt spells

The previous subsection gave an overview of the broad trends in income-support benefit receipt in Latvia since 2007, and of how benefit receipt rates in Latvia compare to those in OECD countries. This subsection focuses on the dynamics of benefit receipt: For how long did young people remain on benefits during the crisis? And what was the impact of the crisis and changes in the regulatory framework on the duration of benefit receipt.

The analysis uses administrative data for the years 2006 to 2011 provided by the State Employment Agency (SEA) and the municipal social assistance registers from the city of Riga.[15] It starts by looking at the number of registered young jobseekers in Latvia during the crisis and at the duration of their spells in unemployment. It then focuses on the receipt patterns of unemployment benefits, disability pension and the GMI. An analysis of exit rates from income-support benefits is provided in Annex 3.A2.

The share of registered jobseekers aged 15 to 29 years in Latvia rose during the crisis from 2.8% of all youth in late 2007 to 11.7% in early 2010, and declined again to 7.2% until the end of 2011.[16] In the pre-crisis years, it is remarkably close in absolute terms to that of unemployed NEETs calculated from the Latvian Labour Force Survey and presented in Chapter 1. The overlap has become weaker, however, after the peak of the crisis, which suggests that a smaller share of unemployed NEETs is registered with the SEA.[17] Among registered jobseekers, benefit receipt is not necessarily always the primary reason for registrations with the SEA: in early 2008, only around 60% of the youth registered as unemployed received UB payments, and this share further declined to only around 25% in 2011. While some young people may register to receive GMI, many young jobseekers are likely to come to the SEA for other services, for instance the participation in training measures.[18] The gap between registered jobseekers and UB recipients is particularly large among teenagers, who are typically not entitled to UB receipt.

Most young jobseekers remained registered with the SEA for only a relatively short period (Table 3.1). Over the full observation period from 2006-11, a little less than 43% of all spells lasted longer than six months. The share of spells above 12 months was less than 15%.[19]

Unemployment spell durations however strongly increased over the crisis.[20] Spells that started in the pre-crisis period from January 2006 to December 2008 had a median duration of five months, compared to a median duration of seven months for spells that started after December 2008. The share of spells lasting longer than a year rose from 7 to 20% of all spells.[21]

Table 3.1. Unemployment spell durations among youth

	Duration in months		Share of spells in percentage		
	median	mean	> 6 months	> 12 months	censored
2006-08	5	6.1	32.2	6.8	14.5
2009-11	7	8.7	50.6	20.1	17.2
2006-11	6	7.7	42.7	14.8	10.1

1. Durations are calculated for all spells beginning between January 2006 and December 2011. The observation window for these spells is extended by an additional eight months until August 2012. For the two shorter subperiods, spells beginning between January 2006 and December 2008/January 2009 and December 2011 are considered. Again, the observation window is extended by an additional eight months until August 2009/August 2012, respectively. A spell is considered as censored if it is on-going in the final month of the panel (August 2009 or August 2012).

2. Spells are defined as consecutive months during which a young is registered as unemployed. A spell is considered as having ended as soon as a person disappears from the records even if only for a single month.

3. Numbers are for youth aged 15-29 years at the beginning of their spell.

Source: OECD calculations based on administrative data.

A methodological aspect worth pointing out is that – as for the analysis presented in Chapter 2 – the reported unemployment spell durations *underestimate* true spell durations. The reason is that 10% of all spells are ongoing at the end of the observation period, i.e. "right censored". For these spells, the full duration cannot be observed, and they are included in the calculations with their observed, censored length. The share of censored spells is higher still for the two shorter subperiods 2006-08 and 2009-11.

Comparable calculations for UB spell lengths only show a relatively moderate increase in spell durations over the crisis (Table 3.2).[22] The share of spells lasting longer than six months increased from 38.0 in 2006-08 to 44.7% in 2009-11. Since the maximum duration of UB receipt is limited to nine months, no spells of duration above 12 months are observed.

Especially during the crisis, UB spell durations thus tended to be much shorter than the spells of registered unemployed described in Table 3.1. This may again suggest that jobseekers value benefiting from the services

provided by the SEA – for instance in the form of training courses – even when they are no longer entitled to receipt of UB. Some of them may also remain registered to claim GMI after their entitlements to UB have expired. A possible alternative explanation in a context of weak benefit conditionality and controls is that youth are not immediately de-registered once their benefit entitlements have expired.

Table 3.2. Unemployment and disability benefit spell durations among youth

Unemployment benefits					
	Duration in months		Share of spells in percentage		
	median	mean	> 6 months	> 12 months	censored
2006-08	5	5.9	38	0	21.8
2009-11	6	6.2	44.7	0	12.5
2006-11	6	6.3	45.1	0	7.5
Disability benefits					
	Duration in months		Share of spells in percentage		
	median	mean	> 6 months	> 12 months	censored
2006-08	44	35.2	99.2	93.8	56.6
2009-11	44	35	97.1	91.2	51.5
2006-11	60	53.9	98.6	94.5	51.7

1. Durations are calculated for all spells beginning between January 2006 and December 2011. The observation window for these spells is extended by an additional eight months until August 2012. For the two shorter subperiods, spells beginning between January 2006 and December 2008/January 2009 and December 2011 are considered. Again, the observation window is extended by an additional eight months until August 2009/August 2012, respectively. A spell is considered as censored if it is on-going in the final month of the panel (August 2009 or August 2012).

2. Benefit spells are defined as consecutive months during which a young receives UB/DB ignoring any interruptions of up to three months. In case of such an interruption, the spell is treated as on-going, but the interruption itself is not counted towards the duration of the spell. A spell is considered as having ended if the young person does not receive any benefits for a period of four months.

3. Numbers are for youth aged 15-29 years at the beginning of their spell.

Source: OECD calculations based on administrative data.

For youth on DB, long-term benefit receipt is the norm. Nearly 95% of all DB recipients have benefit spells that last longer than 12 months. While the median spell duration is 60 months over the 68-month observation period, the large share of 52% censored spells indicate that actual spell durations are even much longer.[23]

GMI spell durations in Riga rose strongly during the crisis reflecting a problematic labour market situation and the lifting of the maximum receipt duration in mid-2009. During the pre-crisis years 2006-08, GMI was

generally received for only short periods, with only around 18% of youth remaining on benefits for more than six months (see Table 3.3). Over the period from 2009-11 by contrast, just below half of all starting spells among youth lasted longer than six months, and nearly one-third had a duration over a year.

Table 3.3. GMI spell durations

	Duration in months		Share of spells		
	median	mean	> 6 months	> 12 months	censored
2006-08	3	4.4	18.4	5.2	22.3
2009-11	6	10.4	49.9	30.7	24.1
2006-11	6	9.5	42.9	25.8	18.5

1. Durations are calculated for all spells beginning between January 2006 and December 2011. The observation window for these spells is extended by an additional seven months until July 2012. For the two shorter subperiods, spells beginning between January 2006 and December 2008/January 2009 and December 2011 are considered. Again, the observation window is extended by an additional seven months until July 2009/July 2012, respectively. A spell is considered as censored if it is on-going in the final month of the panel (July 2009 or July 2012).

2. Benefit spells are defined as consecutive months during which a young receives GMI benefits ignoring any interruptions of up to three months. In case of such an interruption, the spell is treated as on-going, but the interruption itself is not counted towards the duration of the spell. A spell is considered as having ended if the young person does not receive any benefits for a period of four months.

3. Numbers are for youth aged 15-29 years at the beginning of their spell. Only spells for the city of Riga are considered.

Source: OECD calculations based on administrative data.

3. Youth poverty

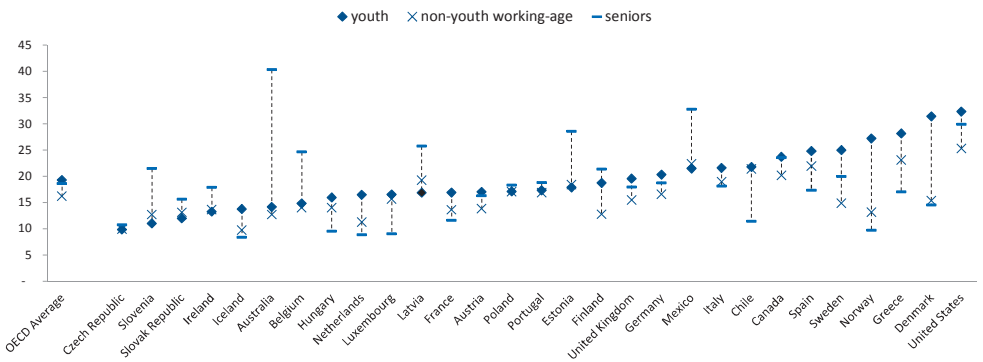
Poverty rates in Latvia are among the highest in European countries (Eurostat, 2014). In its 2011 National Reform Programme (MoE, 2011), the Latvian Government therefore included the target of reducing the share of individuals at risk of poverty and social exclusion from a projected 25% in 2015 to 21% in 2020.[24] Families with children are one of the target groups of the planned poverty reduction policies.

Youth in Latvia are much less affected by poverty than the general population, and in particular seniors (Figure 3.8).The poverty rate among young people was 16.9% in 2013, 2.4 percentage points lower than for non-youth working-age persons (19.3% for those aged 30-59 years) and nearly 9 percentage points lower than for seniors (25.8% for those aged 60 years and more). This is in stark contrast to most OECD countries,

where older age groups tend to be at much lower risk of poverty than the young. While the total population poverty rate for Latvia is higher than in most OECD countries (except for Canada, Greece, Mexico, Spain and the United States), Latvia' youth poverty rate is below the OECD average of 19.3%.

Figure 3.8. Poverty in Latvia is lower for youth than for the working-age population

Poverty rates by age group in percent, 2012/13



1. Numbers are for youth aged 16-29 years non-youth working-age adults aged 30-59 years and seniors aged 60+ years.

2. Individuals are defined as poor if they live in a household with an equivalised household income below 60% of the median income.

Source: OECD calculations based on EU-SILC, HILDA (Australia), SLID (Canada), CASEN (Chile), ENIGH (Mexico) and CPS (United States).

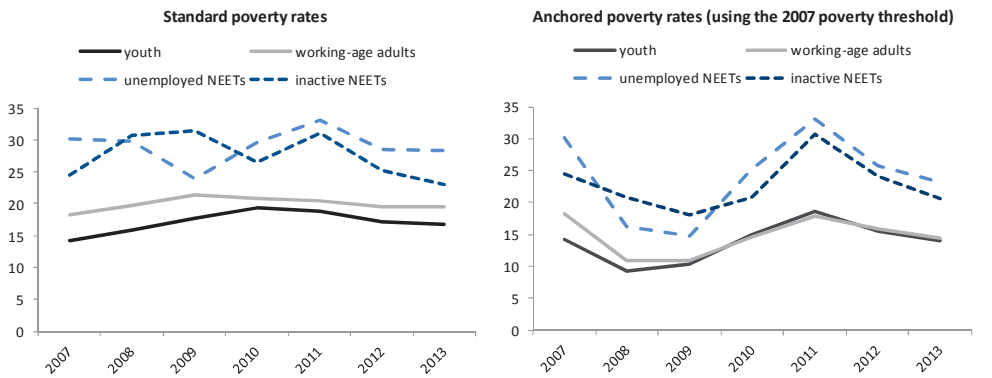
For both youth and working-age adults more generally, poverty rates rose during the crisis years and have declined since (left panel of Figure 3.9). The increase in poverty was higher however for young people (+5.1 percentage between 2007 and 2010) than for adults (+2.5 percentage points), reflecting the much stronger impact of the crisis on youth employment. The importance of activity status for the risk of poverty among youth is illustrated by much higher poverty rates among NEETs, both inactive and unemployed, which reached 31 and 33% in 2011, respectively.

Standard poverty rates, however, underestimate the true effect of the crisis on poverty. Since the poverty threshold is defined in *relative* terms as a share of the median income, it falls during the crisis as unemployment rises and earnings decline. In Latvia, the poverty line fell by nearly 30% during the crisis from around LVL 2 580 in 2009 to only LVL 1 990 in 2011. A person with an income just below the poverty line in 2009 may thus

no longer be considered as poor in 2011 even with unchanged income simply because the poverty threshold has fallen. The rise in poverty rates observed during the crisis in the left panel therefore tends to underestimate the true increase in poverty.

Figure 3.9. Poverty rates are much higher among NEETs and have increased strongly during the crisis

Poverty rates by subgroup, in percent



1. Numbers are for youth aged 16-29 years and working-age adults aged 16-59 years.

2. Individuals are defined as poor if they live in a household with an equivalised household income below 60% of the median income. Poverty rates in the right panel are calculated with reference to the poverty threshold of 2007, which is adjusted for inflation using data from OECD.Stat.

Source: OECD calculations based on EU-SILC.

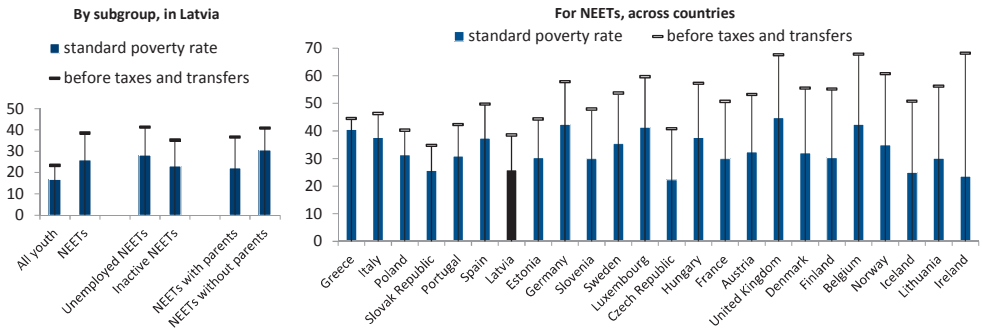
A more realistic picture of the impact of the crisis on poverty can be obtained by "anchoring" the poverty rate before the crisis (e.g. in 2007) and by only adjusting it for inflation. The right panel of Figure 3.9 shows that unlike the actual poverty rate, the anchored poverty rate for young people substantially declined from 2007 to 2008 as a result of the pre-crisis boom. The impact of the crisis on poverty is then much more visible as a doubling of poverty rates between 2008 and 2010. In 2013, the anchored youth poverty rate is back to its 2007 value.

Anchoring the poverty line shows that the impact of the crisis has been much more severe for NEET youth, and especially for the unemployed. Measured against the 2007 poverty threshold, the poverty rate of unemployed NEETs halved between 2007 and 2009 and then more than doubled until 2011. A similar, though less extreme, pattern can be observed for inactive NEETs, who may more often benefit from a spouse's income and therefore be less exposed to the economic cycle.

The Latvian tax and transfer system significantly reduces poverty among NEETs (left panel of Figure 3.10). At 26%, their poverty rate at disposable incomes (i.e. after taxes and transfers) is 13 percentage points lower than the 39% poverty rate at market incomes (i.e. before taxes and transfers). This gap is much larger than for the general youth population, where the impact of taxes and transfers on poverty is 6.5 percentage points.

Figure 3.10. Youth poverty rates in Latvia are relatively low both before and after taxes and transfers

Poverty rates before and after taxes and transfers, in percent



1. Numbers are for youth aged 16-29 years and working-age adults aged 16-59 years.

2. Individuals are defined as poor if they live in a household with an equivalised household income below 60% of the median income. Poverty rates before taxes and transfers are calculated with respect to the standard poverty threshold.

3. In the right panel, countries are sorted in ascending order by the poverty rate among NEETs.

Source: OECD calculations based on EU-SILC, HILDA (Australia), SLID (Canada), CASEN (Chile), ENIGH (Mexico) and CPS (United States).

By international standards, the impact of the tax-benefit system on poverty among NEETs, however, is relatively weak. While NEETs – like youth in Latvia more generally – face a comparatively low risk of poverty, this primarily reflects already low poverty at markets incomes. The difference in NEET poverty rates before and after taxes in transfers in Latvia is among the lowest in European countries. This reflects at least in part the low coverage of unemployed youth by UB, and the lower benefit generosity for recipients with spells of durations above three or six months.

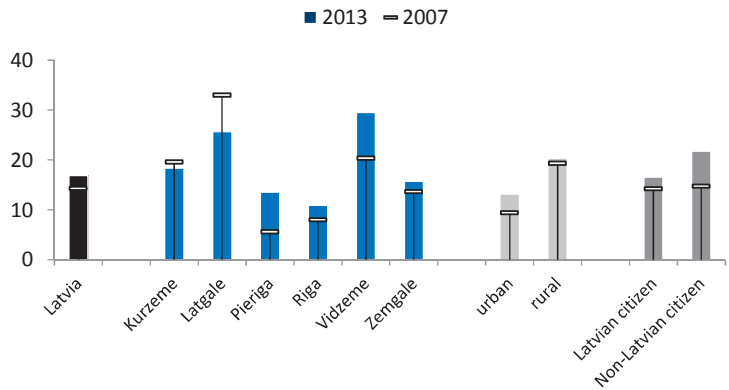
Youth poverty rates vary substantially across regions in Latvia (Figure 3.11), ranging from 11% in Riga and 14% in Pieriga to 30% in Vidzeme. One likely reason is that GMI and housing benefits tends to be

more generous in urban areas, and that Vidzeme is the region with the largest rural population.

Compared to 2007, most regions in Latvia have seen poverty rise (Pieriga, Riga, Vidzeme) or remain stable (Kurzeme, Zemgale). The exception is Latgale, where despite an increase in NEET rates, youth poverty has been substantially reduced, possibly through migration.

Figure 3.11. Youth poverty strongly differs by region, and is much more severe in rural parts and among non-Latvian citizens

Youth poverty rates by subgroup, in percent



1. Numbers are for youth aged 16-29 years.

2. Individuals are defined as poor if they live in a household with an equivalised household income below 60% of the median income.

Source: OECD calculations based on EU-SILC.

The development in youth poverty since the beginning of the crisis has finally differed between Latvian and non-Latvian citizens.[25] While both groups had nearly identical poverty rates of 14.2 and 14.7 percent in 2007, youth poverty rates are more than 5 percentage points higher for non-Latvian citizens in 2013 (21.8% *vs.* 16.6%).

Notes

1. For detailed descriptions of the Latvian income-support system, see OECD (2012), EUROMOD (2013) and EC (2013).

2. The required contribution history is shorter for unemployed jobseekers who register after a period of incapacity or after having cared for a disabled child below the age of 16 years.

3. Replacement rates increase by 5 percentage points for every ten years of contributions, and reach 65% for those with a contribution history of 30 years and more.

4. The net replacement rate is the ratio of net benefits to net previous earnings (after taxes and social contributions).

5. The gross monthly minimum wage was LVL 180 (EUR 256) in 2009/10, LVL 200 (EUR 285) in 2011-13, EUR 320 in 2014 and EUR 360 in 2015. No separate minimum wage exists for young people in Latvia.

6. For a young person not in education or training, benefits can be received up to the age of 15 years.

7. An increased disabled childcare benefit (*bērna invalīda kopšanas pabalsts*) of LVL 150 (EUR 213.43) per month is paid to the parents of a disabled child until the child reaches the age of 18 years. Childcare benefits are not paid in a period during which a young parent receives maternity or parental benefits for the child.

8. In certain cases of continued incapacity, initial sickness benefit payments can be extended beyond the 26 weeks up to a maximum duration of 52 weeks. The maximum benefit duration is 52 weeks over a three-year period

9. Jobseekers entitled to UB payments above LVL 11.51 (EUR 16) per day had their benefits above that threshold reduced by 50%. Similar rules were established for maternity and paternity benefits.

10. The annual benefit receipt rates reported in this chapter give the number of youth who received benefits at some point during the past year as a share of the youth population.

11. For an overview of eligibility conditions for income-support receipt of youth in OECD countries, see Carcillo et al. (2015).

12. The SILC variable that measures receipt of municipal "special-occasions" benefits includes the benefit for emergency situations, but also funeral allowances, benefits for the politically oppressed and a range of other small programmes.

13. The average amount of SA received per household rose from LVL 270 per year in 2009/10 to LVL 415 in 2012. A decomposition by programme shows an increase in the average amount of GMI received per household from LVL 210 in 2009 to LVL 620 in 2012, while payment levels for the municipal special-occasions benefit remained stable at around LVL 270.

14. This trend holds across the board for the various different benefit programmes, including the state family benefit (decline in the receipt rate from 56 to 47% between 2009 and 2013), child care benefits (decline from 13 to 10%), parental benefits (decline from 10 to 5%) and the smaller but more generous child birth, maternity and paternity benefits.

15. The data from the municipal social assistance registers have been collected by Professor Mihails Hazans from the University of Latvia in the framework of a World Bank project. In this analysis, only the data for Riga are used. For earlier analyses of these data, see World Bank (2013) and Immervoll et al. (2015).

16. Registered unemployment differed strongly across age groups and primarily affected youth in their 20s. Among 20-24 year-olds and 25-29 year-olds, 15.5% of all youth were registered as jobseekers in early-2010. Among 15-19 year-olds, the share of youth registered unemployed remained low over the crisis observation period and peaked at just above 3% in mid-2010. In the pre-crisis years, large numbers of teenage youth however signed up with the SEA during their summer vacation to benefit from training programmes, resulting in stronger seasonal fluctuations in receipt rates until 2009.

17. The administrative data show a rise from 17 600 registered jobseekers in March 2007 to 52 700 in March 2010 followed by a decline to 30 600 at the end of 2011.The Latvian LFS gave values of 18 300 unemployed NEETs for 2007, of 57 400 for 2010, but a higher value of 44 900 for 2011.

    There are several reasons why there need not be a perfect overlap between the two groups: not all unemployed youth who are looking for work necessarily register with the SEA. In particular, youth who

do not qualify (anymore) for unemployment benefits may seek work independently. At the same time, not all youth registered as jobseekers with the SEA necessarily actively look for employment. As observed in the previous subsection, there are indeed a significant number of UB recipients who – despite being registered as jobseekers with the SEA – do not report any recent job search activity.

