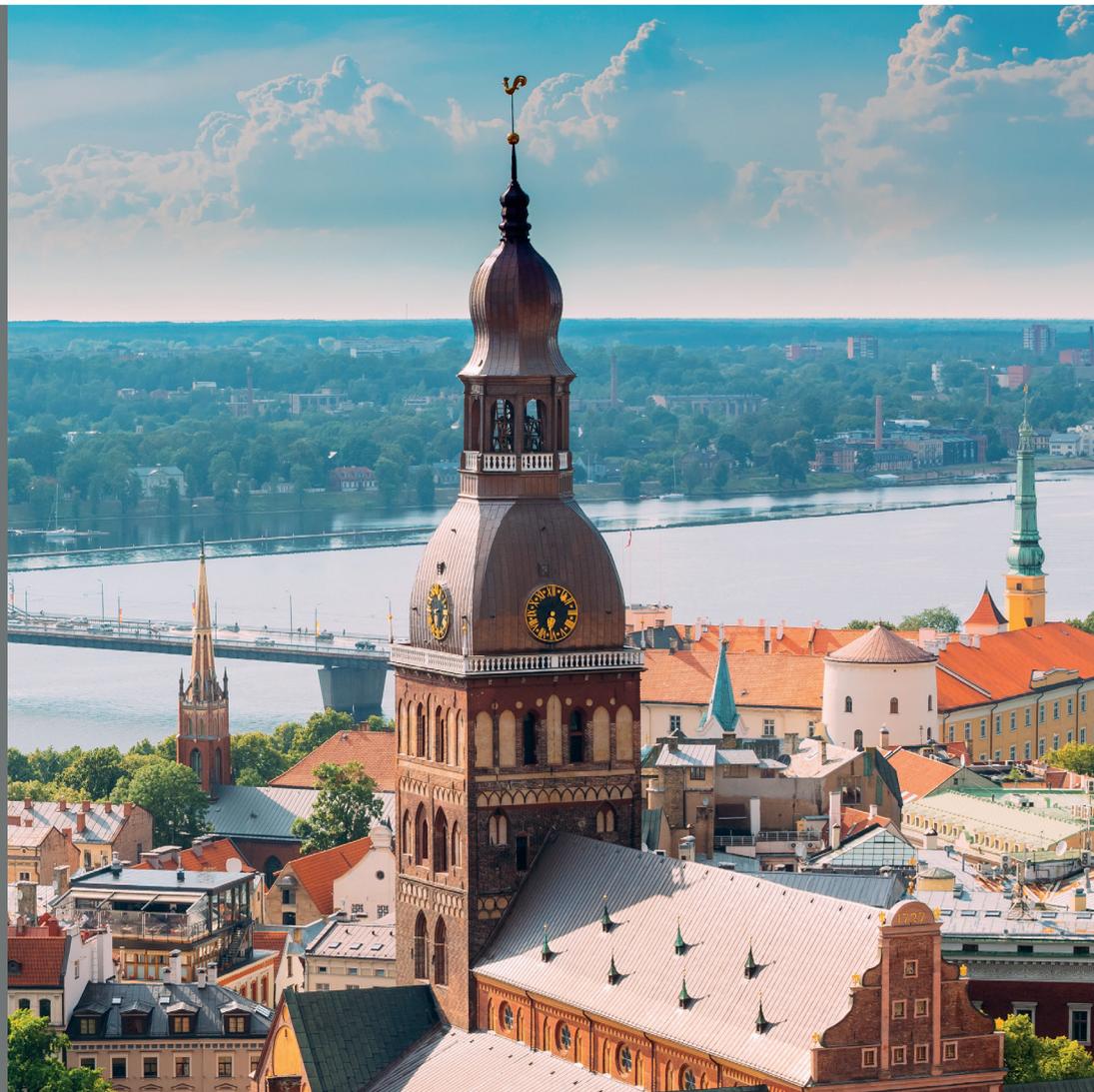




OECD Skills Strategy Latvia

ASSESSMENT AND RECOMMENDATIONS

REPORT SUMMARY



OECD Skills Studies

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ASSESSMENT AND RECOMMENDATIONS

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Foreword

People's skills are at the heart of Latvia's vision for the future.

As globalisation and digitalisation transform jobs, how societies function and how people interact, the impetus for getting skills right is growing. People will need higher levels of skills and a well-rounded set of skills, including cognitive, social and emotional, and job-specific skills, to flourish in life both in and out of work.