18. In Riga, the number of registered GMI recipients was around 500 young people in early 2008 and peaked at 4 500 in 2011. No comparable numbers are available for other parts of the country. The total number of GMI recipients in the country is however certainly low enough not to account for all registered youth who do not receive unemployment benefits (ca. 6 000 in early 2008 and around 25 000 to 30 000 in 2011).

19. The large majority of 68% only had one single spell of unemployment. Less than 9% of jobseekers had more than two spells during the 72-month observation period.

20. The term "unemployment spell" is used here to describe the time a young person spends registered as a jobseeker with the SEA.

21. The unemployment spell durations reported in Table 3.1 are comparable but somewhat shorter than the NEET spell durations shown in Figure 2.4 of Chapter 2 for a slightly shorter observation period of only 48 months. The main difference between the two is that the numbers in Table 3.1 consider only registered unemployment, while Chapter 2 looked and NEET status in the form of unemployment or inactivity more broadly.

22. Of all UB recipients in the data, only 6% are observed as having multiple spells.

23. An additional aspect worth pointing out is that an analysis of starting spells (or "inflows") like the one presented in Table 3.2 does not account for the large number of DB spells that are already ongoing in January 2006. Many of these young people may have been diagnosed with a disability at a much younger age, and their DB spell durations may be even longer than those of youth starting a new spell during the years 2006-11.

24. Individuals at risk of poverty or social exclusion are defined as those living in household with a disposable income below 60% of the median equivalised disposable income or in jobless households.

25. EU-SILC unfortunately does not provide information on individuals' ethnicity.

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Annex 3.A1
Income-support programmes for youth without employment record

Table 3.A1.1. Only in few countries, UB are available to youth without an employment record

	Unemployment benefits		Other benefits available		Additional child-contingent benefits	
	UA	UI	SA	HB	LP	FB
Australia	•		•	•	•	•
Austria			•		•	•
Belgium		•	•		•	•
Canada			•		•	•
Czech Republic			•	•		•
Chile						•
Denmark		•	•	•	•	•
Estonia			•		•	•
Finland	•		•	•	•	•
France				•	•	•
Germany	•			•	•	•
Greece	•				•	•
Hungary			•	•	•	•
Iceland			•	•	•	•
Ireland	•		•	•	•	•
Israel			•		•	•
Italy				•	•	
Japan			•	•	•	•
Korea			•	•	•	
Latvia			•	•	•	•
Luxembourg		•			•	•
Netherlands			•	•	•	•
New Zealand	•			•	•	•
Norway			•	•	•	•
Poland			•	•	•	•
Portugal			•	•	•	•
Slovak Republic			•		•	•
Slovenia			•	•	•	•
Spain						•
Sweden	•		•	•	•	•
Switzerland			•			•
Turkey						
United Kingdom	•		•	•		•

FB: Family benefit; HB: Housing benefit; LP: Lone parent benefit; SA: Social assistance; UA: Unemployment assistance; UI: Unemployment insurance.

1. Information is for 2012.

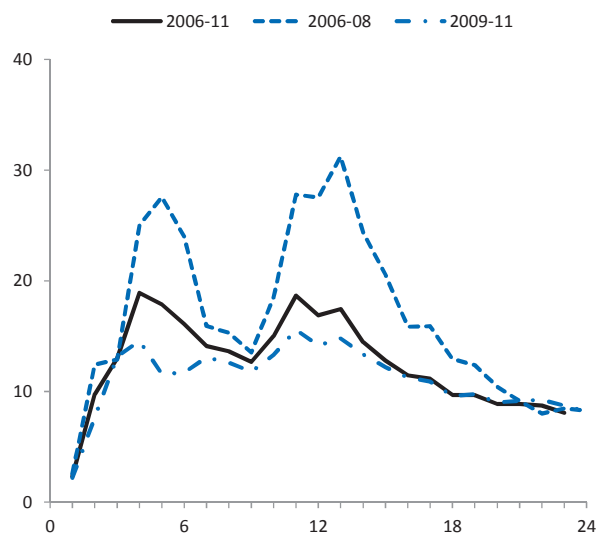
Source: OECD tax-benefit models, www.oecd.org/els/social/workincentives.

Annex 3.A2
Exit rates from unemployment and income-support benefit receipt

An alternative way of looking at the individual-level patterns of unemployment and benefit receipt is to study period-specific exit rates (or "hazard rates"). Hazard rates can give an impression of (changes in) spell durations by indicating at what points during a spell an individual is most likely to exit.

Figure 3.A2.1. Changes in the hazard rate from registered unemployment among youth

Hazard rate, by subperiod in percent



1. Numbers are for youth aged 15-29 years and the beginning of their spell

2. The hazard rate gives the period-specific exit rate form unemployment among all jobseekers who have not left unemployment in any of the previous months.

Source: OECD calculations using administrative data.

The hazard rates from registered unemployment nicely illustrate the changes in the regulatory framework and the labour market situation faced by young jobseekers over the crisis. Figure 3.A2.1 gives the monthly

probability of exit from registered unemployment for a young person in the first 24 months of a spell (always only among those who remain in unemployment for this long). The blue dashed line – which gives the hazard rate for spells starting from January 2006 to December 2008 – shows two distinct peaks at 4 and around 11 to 13 months into the spell. The first of these two peaks indicates a much higher exit rate from registered unemployment in the month when UB expire for individuals with a contribution history of below ten years. The second peak happens just after the nine-month maximum duration of benefit receipt for jobseekers with a long contribution history, which is more difficult to explain for young people, but might indicate a point at which many registered unemployed finish a training programme and de-register.

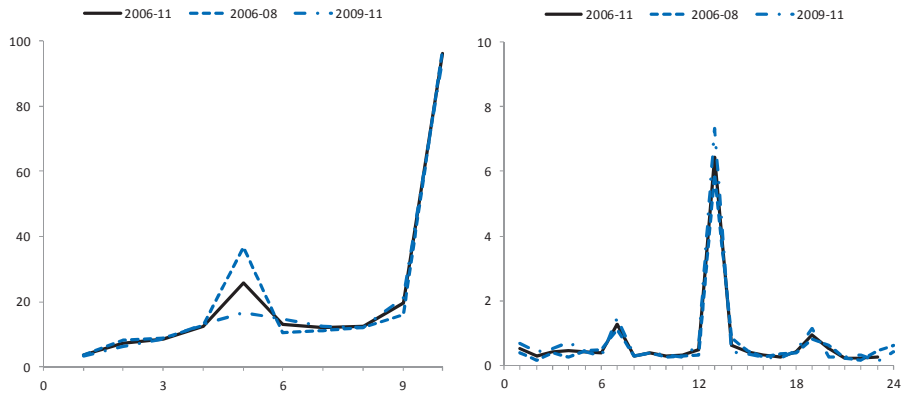
Neither of these two peaks can be observed in the second part of the observation period (dash-dotted blue line). Exit rates from unemployment are moreover much lower. This reflects the extensions of the maximum benefit duration for individuals with a short contribution history, and the young people's difficulties of finding employment during the crisis. For the few jobseekers with very long unemployment spells, the monthly probability of leaving unemployment drops below 10%.

As for registered unemployment, a look at period-specific exit rates can provide interesting additional insights also into the dynamics of benefit receipt. For UB, monthly hazard rates are around 10 to 20% for the length of the spell and shoot up to 100% when eligibility ends after nine months (left panel of Figure 3.A2.2). A "hump" in exit rates after five months for the first part of the observation period again indicates that many young people left UB shortly after benefit expiry. This "hump" disappears with the change in the regulatory framework in July 2009, which extended the maximum duration of UB receipt to nine months for all eligible jobseeker. For DB, exit rates are at a very low 1% per month throughout the first 24 months of the spell and vary only little (right panel of Figure 3.A2.2). The one exception is a spike after 12 months of benefit receipt to around 6%, which likely indicates that DB cases are being re-assessed (and in a few cases terminated) after a year of benefit receipt.

The hazard rate for exits from GMI (Figure 3.A2.3) nicely illustrates the payment patterns of the benefit. Exit rates have three-monthly spikes, because "needy" status is granted for three or six months at once. The increase in spell durations over the crisis is reflected by a clear downward-shift in hazard rates from 2006-08 to 2009-11. Even those longer spell durations however are relatively short by international standards (Immervoll et al., 2015). Note however that since GMI is a municipal responsibility and data were only available for Riga, it is unclear whether these results fully generalise to other parts of Latvia.

Figure 3.A2.2. Changes in the hazard rates from UB and DB among youth

Hazard rate, by subperiod in percent



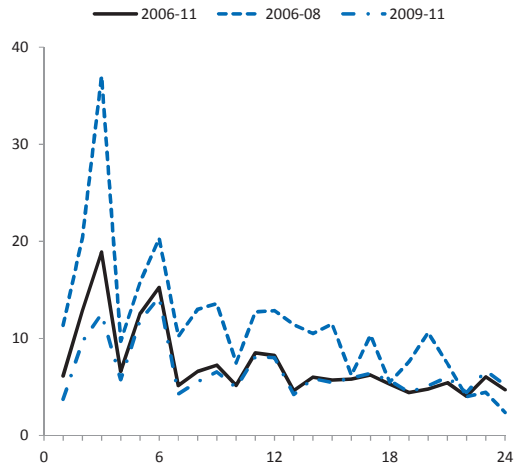
1. Numbers are for youth aged 15-29 years and the beginning of their spell

2. The hazard rates give the period-specific exit rates form UB and DB receipt among recipient youth who have not left benefit receipt in any of the previous months.

Source: OECD calculations using administrative data.

Figure 3.A2.3. Changes in the hazard rate from GMI

Hazard rate, by subperiod in percent



1. Numbers are for youth aged 15-29 years and the beginning of their spell. Only spells for the city of Riga are considered.

Source: OECD calculations using administrative data.

Chapter 4

Raising school completion rates and providing high-quality professional training in Latvia

Education in Latvia has undergone profound changes over the last decades in the context of a declining youth population. Dropout rates have fallen but remain particularly high for young boys and in vocational education. A better sharing of information between schools, municipalities and employment services would be needed to further reduce early school-leaving. Reinforcing career guidance could help by motivating at-risk youth for professional pathways early on. The VET system remains mostly school-based and Latvia would benefit from the development of a system of company-based apprenticeships. Extra-curricular activities, which are a tradition and strength of the educational system, should be maintained and further encouraged.

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.

Introduction

The educational system has undergone major reforms since Latvia re-gained independence in 1991. The Laws on Education, General Education, Vocational Education and Institutions of Tertiary Education were passed in 1991 and have been amended numerous times since. The reforms increased the flexibility of the previously highly-centralised education system by introducing greater freedom of choice with regard to programme types, textbook selection and teaching methods. They also promoted democratic participation in educational processes by granting more responsibility to municipalities and parents (Žogla, Andersone and Černova, 2007). In the vocational education system, a process of consolidation was initiated. The large number of different professions and specialisations that existed under Soviet rule was drastically reduced, and smaller, single-subject vocational schools merged into more comprehensive educational establishments (OECD, 2001). However, at 3% of GDP, public and private expenditure on primary, secondary and post-secondary non-tertiary educational institutions in 2011 remains considerably below the OECD average of 3.8% of GDP (OECD, 2014a, Chart B2.2).

This chapter is structured as follows: Section 1 presents the overall architecture and governance of the system. Section 2 examines the policies to improve school attendance. Section 3 investigates strategies to promote quality vocational training including apprenticeships, while Section 4 focuses on the support to at-risk students. For a more detailed description and assessment of the Latvian education system, see OECD (2015e).

1. General architecture and governance

Education in Latvia is administered at the national and municipal level.

Pre-school, compulsory "basic education" (primary and lower-secondary) general upper-secondary education and non-formal extracurricular education are under the governing authority of the 110 municipalities and nine republican cities. The national Ministry of Education and Science (MoES) has a supervisory duty, and, through the subordinated National Centre for Education, sets national educational standards, and determines curricula and examination procedures.

The MoES is directly responsible for public vocational and secondary professional education. It provides the regulatory framework for the provision of vocational education and employs the heads of VET establishments.[1] It also maintains the register of occupational standards, and studies the skill demands of the labour market. Under its

supervision, the State Service of Education Quality (IKVD) is in charge of accreditation of VET providers and programmes and the evaluation of programme quality. The National Centre for Education (VISC) participates in the development of occupational standards and methodology and contents of examinations.

Every person in Latvia, irrespective of age, has right to pre-school, basic and general secondary education free of charge. Private educational establishments may charge tuition, but the number of students attending such establishments is very low.[2]

Compulsory education

Compulsory schooling in Latvia starts with pre-school education for 5- and 6-year-olds, which is provided by kindergartens or general education establishments.[3] From the age of seven, children follow the single-structure "basic education" (*pamatizglītība*, years 1 to 9), which consists of six years of primary school (*sākumskola*, ISCED 1) followed by three years of lower-secondary school (*pamatskola*).[4]

Instruction time for students in compulsory education is very low by OECD standards, varying between 592 hours in primary school (OECD average of 794 hours) and 792 hours in secondary school (OECD: 905 hours). School weeks in grades 1 to 9 consist of 22 to 34 lessons lasting 40-45 minutes each; the school year however only lasts 34-37 weeks with a long 13-week break during the summer (OECD, 2015e).

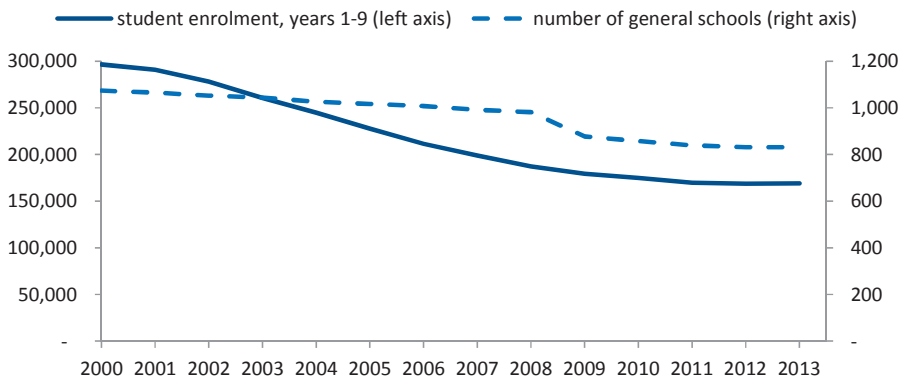
Children have the legal right to attend the school that is closest to their home, but are free to choose a school in a different municipality depending on the availability of places. In cases where a young person fails to complete basic education, compulsory schooling ends at the age of 18 years. Funding for compulsory pre-school, basic education and secondary general education is provided jointly by the state and the municipalities. Teachers' salaries and social security contributions are paid by the state. The municipalities are directly responsible for the provision and maintenance of infrastructure, for covering the costs of the non-teaching staff, for the provision of student meals and utilities and for other running costs. Minimum national standards are meant to ensure some consistency of spending levels across municipalities.[5]

Since the start of the 2009/10 school year, the allocation of state funds for basic and general education is based on the "money follows student" approach (OECD, 2014b). State contributions are no longer based on the *actual* number of teachers in a school, but a function of the "augmented" number of students: Student numbers are multiplied by a series of different coefficients that reflect, among other things, the schooling level of a young person, the type of programme, as well as the geographic location of the

municipality (village *vs.* republican city). Municipalities then have considerable autonomy in the allocation of resources across schools and in terms of teacher recruitment decisions (Grīviņš, 2012, OECD, 2015e).

Licensed private educational establishments are funded by the owners, while the state covers the cost of teachers' salaries.

Figure 4.1. Declining cohort sizes have induced a reduction in the number of schools



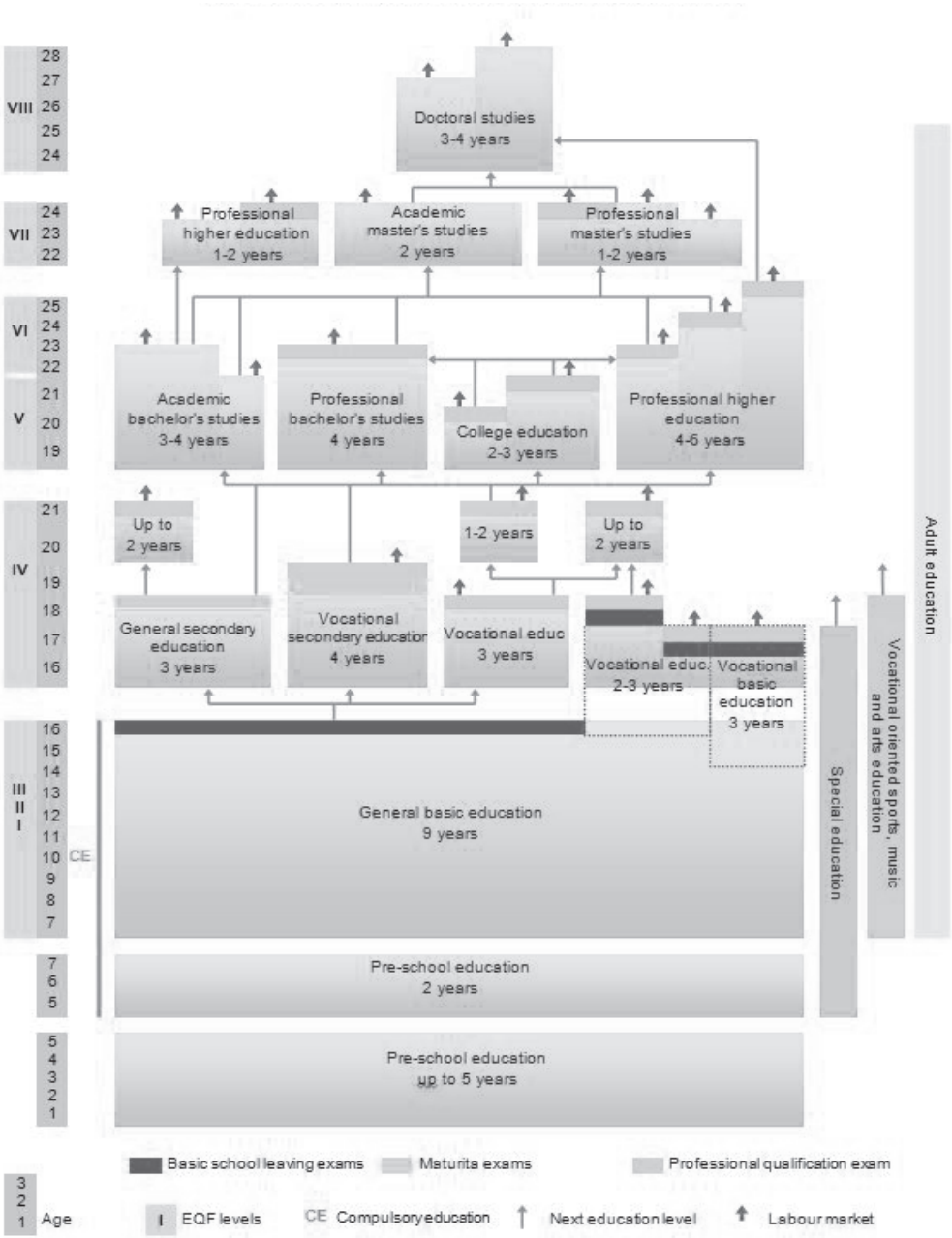
1. Student enrolment and school numbers include special and evening education.

Source: CSB (2015), "IZG07. General Schools (at the beginning of the school year)", http://data.csb.gov.lv/pxweb/lv/Sociala/Sociala__ikgad__izgl/IZ0070.px/?rxid=cdcb978c-22b0-416a-aacc-aa650d3e2ce0.

Considerable allowance is made in the Latvian education system for schooling in minority languages. In 2013/14, out of 807 day schools that provide general education, 99 schools used Russian as their language of instruction, 65 "double-track" schools offered programmes in both Latvian and Russian language, and a further nine schools used another language of instruction. Basic Education establishments may moreover offer bilingual programmes taught in Latvian and a minority language (Russian, Polish, Hebrew, Belarusian, Ukrainian, Estonian and Lithuanian), as long as 60% of all classes are taught in Latvian.

Falling cohort sizes (see Section 1) have led to a shrinking of the Latvian compulsory schooling system over the last decade. Between 2000 and 2013, the number of youth in basic education has declined by 43% from 296 500 to 169 000 (Figure 4.1). The number of general schools that offer basic education dropped by 22.5% over the same period. Class sizes in Latvia are very small by OECD standards, averaging 16 students in primary education (compared to an OECD average of 21) and 15 students in lower-secondary education (OECD average of 24) in 2012 (OECD, 2014a).

Figure 4.2. The Latvian education system



Source: Academic Information Centre (2012).

Upon successful completion of the national examinations after year 9, students receive a Certificate of Basic Education (*apliecība par pamatizglītību*), which serves as admission certificate to general and vocational upper-secondary education. Among basic school graduates (from mainstream or special schools) in 2013, 61.5% of students continued their studies in general secondary schools and 33.4% in vocational secondary schools, respectively, in the following semester. 5.1% of students did not continue their studies in Latvia (CSB, 2015a).[6]

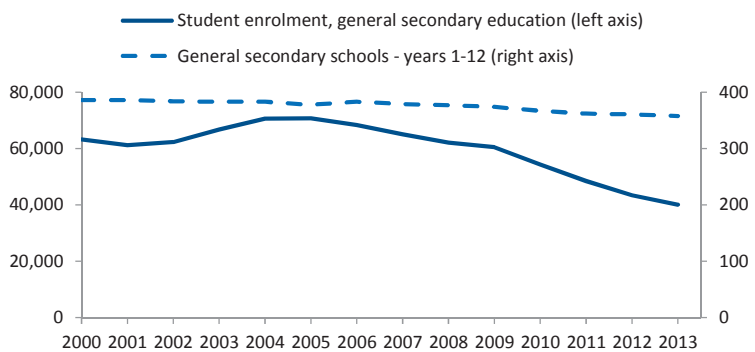
General secondary education

One of the two branches of Latvia's upper-secondary system is the general secondary education, which lasts three years from grades 10 to 12. It is provided to graduates of basic education in general secondary schools (*vidusskola*), many of which also offer basic education, gymnasia (*ģimnāzija*), which often have a more specific subject focus and also offer grades 7 to 9, or in part-time evening schools (*vakarskola*), which may also offer basic education.[7]

Upon successful completion of their studies, students are awarded the Certificate of General Secondary Education (*atestāts par vispārējo vidējo izglītību*), which serves as an entry certificate to higher education.

As for basic education, enrolment in general secondary education has fallen strongly since the turn of the millennium (Figure 4.3). From 2000 to 2013, the number of enrolled students declined by 37%, while the number of schools that provide general secondary education fell from 386 to 358.

Figure 4.3. The decline in general secondary enrolment has been strong, while school numbers remained stable



Source: CSB (2015), "IZG02. Enrolment of Education Institutions by Level of Education"; CSB (2015), "IZG07. General Schools (at the beginning of the school year)", http://data.csb.gov.lv/pxweb/lv/Sociala/Sociala__ikgad__izgl/IZ0070.px/?rxid=cdcb978c-22b0-416a-aacc-aa650d3e2ce0.

International comparisons indicate that teachers in Latvia are substantially underpaid in terms of their earnings as a share of GDP per capita even after the recent reforms (OECD, 2014b) while facing a largely flat career structure (OECD, 2015e). This is true even though on average, they tend to have more work experience than their colleagues in other countries (OECD, 2014c, Chart D5.a). Hazans (2010) moreover shows that teachers are underpaid even relative to other public sector professionals in Latvia, especially in Riga.

Vocational education and training

Vocational education and training (VET) in Latvia is provided at three different levels to cater for students with different backgrounds:

1. *Vocational basic education* programmes with three year duration are available to students without a completed basic education diploma. These programmes, provided at vocational basic schools (*arodpamatskola*), are open to 15-year-old students with at least seven years of basic education. Students can acquire a Level 1 or 2 professional qualification (see Box 4.1) along with a basic education certificate.
2. *Vocational secondary education* for graduates of basic education is provided through three- or four-year programmes:
   - Vocational education programmes of two- to three-year duration are offered at vocational schools (*arodskola*) and provide a Level 2 vocational education qualification (*atestāts par arodizglītību*, ISCED 3C). To gain access to higher education, students have the option of continuing education for a further 1-2 years to obtain either a vocational or general secondary education degree.
   - Vocational secondary education programmes (four years) are offered at vocational secondary schools (*profesionālā vidusskola*), crafts schools (*amatniecības vidusskola*) and technical schools (*tehnikums*). Students obtain a vocational secondary education certificate (*diploms par profesionālo vidējo izglītību*, ISCED 3A/3B) along with a Latvian professional qualification Level 3. By taking additional state-level examinations in a selection of subjects (Latvian, mathematics, a foreign language and one optional study subject), students can acquire the Certificate of General Secondary Education and thus access to higher education.

– For graduates from general education, there exist post-secondary non-tertiary vocational education programmes (ISCED 4) at vocational schools (*profesionālā vidusskola*) with a duration of 1 to 3 years. Contrary to what their name suggests, these programmes are classified among secondary education programmes in Latvia.

3. For graduates of secondary education, there exist two levels of *professional higher education,* provided at colleges (two- to three-year first-level professional higher education, vocational qualification of level 4, *diploms par pirmā līmeņa profesionālo augstāko izglītību*, ISCED 5B) or universities (4-6 year second-level professional higher education, vocational qualification level 5, ISCED 5A).

Box 4.1. The five levels of professional qualification as defined by the Latvian Vocational Education Law

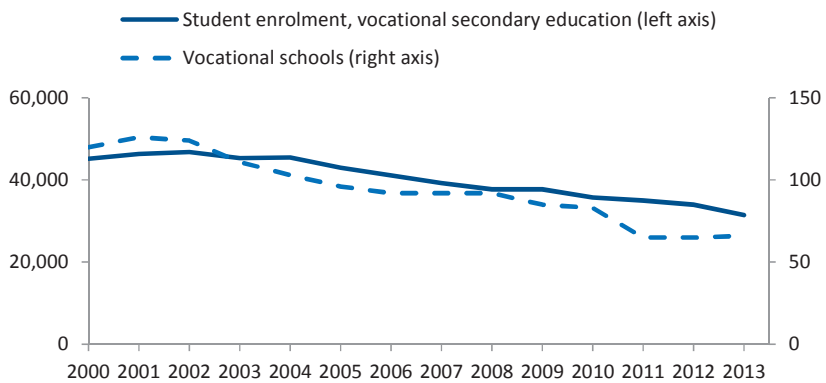
- *Level 1*: theoretical and practical training, which provides an opportunity to perform simple tasks in a specific sphere of practical operation;
- *Level 2*: theoretical and practical training, which provides an opportunity to perform independently qualified artisan work;
- *Level 3*: higher theoretical preparedness and professional skill, which provides an opportunity to perform specific artisan duties, which also include planning and organising of the work to be implemented;
- *Level 4*: theoretical and practical training, which provides an opportunity to perform complicated artisan work, as well as to organise and manage the work of other specialists;
- *Level 5*: higher qualification of a specific sector, which provides an opportunity to plan and also perform scientific research work in the relevant sector.

Source: Vocational Education Law (2001).

Professional learning for adults comes in the form of *professional continuing education* programmes for individuals with previous education and work experience and *professional development education*, which is open to individuals regardless of previous education or qualifications (see Cedefop, 2015). The short-cycle VET programmes provided by VET schools and co-ordinated by the State Education Development Agency (SEDA) in the framework of the Youth Guarantee fall into this category (see Chapter 5).

The number of students enrolled in vocational basic education programmes is low, which reflects the high graduation rates for compulsory basic education (see below). In 2013/14, only 440 students were enrolled in such programmes, down from around 1 400 in 2004/05 (CBS, 2015b).

Figure 4.4. The decline in enrolment has been more modest for vocational education



1. Enrolment numbers are for vocational secondary education and post-secondary non-tertiary education programmes.

2. School numbers give the total number of vocational schools.

Source: CSB (2015), "IZG22. Vocational Schools", http://data.csb.gov.lv/pxweb/lv/Sociala/Sociala__ikgad__izgl/IZ0220.px/?rxid=cdcb978c-22b0-416a-aacc-aa650d3e2ce0; CSB (2015), "IZG23. Students of Vocational Schools by Education Thematic Groups", http://data.csb.gov.lv/pxweb/en/Sociala/Sociala__ikgad__izgl/IZ0230.px/?rxid=a79839fe-11ba-4ecd-8cc3-4035692c5fc8.

Enrolment in vocational secondary education programmes was approximately 30 400 students in 2013/14, 3 900 (or 13%) of whom were in post-secondary non-tertiary education programmes (CBS, 2015b). The decline in enrolment numbers was 30% since 2000, and thus somewhat more modest than for general upper secondary education. Out of total secondary education enrolment, vocational education accounts for 44% in 2013/14.

The number of vocational schools nearly halved over the same time horizon.[8] This trend again reflects the demographic development, but also a consolidation of the network of vocational schools with the closing of smaller schools in favour of larger Vocational Education Competence Centres (VECCs) as discussed further below.

The distribution of the most popular study fields in vocational education remained very stable over the recent years. The most popular fields are engineering, manufacturing and construction (39% of all students) and services (25%). Compared to 2010, there has, however, been a growth in the relative number of students in the humanities/arts and in the natural sciences (both +4 percentage points) and in services (+3 percentage points), at the expense of engineering and business (each – 4 percentage points) (CSB, 2015e).

Vocational education in Latvia is mainly school-based and typically includes only very few elements of company-based learning. In 2013/14, a pilot project to promote work-based learning was launched in six vocational education institutions (see below).

Education for students with additional needs

Young people of compulsory schooling age who have trouble following basic education due to minor learning difficulties, a lack motivation, or behavioural problems can participate in "pedagogical adjustment programmes", which are offered in many general education establishments. These programmes supplement (rather than replace) mainstream classroom teaching providing additional tutoring. In the 2013/14 school year, less than 1% of students were enrolled in such programmes.[9]

Also youth with more substantial special needs, due to more severe learning disabilities, language development problems, mental or physical disabilities, are entitled to an education that accounts for their health condition, skills and level of development. Special education programmes should give these students the opportunity to acquire practical skills and vocational education, and ensure "the pedagogical psychological and medical adjustment of the student and his or her preparation for working and living in society" (General Education Law, Section 49).

Education for special-needs students is provided in special schools (which are often specialised on youth with certain types of disabilities), in special classes in a mainstream school, or in mainstream classes.

The majority of special-needs students above the age of six years attend one of the 61 special education establishments: Out of the 10 865 special-needs students in Latvia in 2013, about 5 800 (or 53%) attended special education institutions (Table 4.1). Another 1 280 students attended special classes in general schools. Just above one-third of special-needs students are integrated into mainstream classrooms, either receiving a special education programme (3 400 students) or following the mainstream programme (360 students).[10]

Table 4.1. A growing share of special-needs students attends mainstream schools

		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Special needs students	share of all students (%)	4.1	4	4.4	4.8	5.2	5.2
Special students taught in…							
Special education institutions	share of special students (%)	73	79.6	71.7	65.9	60.5	53.4
Special education classes in mainstream schools	share of special students (%)	11.6	14.3	12.4	10.2	10.6	11.8
Special programmes in mainstream classes in mainstream schools	share of special students (%)	7.9	4.9	14.7	22.1	26	31.5
Mainstream programmes in mainstream schools	share of special students (%)	7.4	1.2	1.2	1.8	2.9	3.3

Source: MoES data and CSB (2015), "IZG01. Education Institutions and Enrolment (at the beginning of the school year)", http://data.csb.gov.lv/pxweb/en/Sociala/Sociala__ikgad__izgl/IZ0010.px/?rxid=a79839fe-11ba-4ecd-8cc3-4035692c5fc8.

Upon successful completion of basic education, special-needs students can attend mainstream vocational or general secondary education, or take vocational classes in special schools. 39 special schools provided vocational education programmes, and 860 young people were enrolled in such programmes in 2013/14 (MoES data).[11] Initial VET programmes (and a first-level professional higher education programme for special-needs students are offered by the College of the Social Integration State Agency in Jūrmala, just west of Riga, with 130 special-needs students registered in 2013/14.

For young delinquents of compulsory schooling-age and those who have shown socially deviant behaviour, there exists a "social adjustment programme" offered at a social correction institution in Naukšēni in the Vidzeme region. 41 students were enrolled in this programme in the 2013/14 school year.

Non-formal and out-of-school education

Latvia has an extensive system of extracurricular "interest education" (or "hobby education"). The programmes are jointly funded by the state and the municipalities, with the state government paying teachers' salaries and the municipalities providing facilities and covering all other costs. Programmes are offered to youth free of charge or against a small contribution from the parents by schools and interest education establishments.

While participation in interest education is voluntary, the majority of youth attend these programmes. In 2013/14, there were a total of 176 000 person-activity participations (Table 4.2). The total number of participating youth was lower given that many youth will have participated

in multiple programmes, but the figure is impressive given an overall population of 290 700 youth of ages 5 to 19 years in the country in 2013 (CBS, 2015c).[12]

Table 4.2. The majority of young people in Latvia participate in extracurricular "interest education"

Type of educational institution	Number of institutions	Number of participations
Pre-school education	31	1 850
General education	449	108 115
Vocational education	3	338
Special education	20	3 601
Professional education (e.g. music, arts, sports)	62	5 877
Interest education	50	56 124
Total	**615**	**175 905**

1. The final column gives the number of cases in which young people participate in interest-education programmes ("participations"). This number is higher than the number of participants, because youth who participate in multiple different programmes will be counted multiple times.

Source: MoES and CBS (2015), "IZG01. Education Institutions and Enrolment (at the beginning of the school year)", http://data.csb.gov.lv/pxweb/en/Sociala/Sociala__ikgad__izgl/IZ0010.px/?rxid=a79839fe-11ba-4ecd-8cc3-4035692c5fc8.

Interest education programmes are meant to supplement the knowledge and skills acquired during formal education, and they can cover a wide range of different activities including sports, cultural education (arts, music, theatre, folklore) and handicraft, but also foreign language teaching, IT courses, entrepreneurial training or "defence training". Programme contents are often oriented towards participation at national or regional festivals or competitions.[13]

In 2013/14, around 1 900 "pedagogues", i.e. staff with a pedagogical education and a teaching qualification, were employed alone in the 50 interest education institutions, which translates into approximately one pedagogue for each 30 participants. No comparable data are unfortunately available for interest education programmes offered at other educational institutions.

In addition to interest-education, leisure-time activities for youth are offered through a network of municipal youth centres. According to a recent MoES survey, 182 such centres existed throughout Latvia in early 2015, with 27 municipalities reporting not having a youth centre.[14] In some municipalities, "day care" centres are available to provide leisure activities, homework help and social support after school, often for youth from troubled backgrounds.

2. Pathways to improving school attendance

Chapter 2 illustrated that there is a strong relationship between a young person's risk of being NEET – and of remaining NEET for longer – and low educational attainment. Key for improving the labour market situation of youth is therefore to ensure that all young people obtain an upper-secondary education that provides them with the knowledge and skills needed to succeed in the labour market or to pursue further studies.

In its national reform programme for the "Europe 2020" strategy (MoE, 2011), the Latvian Government committed to reducing the share of early school-leavers.[15] The central policy challenges identified for tackling early school-leaving were insufficient of support to youth who start a new educational programme, the lack of clear reporting procedures in the case of non-attendance, and out-of-date technical equipment in many educational establishments.

Early school-leaving in Latvia

Dropout from compulsory schooling is relatively low in Latvia, but difficult to quantify exactly:

- According to administrative data from the MoES for 2012/13, 3.4% of standard and special-needs students finished the final year of basic education without obtaining a certificate.[16] This number however gives only part of the picture: First, year 9 graduation rates ignore any potential dropout from compulsory schooling occurring at an earlier stage in a young person's education. In the 2012/13 school year, 1 530 students of grades 1 to 9 left basic education early (though this of course includes school terminations due to emigration and also death), and recent PISA results indicate that 2% of 15-year-olds in Latvia (400 individuals) were not enrolled in education in 2012 (OECD, 2013, Table II.2.12). Second, the number of unsuccessful school completions does not account for the fact that some youth will obtain their basic education degree at a later stage, possibly by repeating the final year or by obtaining their basic education certificate at an evening school.[17]
- OECD calculations based on the Latvian Labour Force Survey indicate that among youth aged 20-29 years and out of education, the share of those with less than basic education was below 1% in 2013. Results for the cohort of 20-24 year-olds are – if anything – slightly more favourable.[18]

When looking beyond compulsory schooling at the completion of upper-secondary education, Latvia is very close to the OECD average in terms of

the incidence of early school-leaving: In 2013, about 12% of young people aged 20-29 years had obtained at most lower-secondary education (ISCED level 2, i.e. basic education) and were no longer in education (left panel of Figure 4.5), the same rate as observed for OECD countries on average.[19] This represents a substantial decline during recent years down from 18% in 2007 and from 15% at the time of drafting of the national reform programme in 2010.[20]

There is, however, a substantial gender gap in early school-leaving. Across the OECD, the early school-leaving rate among young men is 4 percentage points higher than among young women (14 *vs.* 10%), while in Latvia, young men are twice as likely as young women to leave school without completing uppers-secondary education (16 *vs.* 8% in 2013, right panel of Figure 4.5). The observed gap in NEET rates between young men and women aged 15 to 19 years (Figure 2.2 in Chapter 2) thus coincides with a higher risk of early school-leaving among young men.

The substantial gender gap in early school-leaving rates is consistent with rising educational outcomes among young women. PISA results show that the share of students who are low-achievers in all tested subjects (mathematics, reading and science) is higher for boys than for girls in virtually all countries. In Latvia, the respective shares are 11.3% for boys and only 5% for girls (OECD, 2015g, Figure 1.2).

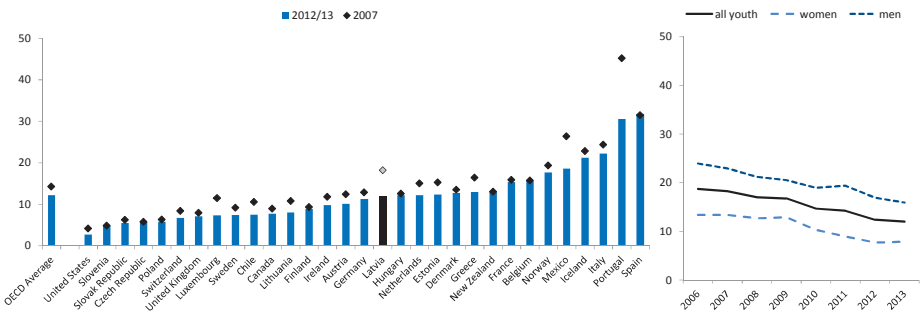
One possible driver of the gender gap in school performance is the difference in the way young boys and girls spend their leisure time. The share of pupils in Latvia who read for enjoyment has strongly declined over the 2000s especially for boys, but was much higher in 2009 among girls (85.2%) than boys (55.1%). At the same time, boys across OECD countries and in Latvia start using the computer at a younger age than girls, and, when gaming, are less likely to play co-operative games (OECD, 2015a, Figures 2.2, 2.4, 2.5 and 2.9).

A second set of potential drivers however lies in the direct schooling environment. Girls are on average less likely than boys to report feeling that school has been a waste of time or that school has done little to prepare them for adult life. Boys in Latvia report spending two hours less per week on homework than girls (7.3 *vs.* 5.2), and grade repetition in school is twice as frequent for boys (11.7% reporting having repeated grades) as for girls (5.1%) (OECD, 2015a, Figures 2.12, 2.14, 2.15).

In addition to the gender gap, there is also substantial regional diversity: Early school-leaving rates are about twice as high in rural areas than in cities (MoE, 2014), and rural-urban differences in student performance in Latvia are larger than in most OECD countries (OECD, 2015a).

Figure 4.5. Early-school leaving in Latvia has declined and is around the OECD average

Early school-leavers as a share of all youth aged 20-29 years in percent



1. Early school-leavers are defined as youth aged 20-29 years who have attained at most ISCED 2 education and who are out of education. In the United States, data for individuals aged 20-24 years.

2. The more recent data are for the year 2013 for Latvia and 2011 for Chile; the earlier data are for 2006 for Chile.

3. Countries are sorted by the total early school-leaving rate in ascending order.

4. The OECD average is non-weighted excluding Australia, Israel, Japan, Korea and Turkey.

Source: OECD calculations based on the Latvian Labour Force Survey, EU-LFS and national labour force surveys.

In upper-secondary general education, dropout rates are significantly lower in general than in vocational secondary education. In 2012/13, the average annual non-completion rate was 1.8%, which implies that students starting general secondary education have a 5.5% risk of not obtaining her degree.[21] These numbers however do not include dropout from special education or evening programmes, which are likely to be much higher. For instance, 13.3% of students who finish year 12 in evening schools to not obtain their degree (MoES data) and a much larger share are likely to drop out earlier.

Drop-out rates from vocational training were between 13 and 16% across programmes over the last years. At programme lengths of around three years, this implies that less than two-thirds of students who enrol in a VET programme finish the course.[22] This is substantial even when migration-induced dropout is considered. Unfortunately, no individual-level data on VET programme completion are collected.

The gap between the relatively low drop-out rates from "basic education" and the higher share of youth who do not obtain upper-secondary

education illustrates that the key challenges for reducing early school-leaving are

1) to help young people to make the transition from basic to secondary education, and

2) to reduce drop-out from these programmes.

Monitoring and reporting of school attendance

Drop-out from school is typically not a sudden, unexpected event but the consequence of a longer process of gradual disengagement (Lyche, 2010). This process may be driven by a range of different factors – learning difficulties, mental health issues, family problems at home, parents' attitudes towards education or the school experience – which tend to interact and accumulate over time (OECD, 2012a). Given the difficulty of bringing young dropouts back into education or a different activity, it is vital to identify their problems early enough to provide the necessary support in time.

Continuous monitoring of students' attendance can help identify students' disengagement at an early stage. At the local level, the collection and reporting of attendance information can make all important actors – notably the school administration and the municipal social services –aware of attendance problems as they arise. Regular reporting to the responsible education authorities at the national level can moreover ensure that teachers, schools and municipalities take non-attendance seriously.

In Latvia, day-to-day monitoring of student attendance and the information-exchange between local-level actors appears to work well in most cases. The large majority of schools in the country make use of a privately-provided, web-based platform that permits collecting information on students' timetables, class attendance, performance and any homework due.[23] The information entered by the teachers can be accessed independently by the students and their parents, teachers and the school's principal. In the framework of its "Europe 2020" strategy (see above), the MoES is moreover working on establishing a single procedure by which educational institutions should inform parents and local governments in case of a student's unjustified absence (MoE, 2014).

Unexcused absences by students are dealt with first at the school level, with a class teacher, social pedagogue, and ultimately a member of the school administration or a social worker contacting the parents in order to resolve the problem. In case of a longer absence – the limit is three days of pre-school or 20 classes missed during a semester – the school principal must file a report to the municipality giving an explanation for the absence.

At the municipal level, specialists work to identify the causes for non-attendance, and, if needed, co-ordinate an intervention with the municipal social services, the police, an orphans' court or other actors.

Student enrolment is monitored by the MoES on the basis of the national-level State Education Information System (VIIS) database, which contains records on all educational institutions, accredited programmes, teaching staff and students enrolled in the country.[24] Educational institutions are required to submit information on their students at the beginning of each school year in September and to update this information regularly. The student records are used to allocate funding to the municipalities in September and May of each year.