After a severe recession, Latvia's economy is now in an upswing, with GDP growth above 4% in 2018. To solidify its recovery and prepare its people for the uncertainties of the future, Latvia is making significant investments in skills. It already performs well compared to most OECD countries on many measures of skills development and use. Student performance in developing skills is around the OECD average, and the association between socio-economic status and education performance is weaker than the OECD average. The share of adults who are unmotivated to participate in adult learning is below average. Furthermore, the unemployment rate has nearly returned to pre-recession levels. Various bodies are in place to support whole-of-government co-ordination and stakeholder engagement on skills issues.

However, some challenges remain. The skills of the ageing teaching workforce need to be updated. Sustainable funding mechanisms and broader funding sources for adult learning are required so that Latvia can rely less heavily on European Structural Funds. Improving wages and working conditions for high-demand occupations could reduce the emigration of highly educated workers from Latvia. Partnerships between government and social partners need to be strengthened, which would raise capacity to implement and monitor innovative and coherent skills policies.

Recent and planned policy reforms show great promise, but more needs to be done to ensure better skills outcomes. The government and all relevant stakeholders should continue to work in partnerships that involve every level of government, education and training providers, employers, trade unions, the non-profit sector, and individual learners.

Citizens of all ages and backgrounds should be able to develop and use their skills effectively to take up the opportunities of a rapidly changing society. Achieving this aim will require concrete steps taken not only by government, but by stakeholders as well.

Based on analysis of Latvia's comparative skills performance, as well as the findings from widespread engagement with stakeholders in Latvia, the OECD has developed a number of concrete recommendations to help Latvia along this path.

The OECD stands ready to support Latvia as it seeks to implement better skills policies for better lives.

Executive summary

OECD-Latvia collaboration on the OECD Skills Strategy project

This National Skills Strategy (NSS) project analyses the performance of Latvia's skills system and provides tailored recommendations for improving. This analysis and advice will support the development of Latvia's National Medium-term Strategy for Education and Skills for 2021-2027. The project was launched at the Skills Strategy Seminar in Riga in September 2018 with the Latvian Minister and State Secretary of Education and Science and representatives from the Ministry of Education and Science, Ministry of Welfare, Ministry of Economics, Cross-Sectoral Co-ordination Centre, employer associations, trade unions and the European Commission. Two workshops were held in February and May 2019 that convened a wide range of stakeholders, including unions, employers, sectoral training providers, education institutions, academics and government representatives. Eight focus groups and bilateral meetings with stakeholders and experts also took place. This process provided input and shaped the recommendations featured in this current report.

Key findings and opportunities for improving Latvia's performance

Four important themes emerged from this project:

- **Building capacity to improve the teaching workforce:** Latvia has engaged in an ambitious curriculum reform that involves a transition to a competency-based curriculum to better equip students with the skills they need to thrive in the 21st century. For this initiative to bear fruit, the skills of the ageing teaching workforce must be updated, the selection of candidates to the teaching profession should be reviewed, and a new life cycle approach to professional development, which is tightly linked to teacher appraisal, must be set out.
- **Ensuring a sustainable funding mechanism for adult learning:** Latvia has piloted many projects related to adult learning that are largely financed by European Structural Funds. This has allowed Latvia to expand counselling services for adults, support companies with providing training and upgrade the infrastructure of the vocational education competence centres, among other programmes. In order for these initiatives to be sustainable in the long term, funding sources should be broadened. Latvia could consider piloting a shared training fund in some sectors that employers contribute to and can draw from.
- **Creating incentives to retain and attract skilled workers:** Population ageing combined with the high emigration of skilled workers pose serious challenges to Latvia's ability to respond to changing skills demand. Skills shortages have increased in recent years and are evident in certain high-skilled occupations including engineers, various types of professionals and top managers. In response to these shortages, Latvia needs to improve working conditions and stimulate wage growth in high-demand occupations, while also taking a more active approach to recruiting foreign talent.

- **Monitoring and building capacity for coherent skills policies:** The institutions and individuals involved in Latvia's skills system require sufficient human and financial resources to fulfil their roles and collaborate with each other. To ensure that skills policies are co-ordinated, the state needs to better understand and respond to current capacity constraints in ministries, agencies and municipalities, as well as among key stakeholder groups. Government and social partners should form partnerships and invest to build their capacity for evidence-based, innovative and coherent skills policies.

The OECD and the Latvian Government identified four priority areas for improving Latvia's skills performance. The key findings and opportunities for improvement in each of these areas are summarised below, and are elaborated in subsequent chapters.