Information from the VIIS database is also used to compile a register of children, who are of compulsory schooling age but not enrolled in education. Information on enrolment entered into VIIS by the municipalities is matched by the State Education Quality Service (IKVD) with information from the population register on all children and youth aged 7-18 years. All 119 local authorities receive this list early in the school year. The register of non-registered children contained about 15 700 children of compulsory-schooling in 2014. Local authorities are obliged to trace and contact the listed students and their families, and to provide information on the reason for non-enrolment. Updated information is sent to the municipalities on a quarterly basis. In 2014, 82.5% of listed children were confirmed to have left the country; 2.7% could not be traced by the municipality.

A possible way of reducing the number of non-registered children would be to provide local authorities with details of all children of compulsory-schooling age in the municipality ahead of time, i.e. one or two weeks before the start of the school year. This would require a formal deadline for parents to register their children at a school before the start of the school year. Local authorities could then get in touch with parents of non-registered children much more quickly, which would reduce the risk that these children miss weeks of schooling before they are identified.

A weakness of the system may, however, be that it solely relies on the local authorities for the reporting of student registration. Since educational funding is a function of student enrolment, municipalities have a financial incentive to over-report student registration, for instance by indicating a non-registered child as present or by delaying notification of the drop-out of a student. This could be problematic especially in the context of shrinking cohort sizes and large expenditure in the education sector between 2010 and 2012.

A more general shortcoming of the current system appears to be that the national education authorities do not have direct access to information on

student attendance. Student's absences from school are independently dealt with first by the schools and then by the local authorities, not all of whom may take the issue equally seriously. Addressing the issues a troubled young person is facing can be time-consuming and resource-intensive, as it may require the involvement of specialists who need to connect with the young person and work the family for a longer period. Especially in times of tight budgets, municipalities may be hesitant or unable to make such a commitment.

This situation could be improved through the introduction of monthly reporting requirements of attendance information by educational establishments to the national education authorities. Such reporting procedures could ensure that student non-attendance is indeed registered systematically by educational institutions in all municipalities, including those who currently do not make use of either of the two web-based platforms. It would also give national authorities the possibility to verify whether municipalities take appropriate measures in the case of long-term absences. Centralised attendance data could moreover be helpful for policy purposes, for instance as an indicator used for the performance evaluation of educational institutions and programmes, or when assessing the frequency and drivers for school dropout. Since attendance reporting is already implemented at the local level, the additional administrative burden to schools and municipalities from introducing those requirements would seem modest.

For secondary education establishments, there are currently no requirements to follow up on youth exiting from an education programme with or without a degree. Youth up to the age of 18 years remain subject to municipal-level attendance monitoring as in basic education, though this monitoring requirement is apparently less strictly complied with than at basic education level. Schools also transmit information on student registration to the VIIS. For above-18-year-olds, there is however no formal obligation for the school or the municipality to get in touch with the young person in case of an exit from the programme, to assess the reasons of a possible drop-out, or to ensure that the young person makes a successful transition into training or employment.

More systematic follow-up requirements for schools in the case of drop-out of above-18-year-olds could help increase school completion rates. A rapid transmission of the information gained would moreover enable municipalities to reach out to the young person more rapidly if needed, for instance to put her in touch with the SEA. Follow-up procedures after programme completion may serve a similar purpose in cases where the young person does not make successful transition into education or

employment quickly. Information on the career pathways of those who complete general or vocational education may moreover provide valuable insights to policy-makers for instance for evaluating the performance of different programmes. Of course, the provision of comprehensive follow-up services can be very resource-intensive (see the example the example from Norway in Box 4.2).

Box 4.2. The Norwegian Follow-Up Services

All 19 county authorities in Norway are legally obliged to follow up on young people between the ages of 15 and 21 who are not in employment, education or training. Since 1994, each county has its own "Follow-up Service" with a mandate to keep an overview of the activity status of all young people who finish compulsory lower-secondary education.

The Follow-up Services reach out to all youngsters who are not in employment or education to offer counselling and establish a contact with the local employment and welfare office NAV. They also function as a co-ordinator of the various other actors who provide services for this group. In Oslo, the Follow-up Service for instance receives a list of drop-outs four times per year that needs to be checked. Youth not enrolled in education are detected by regularly comparing the lists of enrolled students with the county-level population register. 110 counsellors are located directly in Oslo's schools (both lower- and upper-secondary); additional follow-up offices exist in each of the 15 district NAV offices. Most of the other counties in Norway have one central follow-up office with 7-8 employees.

In many cases, a young person who gets in touch with NAV has previously dropped out of upper-secondary school. In such cases, NAV directly co-operates with the follow-up service to provide tailored combinations of work-practice from NAV and elements of schooling offered by an educational establishment. The young person may then be registered as part-time unemployed and part-time student. The aim of such combinations is to enable alternative ways of returning to school and completing education.

Source: OECD (2015), *Investing in Youth – Norway*, OECD Publishing, Paris, forthcoming.

Tailored schooling options for those with difficulties

To allow every young person to reach their full potential, and to minimise the risk of school failure and dropout, school environments need to be tailored to the students' needs.

Students from disadvantaged backgrounds or those with learning difficulties generally benefit from attending mainstream schooling along with other youth all the way to upper-secondary education (OECD, 2012a). To the extent possible, policies should therefore generate a learning environment that is flexible and supportive enough to cater for at-risk students in standard schools and to minimise the share of youth taught in separate special education programmes.

While it can be costly to create an environment suited to integrate students who require special attention into mainstream schooling, this challenge can be eased by an adequate training of staff and an early identification of students who require additional attention. Youth with severe learning difficulties or social problems may still be served best by being taught in special smaller classes with an adjusted and more practically-oriented curriculum and specially-trained teachers and support staff.

The first point of contact for students with schooling difficulties in Latvia are specialised staff at school. Students in Latvia who do not attain satisfactory marks in all subjects are given the opportunity to repeat their exams during the summer break, and in case of unsatisfactory results, have to repeat the grade.[25] If a student has major difficulties in following the standard curriculum, the young person is assessed, with the consent of the parents, by the specialised school support staff – typically a psychologist, a speech therapist, and a special education teacher – who can suggest appropriate support measures. This may include the development of an Individual Education Plan (IEP), which gives an account of the student's strength and weaknesses, sets learning goals, records any progress made, and prescribes support measures.[26] This might for instance include participation in pedagogical adjustment classes.

If there is no improvement in the young person's school achievement, the school support services can refer the child to the State Pedagogical Medical Commission (PMC) or one of the 59 municipal PMCs, who makes a non-binding recommendation as to the most appropriate educational programme for the child.[27] This might include enrolment in a special education programme, provision of support measures for students in mainstream schools, or home-education in case of a long-term illness. The final decision what kind of institutional environment is most suited for the child however rests with the parents.

Students with special needs due to physical or mental disabilities appear to be generally well-catered for in the Latvian education system. The large majority of students attend special schools, which typically provide accommodation (55 of 61 schools) and which offer much more individualised support than is possible in mainstream schools. Where mainstream schools enrol special-needs students (in special-education or mainstream classes) the school is responsible for providing adequate facilities and equipment (e.g. accessible premises), specialised support staff (incl. teachers' assistants, rehabilitations specialists, etc.), and a sufficiently low class sizes (4-20 students for special classes). Special-needs students up to the age of 18 years with a severe disability enrolled in mainstream education establishment are moreover entitled to state-funded assistance

services.[28] 207 students received such assistance in the school year 2012/13 (MoE, 2014).

Completion rates of special-needs students are relatively high. In the 2012/13 school year, about 86% of the 985 students who completed basic education in a special school obtained their certificate, and the same was true for 48 out of the 49 special-needs students who completed upper-secondary education. These numbers can probably be considered high given that special-needs students generally follow the same curriculum as other students (except in case of a mental disability and with an extended programme duration of ten or eleven years), and are examined under the same standards (though they may be permitted to use special support tools, like viewing aids, during the tests).[29] Again, it is however impossible to judge on the level of schools drop-out without information on the number of students who leave school before completing the final year.

The observed trend towards a greater inclusion of special-needs students reflects recent efforts by the Latvian Government to promote a "mainstreaming" of special-needs education as recommended by the OECD (2001). Since 2003, nine special schools have been converted into "development centres", i.e. local boarding schools that provide general and vocational basic education programmes and that are attended by special-needs students and other students jointly. Since 2011, Inclusive Education Support Centres in seven cities provide support services for special-needs education, including expert examinations of children by psychologists, speech therapists, and special-education teachers, methodological support for schools, families and municipalities, and consultations for parents, teachers and other stakeholders. In its Education Development Guidelines 2014-2020, the MoES aims at increasing the share of special-needs students who are integrated into mainstream schooling to 33% until 2020. In line with these goals, the ministry plans to re-assess the number of special schools until 2017.

Yet, the MoES in principle still favours a two-tier special education system. Considerable investments in infrastructure and staff are needed to enable an integration of special-needs students into mainstream schools. Distinct special education establishments can therefore often provide a better service than it would be possible through mainstream schools and parents, especially in poorer municipalities.

The trend towards greater inclusion in Latvia must moreover also be considered the result of demographic change. Shrinking cohort sizes, as documented in Section 1, pose a challenge to schools, which have to cut down on the number of classes and may even be threatened by shut-down. Especially for smaller schools and those where student-teacher ratios are

low, the integration of special-needs students represents one way of securing funding. This is true in particular because the per-student payment received by integrated schools for each student in a special-needs programme is 84% higher than for students in mainstream classes (OECD, 2014b).

One gap in the offer provided by the Latvian educational system to troubled youth appears has been the lack of second-chance education for dropouts without basic education.

Young people or adults with a previously uncompleted basic or secondary education can re-enrol in education via evening, extramural or distance education programmes. Such programmes are offered at 25 extramural educational establishments and at a growing number of mainstream general education institutions (79 in 2013/14). They are targeted at those who cannot attend mainstream schools for health or social reasons, but also at individuals with family or employment obligations. In 2013/14, about 11 300 students were enrolled in extramural programmes, 15% of whom in basic education programmes. Curricular and testing procedures in evening school programmes are similar to those for mainstream programmes safe for a few minor exceptions.

Yet, evening or distance education programmes require high intrinsic motivation and self-discipline and cannot always provide the intensive individualised support required by troubled youth who may still be struggling with motivation problems, family or health issues. This is reflected also by the lower per-student funding coefficient for evening and distance education (0.75) compared to pedagogic and social correction programmes (1.2) and special education programmes (1.8 in special schools, 1.84 in special integrated schools).[30]

Vocational basic education programmes can provide training to more practically-minded young people and provide them with a basic education certificate. With only 440 enrolled students in 2013/14, these programmes are however very small in size. The same applies for vocational education programmes with pedagogical correction, which are offered at 10 VET institutions.

A promising alternative are therefore the recently developed "short-cycle" initial vocational education programmes offered by VET institutions in co-operation with the State Education Development Agency (SEDA). Since September 2014, these programmes of length 1 to 1.5 years provide youth of age 17 to 29 years with or without basic education with a Level 2 or Level 3 professional qualification (for further information see the discussion in Chapter 5).

3. Promotion of quality vocational training and apprenticeships

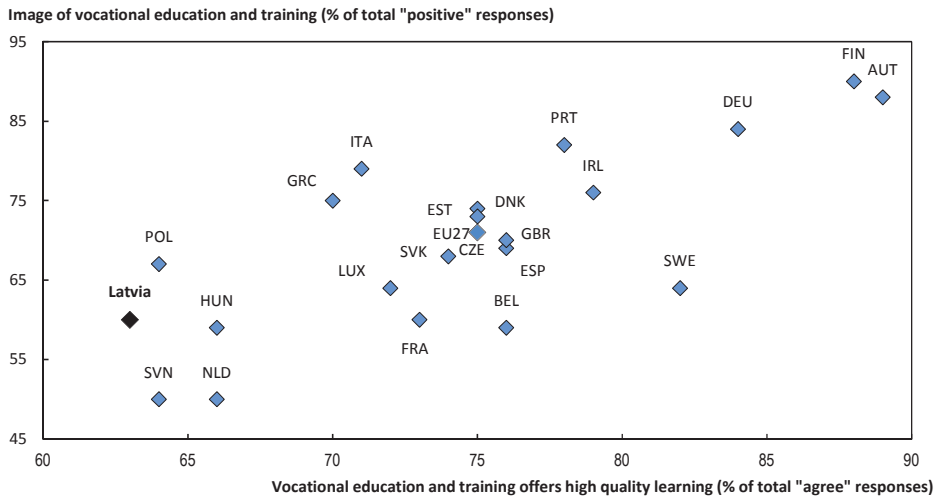
Quality vocational education and training (VET) plays an essential role in preparing young people for work and responding to the skill needs of the labour market. By providing a mix of general competences and job-specific skills, VET can ensure that young people acquire the knowledge and tools required for a successful entry into employment. The combination of classroom learning and practical training moreover offers an attractive learning pathway and can ensure smooth transitions from school to work.

Apprenticeship typically combines on-the-job and classroom learning from day one. The relationship with the employer is thus established very early on and may last several years, which in turn can facilitate transitions to employment. The matching of students with private- or public-sector employers via apprenticeships is also a way of ensuring the relevance and quality of the practical training provided. Such an arrangement may be of interest particularly in the context of high drop-out rates from secondary education, because it may appeal also to more practically-minded youth, who may lack the motivation for much additional classroom-based learning.

The vocational education system in Latvia has been suffering from a bad reputation and a lack of attractiveness. According to results from the 2011 Eurobarometer Survey, only 63% of respondents in Latvia perceived VET to provide "high-quality learning", the second lowest value among EU-27 countries (Figure 4.6). Specific reasons mentioned were that fewer respondents than in other countries felt that VET professions are highly demanded in the labour market (60%, third-lowest value), that career opportunities after VET are good (57%, fourth-lowest value) or that VET students have access to modern equipment (76%, sixth-lowest value). Only around 60% of Latvians perceive VET to have a positive image (Figure 4.6). This is the sixth-lowest value observed across the 27 EU countries (the average value observed in the EU-27 is 71%).

The perceived lack of attractiveness of VET in Latvia is reflected in low enrolment rates: Only about one-third of basic school graduates in Latvia continue their studies in vocational secondary education (CSB, 2015a). Among all students in upper-secondary education in 2012, 39% are enrolled in the vocational track compared to 50.4% on average in the EU-28 (Eurostat, 2014a).

Figure 4.6. VET in Latvia is often not perceived to provide high-quality learning and has an average image overall



Source: OECD (2015), *OECD Economic Surveys: Latvia 2015*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264228467-en based on data from EC (2011), "Attitudes Towards Vocational Education and Training", Special Eurobarometer No. 369, http://ec.europa.eu/public_opinion/archives/ebs/ebs_369_en.pdf.

Through recent reforms, the Latvian Government has started consolidating and modernising the vocational education system to increase quality and boost attractiveness and enrolment rates.

Since 2010, a selection of larger vocational training institutions are encouraged to acquire the status of *vocational education competence centres* (VECC – abbreviated in Latvian as PIKC). Equipped with modernised facilities the VECCs function as regional hubs for the provision of vocational education. In addition to directly offering vocational secondary education in all available occupations of a specific industry, they provide technical facilities and support to smaller vocational education institutions in the region, offer adult education including for the unemployment, provide career guidance, act as examination centres, and validate the professional skills acquired in non-formal education. Until early 2015, 15 educational establishments have been granted the status of VECCs, and three more are projected to follow before the end of 2015.

At the same time, local governments were offered the possibility to take over governance of small vocational education institutions (with less than 300 students). This is meant to generate efficiency gains as vocational and

general secondary education can be provided jointly by the municipalities on the same premises. In cases where the local government declined to assume responsibility for a small vocational training institution, ways are sought of integrating the institution with a regional college or VECC through merger or by transforming it into the local branch of a VECC.

Through these measures, the Latvian Government hopes to halve the number of secondary vocational education institutions under MoES responsibility over a five-year horizon from 60 secondary vocational education institutions in 2010 to 30 in 2015 (MoE, 2014). Until 2014, three small vocational training institutions had been handed over to the municipality governments and another three merged with a regional VECC.

More recently, structures and contents of vocational education programmes were revised in the framework of an ESF-funded project. 12 Sectoral Expert Councils with tripartite representation from employers, employees and the government were established to help identify future labour demands and improve the co-operation between employers and vocational education institutions. These councils were involved in the re-definition of basic industry occupations and the development of updated occupational standards and vocational curricula. Programme contents are being restructured based on a more flexible modular approach.

An explicit aim of the reforms is to raise the shares of new enrolees in vocational *vs.* general secondary education from of 33-67 in 2009/10 to 50-50 by 2020 (initially by 2015). Over the last four years, the ratio was relatively stable at 38-62.

Providing youth with the relevant practical skills

The vocational education system in Latvia is mainly school-based, without a major role for company-based learning. The Law on Vocational Education prescribes that vocational education programmes at basic and secondary level should include a 50% practical component. This component can consist of practical and laboratory demonstrations, workshop classes, and a "qualifying practice" at the end of the programme. Practical training modules can however be implemented within schools, and the extent of company-based learning opportunities provided is up to the discretion of the vocational education institution. According to MoES estimates, only 27% of the practical training in vocational education is provided in companies.

The most important opportunity of company-based learning is during the student's compulsory qualification practice at the end of a vocational education programme, which in nearly all cases takes place in a private company. The qualification practice typically lasts six months, during which companies are encouraged to pay their trainees. Students however do not

receive formal employment contracts such that, especially in smaller and medium-size enterprises, compensation is often below the minimum-wage level.

Besides the qualification practice, short, one- or two-week internships in private enterprises are a frequent form of company-based learning. Since structure and contents of such internships are, however, not regulated, their educational value to the student can vary strongly. Especially in small companies, interns may simply be considered as cheap, low-skilled workers for simple tasks rather than to get involved in practical training. No financial compensation is typically paid to the student during an internship unless the company decides to do so voluntarily.

On a very small scale, more traditional work-based learning exists in the form of craft apprenticeships outside of the main vocational education system (Cedefop, 2015).[31] Craft apprenticeships are accessible to young people from age 16 (or earlier with the consent of the parents), who sign a training contract with a crafts company or training institution. Apprentices can acquire the journeyman (*amata zeļļa diploms*) and master craftsman diplomas (*amata meistara diploms*). Structure and contents of craft apprenticeships are determined by the Chamber of Crafts. The programmes consist of enterprise- and school-based learning components, which are followed by a final exam. The acquisition of theoretical knowledge takes place in co-operation with a selection of vocational schools. Average programme duration is three years, and apprentices typically receive a financial compensation from the company except during the first apprenticeship year.

Since the start of the 2013/14 school year, a MoES-managed pilot project focuses on the development of apprenticeship-style work-based learning (*darba vidē balstītas mācības*) programmes in Latvia. In the framework of the project, training responsibilities are shared: six vocational education institutions provide the theoretical teaching; 29 companies from a range of different sectors (metal working, mechanical engineering, wood industry, transit, logistics, pharmacy, and chemistry) provide work-based practical training. 145 students in 17 professions participate in the project, some of whom are paid a small allowance or wage.

After positive reactions to the pilot from participating employers, students and schools, its expansion is foreseen in the national Education Development Guidelines for 2014-2020 (Saeima, 2014). In 2013/14, the number of schools and companies who applied for participation increased by a factor of four and six, respectively, and an increase in the number of participating students to 300-500 students was planned (OECD, 2015b).

Given the apparent success of the work-based learning pilot, and ample empirical evidence of the benefits of apprenticeship systems for successful school-to-work transitions (OECD, 2010a; OECD, 2010b; Carcillo et al., 2015), Latvia would benefit from a more systematic introduction of company-based learning. The pilot addresses an obvious gap in the Latvian vocational education system, namely the lack of a larger-scale system of company-based vocational training. Introduction of more regulated employer-based learning opportunities – in the form of single practical training modules or, preferably, full-blown apprenticeships provided by private and possibly public sector employers – is likely to improve the quality and relevance of the training provided and to boost the attractiveness of vocational education. This will require a legal framework that determines the format for apprenticeship contracts, specifies the rights and obligations of employers, students and vocational education institutions, and sets strict quality standards for training and certification (OECD, 2010a).

An apparent hurdle for the provision of company-based learning has so far been a lack of interest from the employers' side. One reason is that a more institutionalised system of company-based training would have to grant students the right to an apprenticeship or employment contract that clearly expresses the employer's training obligations. In the current legal framework, this would however also mean that the training provider would have to pay its (initially low-skilled) trainee or apprentice the full minimum wage, currently EUR 360 per month.

In the absence of any exemptions of trainees or apprentices from the minimum wage legislation, one way of addressing this challenge would be to provide employers with financial incentives for hiring an apprentice. Such financial incentives have been put in place by a number of OECD countries, and they can take various forms – from direct subsidies, over tax rebates or reductions in social security charges, to a an indirect levy financing of apprenticeship places (see Box 4.3). In cases where limited resources or specific skill needs among micro-enterprises are a hurdle to hiring an apprentice, the pooling of resources and "sharing" of apprentices – as practiced across companies in Norway or through institutionalised "Group Training Organizations" in Australia – could be facilitated (OECD, 2015b, 2015c; and Box 4.4).

Box 4.3. Providing employers with incentives for offering apprenticeships

Direct subsidies

Several countries use direct subsidies to encourage employers to take on apprentices. In the United Kingdom, the National Apprenticeship Service provides Apprenticeship grants with a value of GBP 1 500 to employers with up to 1 000 employees recruiting 16-24 year-olds. Eligible employers are those who have never employed an apprentice before, or those who have not recruited one in the last 12 months. Up to ten grants can be made to any one employer. In Austria, companies are financially rewarded for every additional apprentice hired over and above the number hired in the previous year, or if they return to hiring apprentices after having taken a break. The Australian Apprenticeships Incentives Program provides a wide range of employer incentives and benefits, which are larger if the apprenticeship place is created in a trade experiencing a skills shortage. Australia also provides additional incentives (AUD 3 350) for hiring young apprentices (under the age of 20). An evaluation of these subsidies found that they had a significant effect on commencements, although more needs to be done to retain apprentices and avoid them from dropping out (Deloitte Access Economics, 2012).

Tax credits and social security rebates

Another form of subsidising the provision of apprenticeship places is to grant tax credits and/or social security rebates. In France, certain firms receive a tax credit of EUR 1 600 per apprentice taken on, increasing to EUR 2 200 if the apprentice has a disability or is considered disadvantaged. Some firms are also exempt from social security contributions for the apprentices they take on. On top of this, each region in the country provides additional subsidies for the hiring of apprentices. In Canada, employers can claim up to CAD 2 000 per year for each eligible apprentice under the Apprenticeship Job Creation Tax Credit.

Minimum wage

The cost of hiring apprentices can also be lowered by agreeing a special sub-minimum wage for this category of workers. Several countries do this. In France, the minimum wage for apprentices depends on their age as well as the year of training they are in, starting at 25% of the national minimum wage for an 18-year-old in her first year and rising to 93% for those aged 21+ in their fourth year. In Germany, a "training allowance" is agreed upon by the social partners, which also varies by the apprentice's age and experience with the firm.

Levy financing

An interesting and more indirect mechanism for incentivising the supply of apprenticeships is to force all companies to contribute to a special training fund, while only those who offer apprenticeships will benefit from it. All companies in Denmark pay a yearly contribution of nearly EUR 400 per employee (2012 figures) into the Employers' Refunds for Apprentices Fund (AER). The AER then compensates companies every 24 months for each apprentice hired. In France, workplace training is funded through an apprentice tax paid by all businesses which is set at 0.05% of the salaries for firms with fewer than 250 employees and 0.06% for firms with more than 250 employees. Exemption from the tax is conditional on firms training a specified number of apprentices.

Source: OECD (2014d), *Investing in Youth: Brazil*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264208988-en

Box 4.4. Group Training Organisations in Australia

In Australia, Group Training is an alternative employment arrangement for apprentices and employers, whereby a Group Training Organisation (GTO) recruits apprentices under an apprenticeship/traineeship contract, and places them with "host" employers for their training.

Such an arrangement can be attractive for employers and trainees:

- Small and medium-sized firms, who may be reluctant to bear the administrative costs of an apprenticeship (notably for hiring, paying and separation), face a lower burden, because the GTO formally acts as the employer and is responsible for most of the contractual details.
- Apprentices are offered quality employment and training along with the guarantee of an alternative on-the-job training opportunity in case the initial employer drops out. The training provided through a GTO may also offer a broader learning experience by permitting the young person to get work experience at more than one company.

GTOs provide a number of additional services, possibly including

- the matching of employers' training vacancies and young people,
- control of the quality and continuity of training, both on and off the job,
- the provision of mentoring for young people (career orientation and educational forms of mentoring),
- pre-apprenticeships for youth not ready to participate in a full apprenticeship.

The first GTOs were established in the early 1970s in the automotive and construction industries, where many employers found it challenging to provide four-year trainings. Today, approximately 130 group training companies are operating throughout Australia, accounting for about 10% of all incoming apprentices and trainees. Some of them specialise in servicing a particular industry, while others cater for an entire region and many industries. They are private entities regulated by the National Standards for Group Training Organisations. Only GTOs who are registered under, and comply with, the National Standards can apply for Commonwealth funding. This funding however usually covers only a small part of the organisations operational expenses.

Source: Australian Government (2015), Group Training, www.australianapprenticeships.gov.au/group-training; Acil Allen Consulting (2014), "Review of the Joint Group Training Program and the Role of Group Training", Report for the Department of Industry, Melbourne, http://www.australianapprenticeships.gov.au/sites/prod.australianapprenticeships.gov.au/files/publication-documents/JGPT%20Report%20final%207%20July%202014.docx

Offering career guidance

The responsibility for career guidance is shared between the MoES (provision to students through the State Education Development Agency, SEDA) and the MoW (provision for registered jobseekers via the SEA, see Chapter 5).

Since 2008, career guidance is integrated into the curriculum of compulsory subjects from primary through to general secondary education and offered as an extra-curricular activity. It can take the form of individual or group counselling, meetings with employers, provision of information on educational and career opportunities, and information session for the parents. In vocational education, career guidance is primarily provided in VECCs, though also some smaller vocational education institutions offer such services.

An obvious limitation for career counselling in Latvian schools is the low number of specialised staff. Less than 10% of general schools employ a (part-time) career guidance practitioner which corresponds to about one practitioner for every 2 500 students.[32] In practice, career guidance services are typically provided by class teachers, school librarians or the deputy head of the school, most of whom will however not have received any specific training. Also in vocational education, the provision of specialised services is rare, with only 11 qualified career guidance practitioners for in 66 vocational education institutions and over 30 000 students.

The national Education Development Guidelines for 2014-2020 foresee an ambitious expansion of the career guidance support system over the coming years. Until 2020, the number of vocational or general educational institutions that offer specialised career guidance services is projected to increase to 328, bringing the student-practitioner ratio down to around 700:1. The extension of the career guidance support system will be funded through the European Social Fund (ESF).[33]

An important contributing factor to an improvement of the system for career guidance has been a recent reform to the funding framework. While until 2011, support services in schools – including career guidance – had to be funded directly by the local authorities, educational institutions are, since the start of 2012/13, permitted to fund school guidance practitioners from the national education subsidy. The hiring decision remains however up to educational institution, which can decide independently what type of support staff it employs from their salary budget.

Compulsory internships towards the end of basic education could help increase the focus on early career guidance (OECD, 2015b), while giving young people an opportunity to "try out" a profession and to gain some first labour market experience.

4. Support for at-risk students and their families

School absenteeism and low educational performance are often caused or reinforced by non-educational factors – like problems in the family, health issues, or substance abuse. Where such non-educational barriers are recognised, students need to be offered comprehensive support. In addition to any help that the school can provide directly through its own specialised staff, social services outside of school might have to become involved and work with the young person and her family to address problems at home, solve a difficult housing situation, put the young person in touch with health services, or act as a mediator between the young person and the police.

This subsection discusses the support available to troubled youth and their families within schools and outside of schools, and looks at the co-ordination of those services.

Services offered within schools

The availability of specialised support staff in schools is key to quickly identifying and addressing challenges a troubled young person may be facing. Trained psychologists or social workers can be an important first point of contact for students, parents and teachers alike when problems arise. They can also act as the link to specialised services that are available outside of school.

In 2013/14, about 1 450 specialised social support staff (speech therapists, social pedagogues and psychologists) were available at general and special education schools in Latvia. No information is currently available however on caseload numbers, the number of schools without specialised support staff, or the support staff available in vocational education institutions. 245 special-needs students in mainstream schools benefited from a state-funded personal assistant.

Services provided outside of schools

Support staff outside of schools – for instance in the municipal social services, at public employment services or in NGOs – can work jointly with a young person, her family and possibly the school to address more severe and lasting issues.

In Latvia, trained support staff like social pedagogues, psychologist and also nurses are available at most municipal social services. While they are typically not specialised to work with youth, they are available for young people and co-operate with the support staff employed in local schools. Unfortunately, no quantitative information exists on the availability of such

staff at the municipal level because social services are managed and funded locally.

In addition to any social support provided by the social services, well-designed leisure activities and after-school programmes can greatly contribute to the educational and social development of young people. Offering attractive opportunities for young people to engage in sports, take music classes or do handicraft and other practical activities can contribute to building social and professional skills and to counter the risk of isolation. Empirical evidence confirms the positive effects of participating in extracurricular activities on schooling outcomes and career prospects, especially for youth from disadvantaged backgrounds (OECD, 2012b; Heckman, 2008).

The provision of extra-curricular activities in Latvia through an institutionalised system of interest-education is certainly an international best practice in this respect.

An important strength of the system in Latvia is that participation – while not being compulsory – is nearly universal. In OECD many countries, participation in privately-organised, potentially costly extra-curricular typically depends on parents' initiative. This means that young people with less wealthy – or simply less available – parents are excluded. The accessibility, attractiveness and low costs to participants of interest-education in Latvia ensures that young people from various different backgrounds take part in these programmes together. This maximises their potential positive social impact and reduces the need for targeting programmes specifically at disadvantaged youth that come at the risk of stigmatising effects.

The most important priority for the Latvian Government should consequently be to make sure that the existing, well-functioning system of interest-education remains widely available and attractive to young people. This will of course require a further modernisation of facilities and programme contents – for instance to allow for a growing focus on IT-related and technical skills. In managing this process, municipalities might want to consider seeking the direct involvement of young people to ensure that any reforms corresponds to the young people's needs and interests and to secure their buy-in.

The Latvian Government and local authorities may also want to consider whether the existing interest-education system could be used more systematically for the delivery of social, health and even employment services to young people. While interest-education is in many cases offered by trained youth workers, and specialised support-staff are available, it is usually not used as a platform for providing young people with regular

medical check-ups, health education, or career advice. Interest-education may however be one opportunity of providing such services to disadvantaged youth who may be more difficult to reach out to elsewhere. If such service provision were sufficiently closely connected with the hobby activities offered – e.g. by coupling sports activities with health education, or by introducing youth interested in technical subjects to professions and employers in the region – the recreational focus of interest-education could be retained. An example of this is the provision of social and health services in youth and afternoon "day care" centres.

Co-ordination of services

Information-sharing and an effective co-ordination of the services provided by the different actors working with young people are required for comprehensive multi-actor interventions to be successful. For a complete view of a young person's individual, social and educational circumstances, all parties involved need to exchange their knowledge and expertise. This might require a close co-ordination of the social services with the young person's parents and school, but potentially also with interest-education providers the police or representatives of the judicial system, which is of course difficult to achieve in some circumstances (OECD, 2015d).

From the impression gained during the OECD review mission, the co-ordination of social services between schools and the municipal welfare offices appears to work relatively well in Latvia. This is true especially in the more rural areas, where ways are short, personal connections are close, and the involved actors meet each other on a daily basis. Information exchange is moreover helped by the sharing of specialised support staff between the municipal welfare services and local schools. 104 out of the 119 municipalities in Latvia employ youth affairs specialists that co-ordinate youth work.

Notes

1. The Ministries of Culture, Health, the Interior and Welfare are responsible for and supervise vocational education institutions that provide training in their area of responsibility.

2. In 2012, the share of students attending a private educational establishment was 5% for pre-primary education, 1% for basic education, and 2% for upper-secondary education (OECD, 2014c, Table C7.1).

3. Compulsory pre-school education in Latvia has been introduced in 1998 but was made optional again only a year later. It was re-introduced as part of compulsory schooling in its current form in 2002.

4. The start of basic education can be moved forward or delayed by a year in cases where there is considered beneficial for the child's development for psychological or health reasons.

5. A new school funding model, which provides funding directly to schools, is currently being piloted.

6. Among this group of students, some may pursue further studies abroad while others may continue their studies in Latvia after an interruption. In any case, this figure should not be interpreted as a "drop-out" rate because not all young people graduate from basic education (see discussion below).

7. General secondary education programmes come in four different profiles:

    - general/comprehensive
    - humanities/social
    - mathematics/natural sciences/technical subjects
    - vocational/professional, e.g. arts, music, sports, or business (not leading to a professional qualification).

    All four programme profiles have a common core of eight compulsory subjects but differ in their electives. Students

have to pass final examinations that are marked centrally for all compulsory subjects and a selection of electives.

8. Of 68 schools in 2013, 36 are managed by the MoES, 14 by the Ministry of Culture, 1 by the Ministry of Welfare, 10 by municipalities, and 7 are private.

9. In 2013/14, there were 2 046 students in pedagogical adjustment programmes.

10. Children usually start compulsory education in a mainstream pre-school establishment. For children who are diagnosed with a disability at an early age, there exist special groups and currently 37 special pre-school establishments across Latvia. These provide support primarily for children with speech and language development problems (European Agency for Special Needs and Inclusive Education, 2013).

11. The State Education Quality Service licensed basic education programmes for instance for carpenter assistants, book restorers, domestic servants, kitchen assistants or repairperson.

12. The Latvian State Education Development Agency reports that in 2005/06, 92% of the total number of students enrolled in general, vocational or special education schools participated in interest education programmes (VIAA, 2007). A report commissioned by the former Ministry of Children and Family Affairs gives an estimate of 74% among 15-25 year-olds based on survey data (Laboratory of Analytical and Strategic Study Ltd, 2007: Figure 11).

13. Interest education is not meant to provide a substitute for formal education. In particular, programmes should not be used for teaching school subjects (like English or Mathematics) or for providing homework assistance. An evaluation of interest education in Latvia, including a discussion of the merits of the defence training provided by the Youth Guard (*Jaunsardze*), is provided by the Council of Europe (2008).

14. 109 out of the 119 Latvian municipalities participated in the survey.

15. "Europe 2020" is a ten-year strategy proposed by the European Commission to boost growth and employment in the EU member states.

16. Completion rates are 97.3% among for standard students and 85.7% among special-needs students.

17. In 2013, about 600 students graduated from year 9 in evening schools, which corresponds to 73% of the students who completed the year. 2 500 students obtained a general secondary degree, 87% of all students who finished the programme.

18. Based on results of a survey of students, parents and teachers, Dedze et al. (2007) conclude that family issues are an important cause for drop-out in Latvia, with 54% of young drop-outs coming from a family where the parents had divorced or where a parent had died. Problematic family conditions are cited as the main driver for drop-out by teachers, while students and parents cite a lack of motivation as the main problem.

19. Note that the definition of early-school leavers used here differs from that employed by the European Commission and Eurostat, who focus on youth aged 18 to 24 years.

    One reason for why this reviews looks at the older group of 20-29 year-olds is that youth enrolled in three- or four-year vocational education programmes will often not yet have completed such programmes at the age of 18 or 19 years. The labour force survey data used to produce the results for Figure 4.5 moreover do not provide a sufficiently fine age breakdown to identify 18- or 19-year-olds (information on young people's age comes in three groups: 15-19 years, 20-24 years and 25-29 years). The share of early school-leavers among 18-24 year-olds in Latvia is 9.8% in 2013 (Eurostat, 2014b).

20. In the younger group 18-24 year-olds that is used as the reference group by Eurostat, the rate of early-school leaving declined from 15.6% in 2006 to 12.9% in 2010 and further to 8.5% in 2014 (Eurostat, 2014b).

21. About 33 000 students were enrolled in grades 10 to 12 of general secondary schools at the beginning of the year (CSB, 2015d). According to MoES statistics, 527 students left their programme without continuing their education at a different educational institution, and another 84 students completed year 12 without obtaining a degree.

22. A comparison of the number of new enrolees and the number of graduates three to four years later implies slightly lower dropout rates of above 25% over the full length of a programme.

23. Two different versions of such systems are currently used by Latvian schools, both provided for a license fee by private companies. According to MoES data, only around 100 out of the 950 schools in the country do not use either of the two systems.

24. The VIIS replaced the earlier Latvian Education Information System (LIIS) in 2009.

25. Over the last years, the number of students who failed to transfer to the following grade has declined from around 3% per year in the mid-2000 to 1.8% (or 3 790 students) in 2013/14. Trends have differed however for basic education (where the share has fallen to 1.2% in 2013/14) and general education (where it is 4.2%) (CSB, 2015f).

26. IEPs are typically developed by the school's deputy director jointly with the parents of the student, and thus provide an opportunity of involving the parents in the young person's educational development. All special-needs students integrated into mainstream schools need to receive an IEP. The development and implementation of IEPs is one of the factors taken into account in the accreditation process of a school by the IKVD.

27. The PMCs – which consist of different specialists including psychologists, speech therapists, special education teachers, and social workers – assess the health status and level of development of the child. Based on the available information provided by the school and the child's doctor

28. The personal assistant can assist during the classroom teaching, provide mobility support, and help with meals, personal hygiene, or communication. She is available for up to 40 hours per week during schooling hours and extra-curricular activities. Precondition for receipt of those services is the confirmation of a special need due to a severe functional impairment by the State Medical Commission for the Assessment of Health condition and Working Ability.

29. Basic education is extended to ten years for youth with severe learning or language disabilities or those with visual and hearing impairments, and to 11 years for deaf students.

30. Note that part of the lower coefficient for evening- and distance-education programmes also reflects a lower workload of teachers as evening education does not cover all subjects offered at standard schools.

31. Crafts apprenticeships are separate from the formal education system in that they do not provide access to the next higher level of education or to any regulated professions. They also do not come with their own ISCED code.

32. In January 2014, 73 out of the 832 general schools in the country employed a total of 82 part-time career guidance specialists. In the

academic year 2012/13, there were only 54 such career consultants. Total student enrolment in 2013/14 was 209 000.

33. Through the ESF, the European Union provides funding for local, regional and national-level projects that provide job opportunities in EU member states. Priorities of the ESF include to help young people make successful transitions from school to employment, and to improve access to employment for disadvantaged groups.

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Chapter 5

Guaranteeing employment or training options for NEETs in Latvia

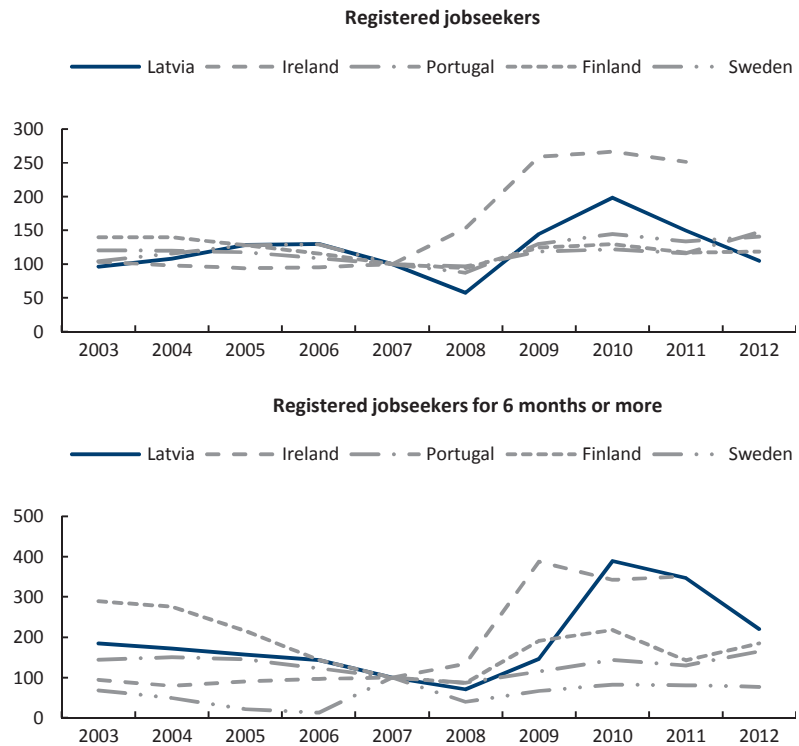
The system of social and employment support has been put under extreme pressure during the recession with an unprecedented rise of youth unemployment. Several recent reforms aim at improving the efficiency of interventions and substantially extend participation among young inactive and unemployed, with a focus on skills. Implementing an effective youth guarantee when unemployment is high is challenging, considering that activation used to be weak in Latvia. This chapter sets out a number of recommendations for this strategy to succeed.

Introduction

Between 2007 and 2011, the public employment service in Latvia faced a very challenging increase in the number of registered jobseekers, indeed one of the largest increases in relative terms among European countries. By 2010, the number of young jobseekers doubled compared to 2007, and the number of long-term young unemployed was multiplied by four (see Figure 5.1). The same situation was faced by social services at the municipal level with an unprecedented increase in the number of needy families.

Figure 5.1. Change in registered youth unemployment

Jobseekers aged less than 25 years, scaled to 100 in 2007



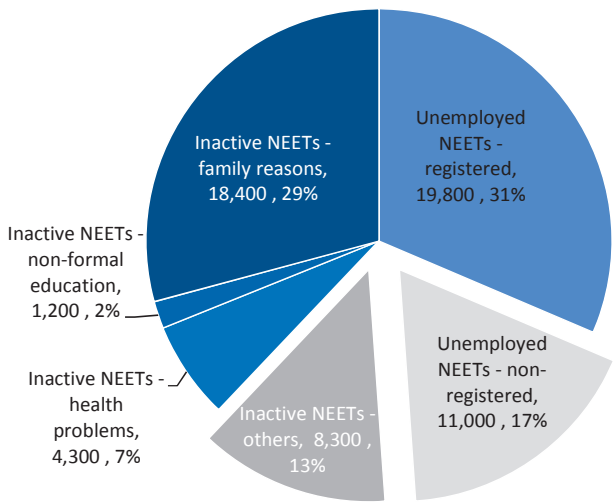
Source: Eurostat (2014), "Persons registered with Public Employment Services – PES [lmp_rjru]", available online: http://ec.europa.eu/eurostat/web/products-datasets/-/lmp_rjru.

Confronted with this situation, the Latvian Government took a number of significant steps to activate a larger number of young jobseekers. It also decided to use the network of training providers and VET schools to build a vast array of training options for those who lack the necessary skills to

benefit from the recovery. In parallel, career guidance and counselling will be stepped up. These recent reforms aim at building an effective guarantee of employment or training for the young NEETs. Achieving this result is challenging: activation strategies used to be relatively weak in Latvia before the crisis; implementation takes place at a time when unemployment and inactivity remain relatively high and administrative capacities relatively low. A substantial fraction of NEETs may be difficult to reach out to: about 30% of NEETs in 2013 were either unemployed but not registered with the public employment service, or inactive for no family, health or educational reasons (Figure 5.2). Besides, labour demand continues to be relatively weak in Latvia, with the number of registered vacancies having plummeted during the crisis from above 20 000 on average in 2007 to just 2 000 in the year 2010, and since recovered only little to 3 700 in 2014 (CSB, 2015).

Figure 5.2. Breakdown of NEETs by registration status and reason for inactivity

NEETs aged 15-29 years by status, 2013



1. LFS data were used for information on the number of NEETs, the breakdown into inactives and unemployed, and the reasons for inactivity among inactive NEETs (see discussion in Chapter 3). The distinction between registered and non-registered NEETs is made based using information on the average number of registered youth for the year 2013.