Priority 1: Strengthening the skills outcomes of students (Chapter 2)

Ensuring that young people get a good start in schools is a key investment in the future economic prosperity and well-being of countries. In Latvia, the government dedicates a significant share of its expenditure to education, which denotes a commitment to providing access to quality education and translates into high enrolment rates.

Latvia has opportunities to further strengthen the skills outcomes of students by:

- Building capacity to improve the teaching workforce
- Fostering continuous quality improvement from early childhood education and care (ECEC) to secondary education
- Improving equity between urban and rural areas
- Strengthening vocational education and training (VET).

Priority 2: Fostering a culture of lifelong learning (Chapter 3)

A strong adult learning culture is imperative if Latvia wishes to ensure that all individuals are ready to upgrade their existing skills or acquire new skills to adapt to new challenges and opportunities, and thrive in an increasingly complex world. Fostering adult learning is a priority for Latvia as it seeks to reach the European Union benchmark of a 15% participation rate by 2020.

Latvia has opportunities to foster a lifelong learning culture by:

- Raising awareness about adult learning
- Reducing barriers to adult learning
- Expanding the provision of adult learning
- Raising the quality of adult learning.

Priority 3: Reducing skills imbalances in the labour market (Chapter 4)

As the skills needed in the labour market continue to evolve due to globalisation, digitalisation and demographic change, reducing skills imbalances remains a pressing policy priority. Most employers report that skills shortages are a major obstacle to long-term investment decisions. Shortages appear particularly acute in science, technology, engineering and mathematics (STEM), and health fields. The emigration of highly educated workers from Latvia is a significant challenge that has contributed to these shortages.

Latvia has opportunities to reduce skills imbalances in the labour market by:

- Strengthening the responsiveness of the tertiary education system to changing skills demand
- Retaining talent in Latvia by stimulating sustainable wage growth and improving working conditions
- Facilitating internal mobility and attracting skilled workers from abroad.

Priority 4: Strengthening the governance of the skills system (Chapter 5)

Effective governance arrangements are the foundation of Latvia's performance in developing and using people's skills. The success of skills policies depends on the actions of a wide range of actors and sectors at national and local levels. Latvia's Education and Skills Strategy 2021-2027 will provide an opportunity to mobilise these actors and co-ordinate their efforts. Co-operation with and between municipalities on skills policy is not systematic, and could be strengthened in the context of Latvia's administrative territorial reforms.

Latvia has opportunities to strengthen the governance of the skills system by:

- Strengthening strategies and oversight for skills policy
- Improving co-operation at different levels of government and with stakeholders
- Building an integrated monitoring and information system on skills
- Raising, targeting and sharing investments in lifelong learning.

1 Key insights and recommendations

This section introduces the OECD Skills Strategy project and summarises the performance of the Latvian skills system. In view of these findings, four priority areas for action have been identified in Latvia. This section introduces these priority areas and recommendations, which are examined in greater detail in the full report. In addition, this section provides an overview of the policy context of the Latvian skills system, including descriptions of long-term policy goals and recent and new reforms related to skills and education.

Skills matter in the context of demographic change, digitalisation, and globalisation

The economy of Latvia has regained strength following the financial crisis of 2008. The implementation of several structural reforms has led to robust economic growth in recent years, and in 2017, GDP surpassed pre-crisis levels. The economy is currently expanding at a higher rate than the OECD average, and incomes in Latvia are catching up with higher income OECD countries. The economy, however, is still facing several challenges that may affect future economic growth and well-being.

The success of Latvia today is largely the result of the implementation of successful policies by Latvia in the past. Continued success – especially in the context of a rapidly changing world – will require that Latvia take steps to further strengthen its policies to ensure that its people have opportunities to develop relevant skills¹ and use them fully and effectively in work and society.

One of the main challenges for Latvia is the shrinking share of working-age population (OECD, 2018^[1]), which is largely driven by the emigration of mostly young Latvians and low birth rates. This trend is reducing the contribution of labour utilisation to economic growth, which means that productivity growth will be an even more important driver of economic growth in the future. This will put more pressure on the need to raise workers' productivity.

In addition, the nature of many jobs will change following digital innovations such as machine learning, big data and artificial intelligence (AI). The OECD estimates that on average across OECD countries, about 14% of workers face a high risk of seeing their jobs automated, and another 32% face significant changes in their job tasks due to automation (Nedelkoska and Quintini, 2018^[2]). It is projected that economic growth in Latvia will mainly come from the use of new technological processes, digitalisation (Industry 4.0 concept) and the optimisation of processes, with the strongest job growth in high and medium-high technology sectors (e.g. information and communication), and occupations requiring high skill levels.