2. A simplifying assumption made is that all youth registered with the SEA are unemployed (i.e. actively looking for a job), while no inactive NEETs are registered. In reality, some inactive NEETs are likely to be registered with the SEA while some unemployed NEETs are not. This would imply that the section "Unemployed NEETs – registered" should be smaller, while the section "Unemployed NEETs – non-registered" should be correspondingly larger, and that some of the inactive NEETs, likely those in the section "Inactive NEETs – others", are registered with the SEA.

Source: Latvian Labour Force Survey and administrative data.

This chapter presents the system of social and employment interventions for NEETs, their recent changes and their adequacy to the situation of disadvantaged youth. Section 1 examines the current architecture of the employment and social service provision for NEETs, and discusses co-ordination, governance and capacity issues. Sections 2 presents the main options to reach out to disconnected youth. Section 3 focuses on the strategies to re-engage youth in education, employment or training, including second-chance programmes.

1. The architecture of the employment and social service provision for NEETs

Social and employment services of NEET youth are primarily delivered by the state public employment agency and the various municipal social services. This architecture poses a number of challenges in terms of co-ordination and was particularly challenged during the crisis.

Service provision (PES, welfare office, training providers)

An overview of public employment services in the aftermath of the crisis

Public employment services are provided by the State Employment Agency (SEA, or NVA in Latvian), which is the main institution implementing labour market measures. There are 28 SEA regional offices in the country. The agency is placed under the authority of the Ministry of Welfare.

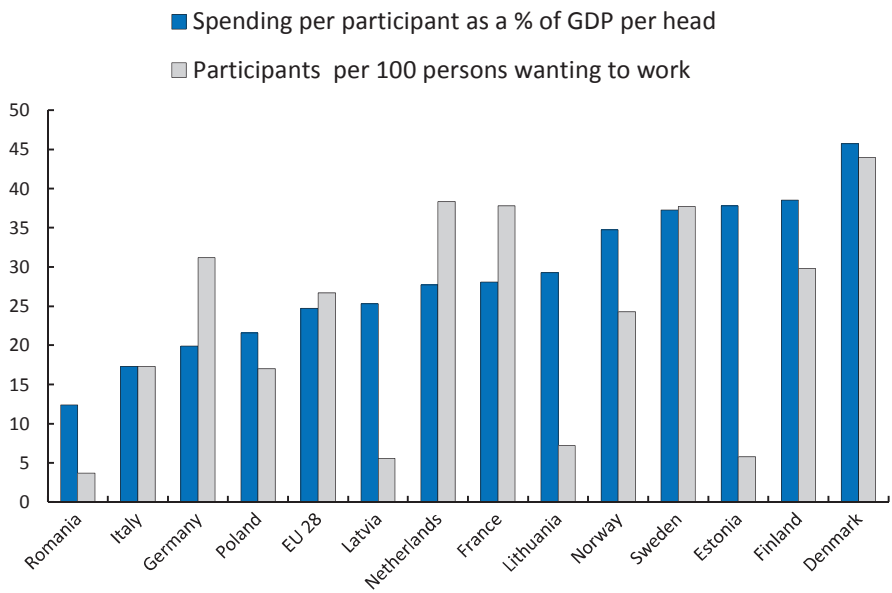
The SEA is responsible for an array of active labour market measures such as occupational training, retraining and increasing the qualifications of the unemployed; paid temporary public works; measures to increase competitiveness (job clubs and short informal trainings), hiring subsidies aimed at specific groups such as the low skilled, the long-term unemployed or unemployed people with disabilities.

The SEA is also in charge of placement activities for the registered unemployed and notably career guidance consultations. Career counselling is provided directly by SEA, either individually or in group sessions, primarily for those registered as unemployed, following the merger with in 2007 with the former Professional Career Counselling Centres. Consultants target in priority youth without any work experience, those returning to the labour market after child-care-leave, persons released from prisons, the disabled and the long-term unemployed.[1]

Activation of jobseekers is less frequent in Latvia than in most other OECD countries. It only concerned about 5% of jobseekers in 2012, compared to around 40% in countries like Denmark, France, the Netherlands or Sweden (see Figure 5.3). This follows a steep rise in the number of

participants in active measures during the recession, consistent with numerous recommendations to improve activation policies (see notably OECD, 2015a; and EC, 2015). The share of jobseekers participating in active measures tripled in only three years from about 3% in 2008 to about 10% in 2011 (see Figure 5.4). Activation of young people is slightly more frequent than for working-age individuals overall: In 2012, 12.1% of registered jobseekers below the age of 25 years participated in activation measures compared to 11.3% of jobseekers across all ages (Eurostat, 2014d).

Figure 5.3. Activation measures by public employment services, 2012



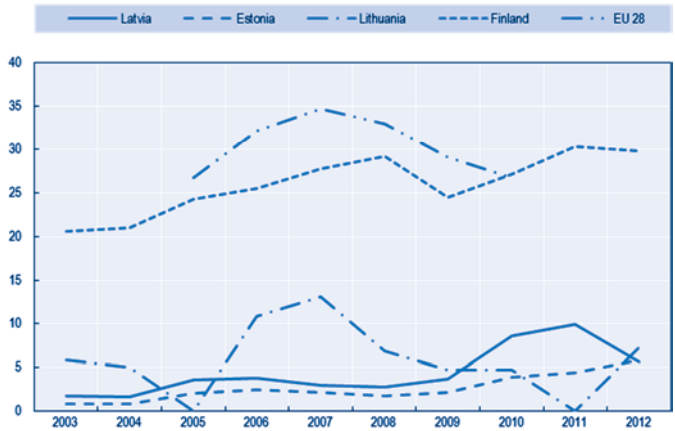
1. "Persons wanting to work" refers to unemployed people, irrespective of whether they are registered at the public employment service.

2. Data for 2012, except for the EU-28 (2010) and Poland (2011).

Source: Eurostat (2014), "Activation-Support – LMP Participants per 100 Persons Wanting to Work [lmp_ind_actsup]", http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lmp_ind_actsup&lang=en.

Figure 5.4. Participants in activation measures by public employment services, 2003-12

Per 100 persons wanting to work



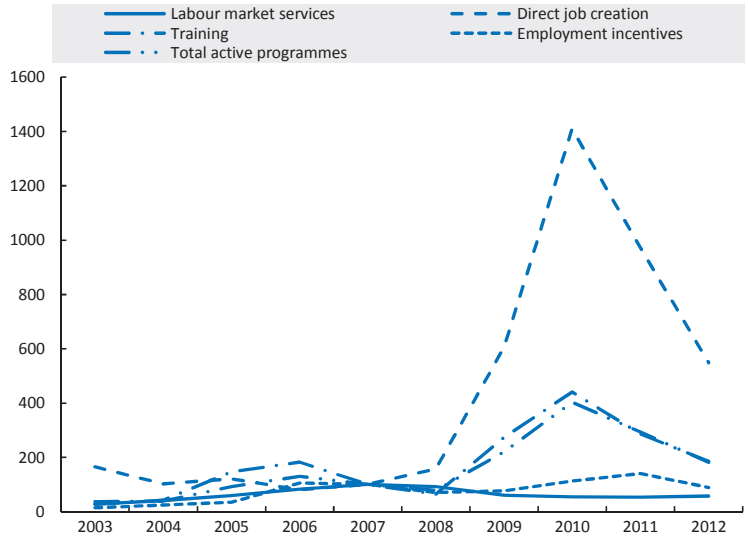
Source: Eurostat (2014), "Activation-Support – LMP Participants per 100 Persons Wanting to Work [lmp_ind_actsup]", http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lmp_ind_actsup&lang=en.

Accordingly, spending on active measures in Latvia has also significantly increased over the last decade or so in almost all areas of intervention (see Figure 5.5). The increase was particularly strong during the recession.

- The most striking change happened in direct job creation (public employment programmes) since 2008, where spending was multiplied by a factor of 14 in 2010, reaching 0.2% of GDP.
- The same holds, although to a lesser extent, for training and hiring subsidies, the spending of which was multiplied by a factor of 4 in just three years to reach 0.24% and 0.05% of GDP respectively.
- The only area where spending declined is "labour market services" (i.e. placement and career guidance); this happened in the context of tight fiscal constraints that affected the public employment services.

Figure 5.5. Spending on active labour market measures in Latvia

Base 100 in 2007



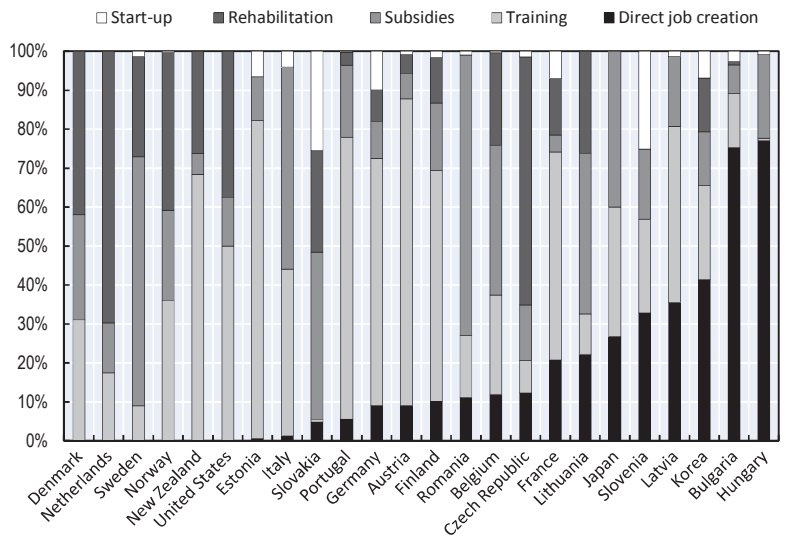
Source: Eurostat (2014), "LMP Expenditure by Type of Action – Summary Tables [lmp_expsumm]", http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lmp_ind_actsup&lang=en.

Despite a steep decline since the 2010 hike, temporary job creation in the public sector remains one of the main areas of interventions in Latvia – representing about 35% of total spending. Latvia is indeed among the OECD and European countries where this type of intervention was one of the most expensive in 2014, just after Hungary, Bulgaria and Korea (see Figure 5.6). In the context of a depressed labour market with a lack of vacancies, the "Workplaces with stipends" crisis programme implemented in 2009-11, which created 110 000 temporary jobs in public infrastructure maintenance, environmental clean-up, social services, proved to be efficient as a redistributive tool and a social policy for assisting families (Azam et al., 2012). This crisis measure was replaced with a "public work programme" (see Section 3).

The role of public work was justified in the context of the crisis, but it can be discussed in the longer-run. There is substantial evidence that programmes that offer temporary employment in the not-for-profit sector have no significant effect on the post-programme employment chances of participants, or may even appear detrimental (Card et al., 2010; Kluve, 2010; Cahuc et al., 2014). In 2015, the financing of temporary public employment programmes in Latvia is projected to remain constant. Over the

last few years, the number of participants has however decreased, and the Ministry of Welfare now plans to incorporate activation components (like job search and training) into the programme.

Figure 5.6. Composition in spending on active labour market measures, 2012



Source: Eurostat (2014), "LMP Expenditure by Type of Action – Summary Tables [lmp_expsumm]", http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lmp_ind_actsup&lang=en.

Funding for training also increased during the crisis, although to a lesser extent than for public jobs. The associated spending was multiplied by four in just three years to reach 0.24% and 0.05% of GDP respectively. This increase was timely. In 2012, training represented 45% of total spending on active measures (see Figure 5.6). There is evidence that the effect of training programmes is stronger in recessions than in expansions. Since the lock-in effects of training programmes are significantly weaker in periods of recession, the returns to training programmes over the medium term are higher when the training is delivered during these periods, and the positive effects of training are amplified when the economy begins to climb out of the trough (see Cahuc, Carcillo and Zylberberg, 2014, Chapter 14). In 2013, a World Bank study concluded that, overall, the best-performing programmes were intensive qualifying training programmes, notably in manual and service jobs (World Bank, 2013).[2]

Training was developed through a voucher system which has been gradually introduced since end 2009.

- This system allows participants to choose the provider or educational institution. The aim is to improve competition and quality while also expanding training capacities with the entry of new private providers in the market.[3]
- Training providers are selected through tenders, and need to be registered first in the Registration of Educational Institutions. Formal professional education programmes must be licensed and accredited by the Ministry of Education and Science.
- Training providers usually get an advance payment up to 50% of the total cost, and the rest at the end of the training.

To ensure the success of this voucher system, the satisfaction of clients as well as their labour market outcomes could be systematically recorded and made publicly available in order to help jobseekers choose providers. The cost of training for registered unemployed and other jobseekers should be the same to prevent the exclusion of the most disengaged groups among the inactive NEETs.[4]

Such additional resources for training may help bring unemployment down faster. However, the impact of active programmes is bound to be even stronger when participation is mandatory and sanctions are enforced in case of non-participation. This relates to so-called "threat effect" of programmes, whereby a number of participants who may lack the motivation for such measures exit unemployment before having to participate in time-consuming activities (Cahuc, Carcillo and Zylberberg, 2014, Chapter 14). These effects have also been observed for social assistance recipients (Van den Berg et al., 2004).

In 2013, several changes in the regulatory framework were introduced to improve service provision and increase incentives for the unemployed to look for a job and fulfil their responsibilities.

- Jobseekers registered with the SEA in principle need to comply with activity requirements, which includes to actively seek employment independently and with the assistance of the SEA, to participate in measures foreseen in the individual job-search plan, and to accept suitable job offers. This also applies in principle to all young people who can register from the age of 15 years, the age at which compulsory education typically ends.[5]
- Profiling of the unemployed was introduced in 2013 and by the end of the year, 71% of the registered unemployed were profiled.
- At the same time, what should be considered a "suitable job" was better defined (a job that cannot be refused without the risk of losing unemployment benefits). Accordingly, the "jobseeker" status and

therefore benefit receipt should be terminated if an individual rejects two appropriate job offers (EC, 2014). Obviously, this type of sanction is less likely to be relevant in a labour market where there are few vacancies.

In practice, these activation requirements are however interpreted very leniently.

- At sign-up, a short profiling is implemented by the SEA at which jobseekers are asked to give a self-assessment of skills and training needs and at which they are requested to prepare a CV.
- Those who are unable to write a CV need to participate in a compulsory CV training session. Jobseekers are further offered a career counselling session, participation in which is however voluntary (as for other active labour market policies or "ALMPs").
- To remain registered as a jobseeker (and eligible for benefits), young people need to deliver proof of job search. There is some evidence however that a single job application sent in a two-month period can be sufficient. In rural areas, where the number of vacancies is low, there is evidence that SEA caseworkers do not systematically terminate a person's "jobseeker" status even if that person cannot deliver proof of any job-search activity.
- Jobseekers can be offered professional training after a few months of being registered as unemployed (no strict activation rule depending on unemployment duration), but apparently they can reject the offer if they are not interested. Once started, jobseekers need to complete the training measure or pay back the costs of the training (and any stipend received) unless they have a valid reason for termination.

Social services and the role of municipalities

Social services are mostly delivered by municipal governments, in particular supplementary social assistance programmes and housing benefits for the poor. Social services also offer special programmes for the disabled, those who suffer from addictions and those who have been convicted and just released from prison. Services are also provided through youth centres. The SEA usually co-operates with municipal social services locally when and where it is necessary. Municipalities are also involved in education, and health services. While health services mostly rely on regional funds, municipalities remain key actors as employers and operators of medical facilities.

Social services also work closely with NGOs present at the local level. These organisations can be selected following a public procurement procedure which comprises a tender. The State Administration Structure

Law also authorises to delegate service provision to a private entity. There is a special certification and monitoring procedure for NGOs who wish to provide social and (youth) services for the municipalities or the MoW (Law of Social Services and Social Assistance). Quality standards are set by the Cabinet of Ministers and all organisations need to be listed in a social service provider register which is publicly available.[6] In 2014, about 800 social service providers were registered. Municipal social services as well as the MoW are in charge of monitoring the performance of NGOs on the ground.

Resources for social assistance are rather limited. The crisis has exacerbated the difficulty in some municipalities to provide services at an adequate level, as local budgets where hit by lower tax revenues. The 2015 budget provides increases in social protection expenditure, but no additional funding was allocated for social assistance. In September 2014, Latvia launched a new social policy monitoring information system, which should allow for improved monitoring, and targeting of social benefits and social services. Currently, the coverage of provision of targeted social services is only limited (EC, 2015).

Administrative capacity

There are a number of challenges to deliver effective social and employment services to youth in Latvia. The administrative capacity to organise and deliver services in a targeted and efficient manner is one of them.

Employment services

In 2012, only about 6% of the persons wanting to work in Latvia participated in an active programme, compared with 27% in the European Union (see Figure 5.2). This is despite continuing efforts to increase participation in active programmes. Increasing further participation will take time and require additional resources. Unfortunately, there is no sign of further capacity upgrading: both funding and the number of participants in active programmes are planned to decrease in 2015 compared to 2014 (EC, 2015).

In 2009, the SEA experienced a 24% cut in its operational budget compared with 2008. This forced the agency to reduce staff numbers and make significant cuts in wages, while at the same time unemployment tripled in just two years (de Jong et al., 2009). As a result, caseloads per worker soared during the recession to reach about 200 jobseekers by counsellor in 2009, making implementation of activation strategies very challenging. Even though unemployment has fallen by a third since 2009 the situation remains extremely challenging. For instance, in 2014, a front office worker in Riga

sees about 500 clients in a two-month period. Counsellors have about 200 sessions per month.[7]

The fact that all social benefit recipients, including those not ready to work for social or health reasons, have to be registered at the SEA (except for those who receive a disability pension or in child care) contributes to such high caseload rates. The system of profiling should help identify those who are not ready to work, and who should then not be treated like jobseekers. A project to improve work-capacity assessment is currently being implemented with the support from the European Social Fund.

Youth may be the exception though, thanks to the implementation of the Youth Guarantee (YG), which includes three stages: i) reinforcing employment services for the unemployed youth; ii) implementing a second-chance for the low skilled youth; and iii) reaching out to inactive youth (see below).[8] This is all the more important as understaffing can become the main hindering factor to higher participation rates among disadvantaged groups who need intensive support. As a general rule, the SEA does not have any specialised staff for youth.[9] In 2014, the number of youth that visited the SEA offices was about 32 000. Even though not all these youth need special intensive interventions, there were only 37 career consultants, in addition to the 32 youth guarantee co-ordinators working specifically with young people in SEA offices across the country in 2014.

Social services

There is some evidence that social services face similar capacity challenges (EC, 2014), even though detailed information on caseloads per social worker is not available. Evidence collected during the OECD review mission suggests that social service caseworkers are responsible for about 20 to 70 families at a time. In Riga, the range is about 60 to 70 families, which is high, but some caseworkers are specialised in employment services for problematic cases, with caseloads of around 20 to 30 clients. These caseworkers became specialised to help address psychosocial problems and assist in finding a suitable work, mostly because the SEA is unable to provide adequate services to these people.

This is a challenge for reaching out to the non-registered, inactive young people. Only about half of all young NEETs looking for work (see Chapter 3), and less than a third are registered with the public employment services (see Figure 5.2), and the awareness of the YG among target groups remains low (EC, 2015).[10]

The high caseload-per-counsellor rates probably also contribute to explaining why benefit receipt seems, *de facto*, only loosely tied to active

job search or programme participation. This also applies to social assistance recipients:

- There is some evidence that certain groups of youth (those with additional problems or a lack of motivation) appear to only sign up with the SEA pro forma to receive benefits. GMI is granted for a period of time for which the status of "needy" has been granted to the family (person) (three to six months) and then it needs to be renewed; GMI recipients have to do little more than to reconfirm their status as a jobseeker every two months.
- Irrespective of that, GMI receipt among youth does not appear to be very widespread: In 2013, 6% of youth lived in GMI-receiving households (see Chapter 3). Young people without own income often live with their families and thus only qualify for receipt of GMI if family income equals to or is lower than the standard needy family (person) level, i.e., EUR 128.06 per month per person for the last three months. In any case, GMI coverage is low even among adults due to strict eligibility criteria (low income threshold).

Co-ordination and governance

Co-ordination across services, especially between social and employment services is not systematic and seems to vary across municipalities.

In principle, municipal social services are only allowed to provide periodical (i.e. not emergency) social benefits, such as the means-tested GMI, to young NEETs above 15 once these are registered as jobseekers, except for youth receiving a disability pension or on maternity leave.[11] This applies also to youth with substantial hurdles to labour market participation, such as individuals with health problems (e.g. in case of a recognised disability) or drug/substance abuse.

The SEA does not seem to be well equipped to deal with the most disadvantaged unemployed youth (or similarly with long-term unemployed) who face additional hurdles, such as poor health, addictions, low motivation and caring obligations, and would need weekly or fortnightly meetings with their counsellors. The SEA has only a small number of youth specialists altogether even accounting for the additional resources provided by the YG (see above, and EC, 2015). There is a programme of "social rehabilitation for persons who have become addicted to narcotic, toxic or other intoxicating substances" contracted with external providers which includes medical treatment and intensive support. But it remains very small.[12]

To some respect, this lack of capacity explains why social services are allowed to deliver some employment services to disadvantaged youth, at least in Riga and a few other large municipalities.[13] The municipality needs to provide a report on those services provided once per year and co-ordinate with SEA on these cases.

Achieving a better coordination between social and employment services can be an effective strategy especially for the most disadvantaged clients, but its implementation is also challenging, as exemplified by the creation of employment and welfare one-stop offices in Norway (see Box 5.1). Differences in governance and incentives, restrictions to data sharing and incompatibility of information system can seriously hinder co-operation. To facilitate the treatment of the multiple causes of long-term unemployment among social assistance recipients, the SEA has started deeper co-operation with social services in 2013. The co-operation involves better information sharing, agreements on the strategies to engage clients in active measures, and a shared responsibility on the monitoring of progress. In 2013, about 15% of the long-term unemployed benefited from this inter-service co-operation. Among those 62% found a job, compared with only 35% of the unemployed with a similar profile involved in none of the activities have found a job (EC, 2014).

Nevertheless, integration of SEA and municipal social services stills appears weak, at least in the more urban parts of the country and for youth:

- NEETs above 15 years who want to claim benefits need to independently register as jobseekers with the SEA even if they face substantial physical or mental hurdles to do so, except if they already receive pensions.[14] There seems to be very little practical help provided by municipal social services (or NGOs) with this sign-up procedure.
- The SEA appears to focus primarily on motivated/employable youth,[15] leaving the more difficult-to-employ cases to the social services. Such cherry-picking happens naturally in most public employment services, notably in periods of high unemployment. At the same time, the SEA is still probably better suited to offer employment services to ready-to-work youth, even when they face several disadvantages. There is evidence that the most disadvantaged youth benefit most from training programmes, notably in bad times when there is no alternative option (Carcillo et al., 2015).

Box 5.1. The Employment and Welfare Agency one-stop offices in Norway

In Norway, social and employment services are administered jointly by the Norwegian Labour and Welfare Administration (NAV) following a major reform that took place between 2006 and 2010. One of the main objectives of the reform was to persuade employment and welfare professionals that they must put "employability first", promote a more holistic approach to employability and reinforce exchange of information and good practices whenever possible and useful.

Establishing a constructive co-operation was challenging notably because the central government agency and the municipal services had different cultures, responsibilities and professions. The reform achieved to create a network of more user-oriented front-line offices. In this system, social services remain however funded and managed by the municipalities while employment services are a national responsibility. Besides, the state employment service and the municipal social services at NAV use separate computing systems for the administration of records for confidentiality reasons. However, they share the same premises and have a common front desk, operating as one-stop centres for benefit claims, employment and social services for the population ages 18 years and above.

There certainly remain challenges for this reform to create fully integrated and co-ordinated front-line services (Christensen et al., 2013). This may notably be due to competition between local authorities and the state to lead local partnerships. But there is also evidence that the most disadvantaged clients who need a multi-service approach are rather satisfied with the local one-stop shops (COCOPS, 2013)

More recently, NAV has been experimenting with strategies to get closer to students even before they leave school. The "NAV at School" pilot aims to lower barriers to NAV access for young people and to improve the connection between schools and employment services by placing NAV counsellors a few days a week into upper-secondary schools to provide services to students aged 16 years and older (and their teachers). The counsellor provides advice and helps young people search an apprenticeship place.

Source: OECD (2015), *Investing in Youth – Norway*, OECD Publishing, Paris, forthcoming.

- Social services and the SEA have a joint database with client profiles. In Riga, however, there is little evidence that the two agencies interact or co-ordinate much in the services they provide to clients. Collaboration seems closer in more rural parts of the country, where social services and SEA employees usually know each other in person.

The provision of career guidance services has been weak, at least before the YG was introduced (2014). It remains relatively fragmented between the employment and education spheres.[16]

- Career counselling for the unemployed is provided by SEA, but there were only about 40 career counsellors country-wide before the

introduction of the YG. In 2010, only about 40 000 career consultations took place for young people (out of 60 000 in total), which probably represents about 13 000 youth while more than 96 000 young people were registered with the SEA at some point during the year (Division of Career development support, 2011).[17] In principle, each young person registered at the SEA may have at least three meetings with a career consultant. An increase in the number of youth specialists (career consultants and youth guarantee co-ordinators) through the Youth Guarantee to 69 nationwide in 2014 means that counselling activities can focus more specifically on the needs of young jobseekers. Besides, career consultation guidelines were developed in 2015 as part of the Youth Guarantee, "Youth route in the SEA" (Jaunieša ceļš NVA).

- The State Education Development Agency (SEDA, or VIAA in Latvian)[18] which primarily provides information concerning education opportunities in Latvia mainly for school-aged youth (14 to 19 years old), also offers "Career guidance online information tools and resources" for all youth including access to a database on learning opportunities in education institutions, detailed information on various occupations, on-line self-assessment tools and consultations.

Further development in order to establish a comprehensive and consistent career counselling system from school to the first years of professional careers is in the process with amendments in the Education Law to set a clear framework for provision as well as key common concepts, not only at school and at the SEA, but also at the municipal level.

2. Reaching out to NEETs

Reaching out to NEETs as early as possible is crucial for avoiding long-term inactivity. Not all young people who leave school without a specific education or employment option immediately get in touch with the social services or an employment office to register as unemployed. In particular, those most at risk of disengagement might instead try to get by on their own or with the help of family and friends for a while, before deciding to claim benefits.

Contacting/attracting/motivating disengaged youth

If youth are not contacted directly after leaving school, it can be much more challenging to re-engage with them for education or work later: Possibilities of reaching out to a young person deteriorate very quickly, as

an exit from school may coincide with a move out of the parents' home, possibly even for a period of "couch-surfing" or homelessness. It might also lead to a temporary loss of access to means of communication, like the mobile phone or internet. Already after a short period of idleness, a young person might moreover lose the habit of getting up early and of engaging in a structured activity for an entire day, thus becoming less responsive to efforts of the public employment service to enrol them in an activity that requires regular attendance and discipline.

To be in a position to react to school drop-out promptly, attendance records and the student's contact information need to be shared between schools, social services and the PES at some stage during school year, and if possible on a regular basis (see discussion in Chapter 4). If all relevant actors are informed of the social and educational situation of the young people they work with, they can react quickly to "catch" a troubled person and put her in touch with a social caseworker (EC, 2013).

In Latvia, for the most at-risk youth referrals are often received by the municipal social services mainly from the schools (though social pedagogues), but also via the police and custody courts, and sometimes directly from neighbours. However, the sharing of information is more or less left to the goodwill of local and state authorities. There is no regulation or authority enforcing a systematic and timely exchange of information among the various organisations that deal with youth.

Maintaining contact with youth may be challenging, even after a referral. In Riga, for instance, where more job opportunities are available, social workers and employment counsellors often report that the motivation of the most disadvantaged NEETs is usually low and many youth "get lost". This is particularly challenging if youth are not eligible to any financial support. GMI eligibility is strict in Latvia and the level of support is relatively low (see Chapter 3). In some cases, income support can help "hook" youth, in particular when receipt is conditional to programme participation (conditional cash transfer). Outside of Riga, where professional opportunities are more limited, the situation is slightly different. Staff more often report that NEETs seem motivated by social and employment services. In these areas, the SEA is moreover able to provide a more individualised approach to their clients because caseload numbers are lower.

With less than one-third of all NEETs aged 15-29 years registered with the SEA in 2013 (see Figure 5.2), there is scope for increasing registration:

- Among *inactive* NEETs, 75% report staying away from the labour market for family reasons (18 400 NEETs), due to health issues (4 300 NEETs), or because of enrolment in non-formal education (1 200 NEETs). A remainder of 8 300 young persons are inactive

for other reasons, the large majority of them reporting being discouraged from job-search.[19] A reduction in the number of youth in this group should be the main focus of improved outreach activities and employment services for young people, even though some of the other inactive NEETs could probably be activated.

- Among *unemployed* NEETs (i.e. those actively looking for a job), two-thirds were registered with the SEA in 2013. The remaining one-third, about 11 000 individuals, are likely entitled neither to unemployment benefits anymore nor to GMI, and decide not to benefit from any of the services offered by the SEA. While some of these non-registered unemployed may indeed not require any job-search assistance from the SEA, others may perceive the services provided by the SEA to be not useful or signing up too cumbersome. Also these youth would likely benefit from intensified outreach and employment services.

The third stage of the Youth Guarantee

The so-called *third stage* of the YG aims at filling this gap. It was launched in the end of 2014 and the "field work" with NEETs will take place in 2015. Overall, to date, NEETs who are not registered with the SEA have benefited little from the funding provided by the YG. This third stage is co-ordinated by Ministry of Education and Sciences and is implemented by Agency for International Programmes for Youth (AIPY, which promotes good practices in non-formal education for youth),[20] the 119 municipalities plan to strengthen their service provision with specialised staff dedicated to improve co-operation between municipal and governmental institutions, but also with NGOs, local social services, training institutions, and youth organisations. This stage is targeted at disconnected youth aged 15-29 years.

The third stage of the YG receives the support of the ESF and will also draw on the government budget.[21] It should serve an expected 5 262 participants until the end of 2018. This however remains modest compared to a stock of 32 000 inactive NEETs aged 15-29 years in 2013 (see Chapter 1) and the result from Figure 5.6 that about one-third of inactive NEETs stay away from the labour market for family, health, educational reasons.

The third stage of the YG includes several steps:

- The development of a methodology for improving the co-operation between different stakeholders on municipal level and services to be provided to young people; notably, municipalities should develop strategic partnerships between local NGOs, their social services, the

SEA offices, youth organisations and other relevant organisations to deliver outreach services.

- The training of youth experts involved in work with NEETs with the support of the AIPY, including mentors for young people, and programme co-ordinators working in municipalities.
- The design of outreach activities; these activities will be implemented by municipalities within their partnership with NGOs and other stakeholders. They are developed with the help of the AIPY which will provide support to municipalities and will co-ordinate initiatives.
- The development of new measures for youth with specific challenges addressing addiction, disability, lone parenthood, etc.).
- The actual delivery of services; active measures should have a duration of up to four months (nine months in special cases) and could include team-based activities, trainings focused on social skills, visits to firms, work in groups, mentoring, other social services, etc.
- The design of new procedures and methods: exchange of data, provision of services, and inclusion into existing governmental and municipal support measures.

This third stage of the YG offers a unique opportunity to create a network of services providers and specialised workers to keep contact with disengaged youth, to re-motivate them and eventually bring them back into second-chance programmes (see below). But there are also several obstacles related to its effective implementation:

- The administrative capacity of social services at the municipal level might not be sufficient to support these programmes (see Section 1 above). Outreach and mentoring activities are typically human-capital intensive. The youth co-ordinator at municipal level will have a key role in organising and co-ordinating activities. In areas where unemployment and inactivity is high, sufficient resources will be needed to deliver these services and activities in an efficient manner.
- As youth do not have financial incentives to enrol, participation may be limited. If outreach activities are time-consuming for the young participants, as they should be, attendance rates could be improved with the availability of even small conditional cash transfers.

Following up after programme completion

To secure sustainable and rewarding employment for young people, a follow-up of clients upon completion of a programme is important to avoid churning. Even if a training or work experience programme is successful, a young person might lose the motivation to continue looking for work after some time. In case of job placements, keeping a job once employment has started may be as challenging as it was to find it in the first place. This holds true especially for youth who lack previous work experience and hence might have trouble coping with the new structures, requirements and responsibilities. Finally, former barriers to employment such as substance abuse or family problems may reappear even if they had been addressed successfully. In all of these cases, an active follow-up by the caseworker could help addressing such problems immediately to prevent the young person from falling back into unemployment or inactivity.

Latvia does not have a well-established system of following up on clients after programme completion. In some areas, caseworkers in social services who assist clients in finding a suitable work should respect a follow-up period of six month after placement before closing the case, but this is not the case in every city. Follow-up activities are time-intensive for the caseworker and require a good co-ordination across services: the caseworker needs to remain in contact with the young person to find out about the client's situation. Updates from health and social service providers, training centres or employers should also be provided. This may be challenging, especially where caseload numbers are high.

Within employment services, the situation recently changed with the implementation of the YG. SEA now not only gathers information on young clients' satisfaction with services once a week and monitors programme attendance; caseworkers now also have the means to monitor the results – whether a young person finds a job within six months or within 12 months of completing training. This information will help conduct in 2017 a mid-term assessment of the long-term outcomes for those who participate in the YG. But follow-up is not merely statistical and SEA should also use the individual information to contact young people who fail to attend the programme regularly or those who cannot find a job after the programme ends, and refer these people to other services providers or other programmes if needed. Again, this might not be feasible when caseloads are high.

To improve follow-up at SEA or in municipalities, one solution could be to explicitly incentivise caseworkers or training providers to make follow-up a part of their responsibilities (and to compensate them for it). In Australia, contractual arrangements with private Job Services Australia (JSA) providers explicitly stipulate a follow-up period of six months after a client

has entered into employment: part of the total fee paid to a provider is conditional on the client maintaining employment for a minimum of three months, and another part of the fee is paid after six months.

3. Strategies to re-engage youth in education, employment or training

Low educational attainment and a lack of relevant work experience are main reasons for high youth unemployment. Youth guarantees that offer training or work practice can be therefore help improve young people's employment prospects if they are targeted to the skills needs of the young jobseeker and the labour demands of employers. Not all activities however have positive effects, and the design of adequate incentive schemes – both for the jobseeker and a possible training provider or employer – are key to success.

Bringing NEETs into employment

Fighting youth unemployment requires a range of early interventions – from hiring subsidies to appropriate training opportunities. These interventions need to be appropriately targeted at those who will benefit most from them.

Historically, SEA mainly implemented three types of active programmes for the young unemployed (besides placement and career counselling):

1. *Measures to raise competitiveness*, which are short training courses or seminars (from 5 to 35 hours) to improve job search skills such that communication, networking, negotiation, interviews, motivation, etc. This is the most frequently used measure.
2. *Training* to improve or acquire qualifications. These are more substantial courses in which the unemployed can acquire specific professional qualifications or general skills such as IT, driving, etc. Clients can use vouchers to choose their provider.
3. *Subsidised jobs in the private sector*, which are usually entry-level jobs supported by a subsidy for up to 9-12 month (depending on the programme). Access to these trainings was facilitated during the crisis.

In response to the crisis the capacity and diversity of several programmes was expanded. New interventions were developed in 2009, some temporary and some more permanent, in order to cope with the considerable inflow of jobseekers but also to reform the system:

4. *Public works jobs,* called "Workplaces with stipends" introduced with the support of the World Bank to deal with the large numbers of unemployed persons who were not eligible or had exhausted their insurance rights. The programme was replaced in 2012 with a *Public works programme* targeted at disadvantaged unemployed notably those managed by social assistance services. Municipalities, non-profit societies and foundations can employ an unemployed young person under these programmes for up to six months in total.

New and diversified programmes for youth in the aftermath of the crisis

Starting in 2011, additional new measures were set out for young people to tackle the youth employment crisis, even before the introduction of the YG:

5. *Youth workshops* were launched in 2012 for 15-24 year-olds with a low level of education or without any work experience to raise awareness of educational needs and options linked to existing job opportunities. The measure, which is welcome to promote work-based learning in a context where VET and apprenticeship are under-developed, also allows youth to try out up to three different full-time trainings in VET schools, each for three weeks. Youth then receive an allowance of EUR 57 per month (more for the young disabled). The planned number of participants in 2011 was 1 700 persons (Ministry of Welfare of the Republic of Latvia, 2012, General description of the labour market situation in Latvia).

6. *Support for youth volunteer work,* was launched in 2011 for young unemployed aged 18-24 years working in associations and foundations ("First work experience in NGOs"). There are currently more than 400 NGOs involved in the programme, which operate notably in the social services, culture and education sectors (see Table 5.1). For up to six months, participants receive a monthly allowance of EUR 90. This type programme is usually not associated with strong employment outcomes in the private sector but can be useful in times of weak job creation (Price et al., 2011)

7. *Subsidised first experience jobs*, which started in 2011 for 18-29 year-olds who have been unemployed for the last six months, those without secondary education or professional qualification, single parents, those belonging to an ethnic minority, or the disabled ("First work experience at employers"). These private sector jobs, which ought to correspond to new positions in the firms (marginal hires subsidy), are subsidised for up to 12 months (EUR 160 for the first six months, and EUR 100 for the next six months, and more for youth with special needs, plus 50% of the minimum wage to cover the

expenses of tutors within the firm). While hiring subsidies are currently under-utilised compared with other countries, this new tool could help boost hires among the least skilled youth. However, the conditionality on creating new positions is susceptible to limit take-up.

8. *Support to self-employment or entrepreneurship* for the 18-29 age group, provides help in writing a business plan preparation, grant up to EUR 3 000 to start a business, counselling during the first year of business, and a subsidy equivalent to the minimum wage for the first six months of the project.

Other measures, such as support in the framework of *regional mobility for education or work purpose* ("Job in Latvia", up to about EUR 100 per month), are also available for youth. Besides, in 2012, the *Minnesota 12-step programme* for the long-term unemployed over 18 with addiction problems was introduced for long-term unemployed persons over the age of 18. This is a one-month programme, contracted out to a private provider, to treat addiction to alcohol, drugs or psychoactive substances (medical treatment), as well as psychologist, psychotherapist or career specialist consultations if necessary. The measure is considered as effective in reducing substance abuse, but it was only available to less than 200 participants in 2014 (EurWORK, 2014).

Table 5.1. Breakdown of the NGOs participating in ALMP measure "Development of skills at the non-governmental sector" in 2013, by field

Field	Number	%
Social services	131	31
Culture	94	22
Education	65	15
Sport	38	9
Arts	27	6
Health and social care	14	3
Other	52	12
Total	421	100

Source: Ministry of Welfare.

These extensions led to a significant increase in the participation of youth in active programmes. Table 5.2 shows the number of young participants in active programmes in 2013, in absolute terms and as a percentage of the inflow of newly registered unemployed youth with spell of at least three months.

Despite these efforts, not all newly unemployed with at least four months of unemployment enrolled in active programmes.[22] Training was the preferred option, even before the implementation of the YG. Subsidies to the private sector were scarce and underdeveloped even for the

population of low-skilled NEETs (about a third of all NEETs, i.e. about 18 700 youth). This is at odds with the findings of most empirical studies that find that subsidies are one of the most helpful types of programmes of youth.[23] Temporary employment jobs still represented a substantial share of youth enrolled in active programmes.

The first stage of the Youth Guarantee provided further options for the unemployed

Latvia presented a YG Implementation Plan in December 2013 to tackle youth (15 to 29) unemployment.[24] This *first stage* was focused on unemployed youth and extended several of the programmes introduced and tested since 2011, for instance by increasing their size and adding stipends/transport allowances. The implementation for this first stage is planned between January 2014 and December 2018 and targets about 25 000 participants per year (including additional career guidance sessions).

Table 5.2. Participation of 15-29 year-olds in various SEA active programmes

In 2009 and 2013 (before the YG) and 2014 (including the YG)

Type	Programme*	2009	2013	2014	
		% of inflow	% of inflow	Actual entrants	% of inflow
Training		**28.9**	**50.3**	**19 373**	**66.1**
	Measures to raise competitiveness (ESF + state budget)	13.9	25.3	2 952	9.3
	Measures to raise competitiveness (YG)	n/a	n/a	8 050	25.2
	Informal trainings, incl. language training	7.3	10.7	2 442	7.7
	Informal trainings, incl. language training (YG)		n/a	1 107	3.5
	Vocational education programmes	5	6.8	955	3
	Vocational education programmes (YG SEA + SEDA "Second Chance")	n/a	n/a	3 334	3.2
	Training at employer	0.3	n/a	n/a	n/a
	Youth workshops (YG)	n/a	n/a	501	1.6
	Work trials (pilot project impl. 2 years)	2.4	n/a	n/a	n/a
	SEA inspectors' assistant training	0	0.3	32	0.1
Hiring subsidies		**0.2**	**5.9**	**1 574**	**4.9**
	First work experience for youth	n/a	0.4	0	0
	First work experience for youth (YG)	n/a	n/a	70	0.2
	First work experience for youth in NGOs	n/a	4.3	4	0
	First work experience for youth in NGOs (YG)	n/a	n/a	962	3
	Subsidized employment for disadvantaged youth	0.2	1.2	255	0.8
	Subsidized employment for disabled youth (YG)	n/a	n/a	283	0.9
Start up		**0.1**	**0.1**	**88**	**0.3**
	Self-employment or entrepreneurship support	0.1	0.1	19	0.1
	Self-employment or entrepreneurship support (YG)	n/a	n/a	69	0.2
Direct job creation		**7.9**	**8.8**	**1 299**	**4.1**
	Public Employment programme/ Work Practice with Stipend	4.9	n/a	n/a	n/a
	Public Employment programme/ Paid Temporary Employment	3	8.8	1 299	4.1
Other	**The regional mobility support**	**n/a**	**n/a**	**332**	**1**
Total		**37.1**	**65.1**	**20 365**	**63.8**

Note: The "Total" line includes double counting, since one young person may benefit from several programmes over a given year.

Source: Administrative data from the Ministry of Welfare, State Employment Agency.

The first stage YG is currently supervised by the MoW. The entry point to receive reinforced service is the registration in the SEA or in a VET school. The SEA plays a key role notably in reorganising and targeting active measures, collecting information on YG participants, and providing career guidance. Funding of this first stage of the YG served primarily at reinforcing existing service provision for youth. As such, several changes were introduced as soon as in 2014 to build up this guarantee:

- A better profiling of youth upon registration, notably though the increase in the number of career guidance consultants from 24 to 37. Substantial additional funding was made available for this activity notably through the European Social Fund.
- The availability of short informal training modules in line with employers' needs demand (e.g. Latvian language, IT, project management) compensated with a monthly training allowance of EUR 99.60. This type of training is useful to get youth quickly engaged in an activity and maintain regular contact with the public employment service. Latvian language training is provided through YG "non-formal training programmes".
- The possibility of enrolling into more formal short-cycle VET programmes of length three to six months organised by the SEA in accordance with existing qualification demands. Participants are mostly representatives from vulnerable social groups and those facing additional hurdles to employment (e.g. single parents), who can use vouchers to select their training provider. Clients need to remain registered with the SEA during their training, and receive the same monthly training allowance of EUR 99.60 as participants in informal training.
- The extension and reform of several pre-existing programmes, such as first work-experience measures in NGOs or private firms, start-up and self-employment support, and the revision of wage subsidies and allowances to better target the needs of young people. Career consultants are charged with supervising the progress the young people make throughout their employment pathways.
- Subsidies for work experience for the most vulnerable 18-29 year-olds – those with disabilities, or those facing difficulties to re-integrate the labour market after childcare leave, belonging to ethnic minorities or long-term unemployed youth with low skills (about 1 700 participants per year expected in total); the subsidy is equal to the minimum monthly wage (EUR 320 from January 2013), and can be paid up to two years.

- Regional mobility support (the so-called "Jobs in Latvia" measure) was made available for several measures (non-formal training programmes, vocational education programmes, youth workshops, first work-experience for youth) in cases where the training or job opportunity lies at least 20 km away from the young person's home. The support amount to a maximum of EUR 100 per month for up to four months for a job or the entire training duration.
- The Youth Workshops mentioned above for low skilled of unexperienced youth were extended;

Subsidies for youth with specific barriers (disabled, long-term unemployed, etc.). The employer then receives a higher monthly subsidy equivalent to the minimum wage (EUR 320 in 2013).

Taking stock of progress

Different indicators are used to evaluate the success of the YG, the most important ones being i) participation, ii) programme completion, and iii) exit to employment.

While it is probably too early at this state to assess programme completion and exit rates from unemployment, preliminary results for the first stage of the YG show that it permitted to broadly maintain the overall share of newly registered youth who participate in an active programme at some point during the year. In 2014, there were over 20 000 participants out of 31 900 youth newly registered with the SEA. While this is lower in absolute terms than the 26 900 participants in 2009, the inflow of young unemployed during that year was also much higher at 72 600. In 2010, there were 44 800 participants out of 57 200 newly registered youth.

The increase in participation in active programmes can primarily be accounted for by a doubling of the number of short training interventions ("measures to raise competitiveness" and "informal training") and the intensive recourse to the "Work practice with stipend" (temporary public employment). Since the termination of the latter programme in 2011, short training interventions have allowed to maintain participant numbers, and they remain the principal type of intervention for young people (participant numbers are ten times higher than for vocational training or youth workshops financed by SEA). The first stage of the Youth Guarantee has, at least in part, served to finance these pre-existing interventions (see Table 5.2). Participation in hiring subsidies remains low even for the most disadvantaged youth, and objectives were not met, except for subsidised work in NGOs.

The objective of 39 000 career consultations for 2014 was only achieved to one-third over the first six months of the year, but performance improved later in the year to 31 000 consultations thanks to the increase in the number of career consultants (compared with 23 500 in 2009, and only 14 000 in 2013 just before the implementation of the YG).

High caseloads among youth specialists and career consultants or even among non-specialised SEA staff might explain the relatively slow start for some measures. Caseloads might decrease in the years to come with the decline of unemployment. In the meantime, there might be a need for a temporary and targeted increase in staffing, either directly at SEA or through the temporary recourse to private providers or NGOs submitted to activation objectives and appropriate incentives. But there are also a number of factors on the clients' side that might explain these results and which may hinder the effective implementation of the guarantee:

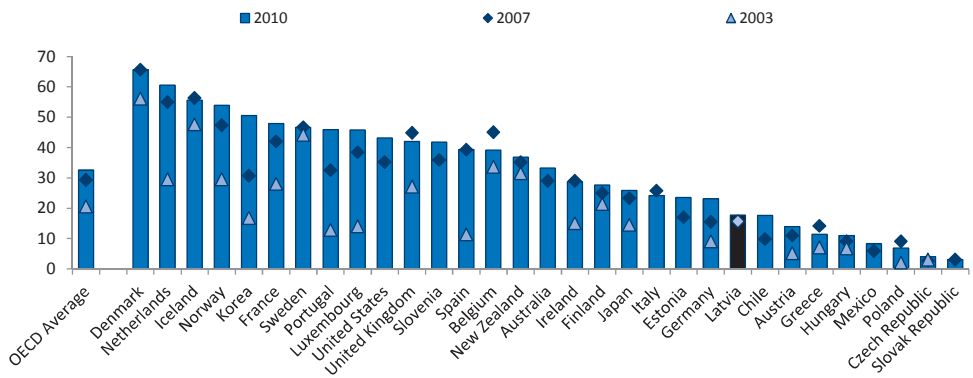
- Regarding obligations, in principle jobseekers registered with the SEA need to comply with activity requirements. In some cases, a young person might circumvent the obligation to participate in a programme by de-registering for a few months and then re-registering again. This issue could be presumably be addressed relatively easily by defining long-term unemployment not in terms of the length of the ongoing spell but in terms of the number of registered months of unemployment in a given period (e.g., unemployed for a total of 12 out of the last 24 months).
- Regarding motivation, a number of offers provided by the SEA – different types of training, internships and volunteering, subsidised employment measures, start-up training and subsidies – appeal to motivated jobseekers. Many of these measures are implemented on a relatively small scale. Expanding these programmes further may require reinforcing the incentives for jobseekers to accept activity offers. First, the stipends received for participating in those measures remain low; second, sanctions in case of refusal are rarely applied, and unemployed youth who reject participation in those measures in practice do not risk a cut in benefits. Milder but more frequent sanctions might be easier to implement and more credible than large cuts in benefits.[25]
- Regarding childcare, there are only a limited number of options for young mothers. Latvia features a low coverage of formal childcare for children below the age of 3 (see Figure 5.7). About 20% of young NEETs are inactive because of family obligations (see Figure 5.6). For young mothers, and particularly those living alone,

the availability of affordable childcare should be a key component of activation strategies.

- Regarding additional support services, municipalities can help the most disadvantaged young unemployed in the form of case management and emergency housing (day centres, crises centres). Such cases are usually provided by the social services directly rather than by outside providers. Collaboration with NGOs is sought on an *ad hoc* basis in cases of emergency if the municipal social service office cannot help. There are currently very few offers available from NGOs for youth who are hesitant to work with the official bodies. Besides, NGOs are not equally present in all parts of the country.

Figure 5.7. Average enrolment rate of children under 3-years of age in formal childcare

In 2003-10



Source: *OECD Family Database*, www.oecd.org/social/family/database.htm.

Providing NEETs with the skills they need

For young NEETs who have not completed lower-secondary education, finding a way back into school is typically hard. Often, the factors that caused drop-out – educational, social, or personal issues – continue to persist and are an obstacle to return to school. Depending on age and the previous level of schooling, they may moreover lack elementary literacy and numeracy skills required for continuing school or following a professional training. Intensive and comprehensive programmes are then needed, which go beyond short training courses provided by the public employment service.

The second stage of the Youth Guarantee aims at creating a "second-chance programme" for drop-outs

Second-chance programmes that aim at providing young drop-outs with a lower-secondary degree must therefore be highly flexible in adapting to a young person's individual and educational needs. These programmes typically combine catch-up classes on basic literacy and numeracy skills with vocational classes, counselling and career guidance. They are also based on strong relationship with local employers and sometimes also include a range of social, career and health services as well as mentoring.

Establishing tight relationships is especially important in the early weeks of a young person's participation to ensure attendance. To motivate young people and help them fall back into a working rhythm, it can be useful to integrate work experience components for simple manual tasks or participation in community work (e.g. catering, health and elderly care assistance) into the programme early on. In several programmes youth also receive a small benefit in cash. The residential option is one of the trademarks of successful second chance programmes in the United States, like the Jobs Corps (Schochet, Burghart and McConnell, 2006). Similarly, the YouthBuild programme often provides accommodation (see Box 5.3). In Australia and the United Kingdom, those programmes are offered on a small scale in "youth foyers", which provide accommodation and social and psychological support close to the schooling facilities (Box 5.2). In France, the *Ecoles de la Deuxième Chance (E2C)*, provide similar intensive and comprehensive training but without the residential option (Cahuc, Carcillo and Zimmermann, 2013).

Box 5.2. The Youth Foyer model

Some of the most successful training programmes for youth often comprise a residential component (e.g. the Job Corps in the United States, Schochet et al., 2006). The availability of accommodation close to the place of training is often viewed as key to improving programme completion, notably for youth who are homeless or who have serious family issues. Youth Foyers were first developed in France after WWII, following the lack of housing and the intensification of rural emigration. Initially, they offered rooms and shared facilities to young workers, but were progressively extended to students and disadvantaged youth from the 1960s.

The model has spread to many other countries in Europe and is being used in the United Kingdom since the early 1990s, as well as in the United States and Canada. More recently, Australia started to implement this model with the support of NGOs.

There are two main types of foyers for youth: i) student rooming house accommodation where the housing resembles a college for young people attending an educational institution or working – many of the UK and French foyers follow this example; ii) school-linked student supportive housing where the house or a small cluster of housing units are located on a school site or close to the school or the training centre. Accommodation is provided to students who agree to start an educational programme in the nearby school and who are homeless or whose parents do not live close-by, and who would not have the means to independently live near the school.

Box 5.2. The Youth Foyer model *(cont.)*

The second type of foyer is more likely to be suited for disadvantaged youth. This is the one which exists in Australia. Such foyers aim at addressing both homelessness and unemployment. They provide an opportunity for young people to gain safe accommodation as well as develop non-cognitive and cognitive skills. Indeed, some of these foyers do not only provide accommodation, they condition the availability of accommodation to active and continuous attendance in the educational programme, and they also provide additional services:

- Employment and career counselling in liaison with local employment offices and employers;
- Health and psychological consultations;
- Mentoring;
- Participation in civic activities.

There is some limited evidence that foyers can improve educational attainment and employment outcomes, but models vary a lot across countries. In Australia, the Victorian Government has funded the development of three such Education First Youth Foyers near VET ("TAFE") Centres in collaboration with the NGOs Hanover Welfare Services (HWS) and the Brotherhood of St Laurence (BSL). An evaluation is underway. Since these foyers are expensive to build, service and maintain, this solution needs to remain targeted tightly at those who need to leave their parental home and have no other options.

Source: Hanover (2012), "Youth Foyers", www.hanover.org.au/youth-foyer/, and Steen, A. and D. Mackenzie (2013), "Financial Analysis of Foyer and Foyer-like Youth Housing Models", Homelessness Research Collaboration, National Homelessness Research Agenda 2009-2013, Commonwealth of Australia.

The second-chance model was not really present in Latvia before 2014. The *second phase* of the YG set out a strategy to create it. The implementation phase runs from 2014 to 2018. It is mainly under the responsibility of the MoES. The objective is to establish a comprehensive programme based on the network of VET schools, with the help of the SEDA.

- From September 2014, young NEETs aged 17 to 29 who have difficulties finding a job and who are not already beneficiaries of a SEA-provided training may be offered 1- to 1.5-year "short-cycle" training programmes that provide second and third level professional qualifications.
- For youth aged 15 to 29 years who have been incarcerated, basic literacy and numeracy classes will also be offered as well as training in social skills.[26] The programme is free of charge for the students, with SEDA covering the costs and paying the schools.

- A total of 37 vocational education schools plan to allow 6 500 young people to acquire more than 90 professions.[27] In 2014, already 2 310 young NEETs enrolled into the programme.

For these second-chance programmes, VET institutions are the main entry point and registration with the SEA is not a requirement.[28] The SEDA covers the cost of certification for the qualification acquired; provides regional mobility support for travel and residential expenses during the traineeship (up to EUR 71 per month), as well as insurance fees and mandatory medical expenses. Besides, students receive a stipend *conditional* on successful participation and satisfactory attendance. The amount increases over time from EUR 70 to EUR 115 per month.

Box 5.3. YouthBuild USA and International

YouthBuild USA is an intensive and comprehensive "second chance" programme in the United States targeting 16-24 year-olds from low-income back-grounds who dropped out of school. It is an intensive programme (lasting 8 to 12 months) which provides construction-related training, educational services, but also non-cognitive components through group and one-on-one counselling, and as well as leadership development opportunities. YouthBuild is a federally and privately funded program. The YouthBuild model is not highly prescriptive to allow programme implementation to vary in response to local conditions. It usually features low student-to-staff ratios to allow an individualised provision of services.

From its inception in the 1970s as a single programme in NYC, YouthBuild has expanded to a national network of more than 200 local programmes serving approximately 9 000 youth per year. Eligibility is typically limited to out-of-school youth ages 16-24 – mostly school dropouts – who are from a low-income family, in foster care, are offenders, migrants, disabled, or are children of incarcerated parents. Youth build values in a family-like environment, in which young people are cared for, respected, and empowered by staff members who understand their experiences and serve as role models, all while providing meaningful work and educational opportunities.

Programmes have rigorous recruitment processes and applicants undergo an extensive assessment process. Once young people are enrolled, most YouthBuild participants spend from 8 to 12 months full time in the programme receiving a variety of services, including stipends, wages, or living allowances. These services typically include some kind of assessment, a "mental toughness" orientation, educational activities, vocational training, leadership training and community service, counselling, support services, job placement, and follow-up services. Participants are offered educational services at least 50% of the time that they are in the programme, and services provided can include basic skills instruction, remedial education, bilingual education, alternative education leading to a high school diploma or equivalent certificate, counselling or assistance in attaining postsecondary education and financial aid, and alternative secondary school services. Participants generally spend most of the remaining half of their time in the programme in construction training – rehabilitating or building housing for low-income or homeless people. Follow-up services are available for at least nine months following graduation to support future success.

Box 5.3. YouthBuild USA and International *(cont.)*

According to an MDRC evaluation, "YouthBuild is one of the most promising models serving out-of-school youth, since it contains some of the best elements of youth development programmes and has a broad network, serving thousands of youth per year." The programme has expanded rapidly over time, and there are currently 273 YouthBuild programmes in 46 states, Washington, DC. and the Virgin Islands engaging approximately 10 000 young adults per year. A detailed and rigorous evaluation of the programme is underway (MDRC, 2015). Building on the success of the YouthBuild USA programmes, the model has been adapted and replicated in 15 countries (YouthBuild International).

Source: YouthBuild USA, YouthBuild International and MDRC websites.

Taking stock of progress

The success of this second phase of the YG relies on the capacity to deliver not only vocational training but also the other forms of support in a timely manner. In particular, it is important that:

- A permanent link between the career consultants and the youth specialists at the SEA office or the social services of municipalities is established with VET schools; mentoring and counselling is key to achieve high completion rates for previously disconnected youth, notably those who already dropped out of school. Some prevailing rules may not really favour programme participation. For instance, following a recent reform, the unemployed individuals who take up work can keep their benefits for the first two months (recent reform), but those who become enrolled in full-time education (except in evening school) lose their unemployed status and are thus no longer entitled to services offered by the SEA.
- VET schools develop these programmes in tight collaboration with local employers; the second chance model aims at getting youth immediately employed at the end of the programme and for this reason, short spells of work practice, internships and subsidised employment could be important programme components to familiarise young people with the requirements of working life and offer a chance for employers to know these youth. Vocational education in Latvia is currently mainly school-based and typically includes only very few elements of company-based learning.
- Youth who fail in a given programme should be offered another chance in an alternative qualifying programme. Currently, if a vocational training measure has been completed, in principle there is a minimum of one year until a different training measure can be chosen.

In the meantime, only non-formal training (Latvian language courses, IT, driving licences; 36 hours per course) can be offered. Jobseekers who are provided with training are offered a voucher for a specific professional course and then have to choose the training provider themselves. Apparently, public training providers are not always willing/able to take unemployed training-seekers.

- The appropriate recourse to existing SEA hiring subsidy programmes during and after the training period to facilitate on-the-job training and a smooth transition to the first job; even when work experience places are strongly subsidised, it can be difficult to persuade private-sector employers to work with a young person who might require intense support and monitoring. The reason for low take-up of hiring subsidies is unclear. One reason might be the current situation on the labour market with only few vacancies being available for unskilled youth. It might also reflect a lack of experience in this area of intervention. Despite the availability of funding, SEA has never been used to recourse to hiring subsidies at a large scale.

- The level of support for living, travel and accommodation expenses need to be appropriate and allows student to complete their programme in satisfactory condition without having to work on the side.

- The programme needs to be closely targeted at youth who really need these skills and are motivated. The size of the programme in full year (6 500 youth) may seem small compared with the challenge ahead (about 30 000 inactive NEET youth, 18 700 low-skilled NEETs) but it is probably reasonable for the first few years of implementation. Running effective second-chance programmes can turn to be very expensive and challenging.[29] This high cost reflects not only the vast array of services provided, but also the high qualification of staff. The return on such significant investments is higher if targeted on the most disadvantaged youth.

As such, the promotion of "*Youth workshops*" (introduced in 2012, see above, but which remains largely under-developed – see Table 5.2) in parallel of the second chance is a useful complement to ensure that future participants are motivated by the profession they are qualifying for. These workshops can act as pre-apprenticeships and could help bridging gaps in educational schedules while brushing up patchy literacy or numeracy skills, building motivation, making youth familiar with a work rhythm and possibly providing short spells of work experience. Such pre-apprenticeship classes have been developed for instance in Austria. But even with this type of support, transitions toward regular apprenticeship might however be difficult for some youth.

Notes

1. The kind of services offered not only comprises career guidance *per se*, but also psychological counselling, identification of suitable employment goals, job search assistance, retraining and work trials, along with aptitude, personality and psychometric testing, and health profiling.
2. In 2013, the World Bank evaluated the impact of a range of policies to fight long-term unemployment in Latvia (World Bank, 2013). It concluded that, overall, some of the best performing programmes were intensive qualifying training programmes. These trainings were particularly effective in manual professions, as well as service and sales jobs. Some of these trainings were provided directly on-the-job while others were mainly off-the-job. These programmes also tended to have a bigger impact on the chances to be employed than shorter informal trainings or "measures to improve competitiveness".
3. This system not only applies to unemployed people but also to life-long learning programmes.
4. There is currently a VAT exemption for training service providers that only applies to training of registered unemployed and not to other jobseekers.
5. Exceptions are students in secondary school (excluding those in evening classes), who can register but not apply for Youth Guarantee measures.
6. See www.lm.gov.lv/text/1047.
7. In 2013, there were on average 101 400 registered jobseekers and 445 staff working with clients (excluding career consultants, but including experts and employment counsellors), which corresponds to a client-staff ratio of 228.
8. Funding of EUR 63.4 million is foreseen for the three stages of the YG over the period 2014 to 2018, with 46% coming from the European Social Fund (ESF, EUR 29.2 million), another 46% from the EU's Youth Employment Initiative (YEI, EUR 29.0 million) and the remaining 8% from the state budget and private co-financing (EUR 5.1 million). YEI funding is used only for the first

and second stages of the YG (EUR 15.5 million and EUR 13.5 million, respectively).

9. Some exceptions exist though, as in the city of Cesis in the Vidzeme region, which the OECD review team visited.

10. In fact, the awareness of the YG – launched in 2010 by the European Parliament – is still rather low among youth aged 16-30 in all European countries. This awareness tended to be relatively higher in Latvia than in most other European countries in 2014, despite the fact that it is a recent initiative. See the *Flash Eurobarometer of the European Parliament* (EP EB395).

11. A person of working age but unemployed or inactive, who wants to receive a periodical social assistance, should register first with the SEA except if this person receives disability pension, an old-age pension or the state social security benefit; or if this person is on maternity leave and has to take care of children or has a disabled child who does not receive appropriate care services; or if this person is in full-time education in general secondary, tertiary or vocational education institution.

12. In 2013, the service was provided to 19 persons under age of 18 years and to ten persons over 18 years.

13. The *Law on Social Services and Social Assistance* (Section 9) states that local governments have the responsibility to provide various social services in accordance to individuals' needs. This may also include employment-related activities, such as training and counselling.

14. See previous note on exemptions.

15. In fact, a majority (54%) of the youth participating in the YG with SEA are without qualification. But among these young people the degree of motivation and the incidence of social or health barriers to employment may vary significantly.

16. Career counselling is monitored in two high level councils: the Youth Guarantee council at the Ministry of Welfare and the Youth council at the Ministry of Education. Both councils meet at least twice a year.

17. There are generally three consultations per person.

18. This agency notably foresees the implementation of the national policy in education, lifelong learning and VET and monitor projects financed by European Union Structural Funds like the renovation of VET centres.

19. Part of these youth may be involved in the shadow economy which, at about 24% of GDP, is particularly large in Latvia (Schneider, 2015).

20. The Agency for International Programmes for Youth (Latvian – JSPA) conducts projects on development of work with youth, organises activities on non-formal training and provides information to young people and youth organisations on different activities.

21. The budget is EUR 9 million in total, of which 7.7 million from the ESF (in addition to EUR 63 million for Latvia's Youth guarantee's first and second phase projects) and 1.3 million from the state budget.

22. This corresponds to a recommendation of activation from the Council of Ministers. Skilled youth and all those ready for work should look for a job first.

23. In Sweden, public jobs were suppressed after studies found that the job subsidy programme was the only one that paid significantly in terms of persistently higher employment rates (up to 40 percentage points) soon after the programme ends and for several years subsequently (Sianesi, 2002). Subsides represent up to 60% of active spending in Sweden. Similarly in France, subsidies targeted at low wage earners are one of the most efficient strategy to get unemployed back into work, notably for those aged 25 to 30 (Fougère, Kramarz and Magnac, 2000)

24. The Latvian Youth Guarantee Implementation is eligible for funding from the European Youth Employment Initiative.

25. In 2013, Sweden reformed its system of sanctions for the unemployed introducing more frequent but milder sanctions in case of insufficient job search efforts. Similar sanctions were introduced in 2015 for participants in labour market programmes.

26. About 500 targeted persons in connection with the prisons administration.

27. The sectors of qualification include the food industry, IT systems and programming, administrative, secretarial services, construction services, beauty treatment, agriculture, catering services, transportation, hotel services, railway services, housekeeping, accounting, manufacturing of wood objects, banking and finance, forestry machinery, tourism, interior design, multimedia design, marketing, telemechanics and logistics, polygraphy and publishing, power engineering and electronics, veterinary medicine, machinery science, plant nursery.

28. The SEA can provide additional support for registered jobseekers enrolled in these second-chance programmes, the number of individuals who benefit from this offer services is however low. At the end of 2014, only 85 out of about 3 000 youth participating in the second-chance programme were registered with SEA.

29. For instance the Job Corps in the United States costs about USD 16 000 per student; the E2C cost about EUR 10 000 per student (Cahuc, Carcillo and Zimmermann, 2013).

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LATVIA

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Contents

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9 789264 240391