Contributing further to the uncertainties associated with technological change is the continuing expansion of international trade and global value chains. New technologies and trade liberalisation are contributing to the outsourcing of certain forms of work, especially at the lower end of the value chain. For Latvia, like all OECD countries, this has strongly affected the competitiveness and success of different economic sectors, as well as the supply of jobs and demand for skills in the labour market (OECD, 2017^[3]; OECD, 2017^[4]).

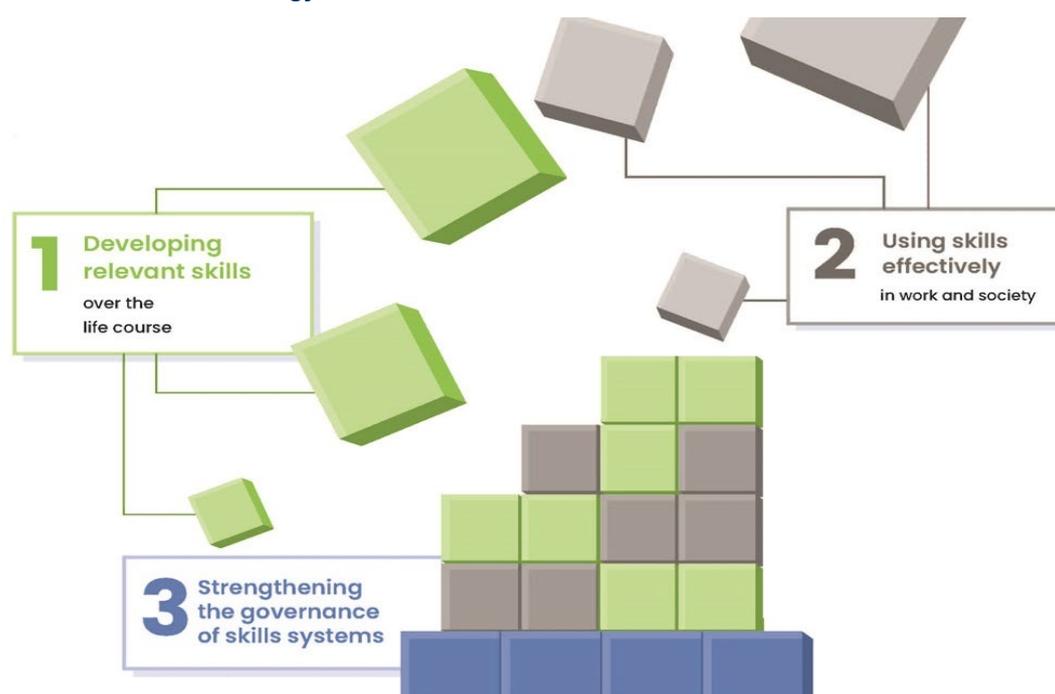
A highly skilled population will be key to the ability of Latvia and its people to thrive in this interconnected and rapidly changing world. People will increasingly need to upgrade their skills to perform new tasks in their existing jobs or acquire new skills for new jobs. Strong foundational skills will make people more resilient to changing skills demand, and digital, transversal, social and emotional, and job-specific skills, – will become essential for adults to succeed in both work and life. As stressed by the first principle of the European Pillar of Social Rights², high-quality and inclusive education, training and lifelong learning should be accessible for everyone to enable full participation in society and to successfully manage transitions in the labour market.

The OECD Skills Strategy project in Latvia

OECD Skills Strategy projects provide a strategic and comprehensive approach to assess countries' skills challenges and opportunities, and build more effective skills systems. The OECD works collaboratively with countries to develop policy responses tailored to each country's specific skills challenges and needs. The foundation of this approach is the OECD Skills Strategy Framework (Figure 1.1), the components of which are:

- **Developing relevant skills over the life course.** To ensure that countries are able to adapt and thrive in a rapidly changing world, all people need access to opportunities to develop and maintain strong proficiency in a broad set of skills. This process is lifelong, starting in childhood and youth and continuing throughout adulthood. It is also “life-wide”, occurring not only formally in schools and higher education, but also non-formally and informally in the home, community and workplaces.
- **Using skills effectively in work and society.** Developing a strong and broad set of skills is just the first step. To ensure that countries and people gain the full economic and social value from investments in developing skills, people also need opportunities, encouragement and incentives to use their skills fully and effectively at work and in society.
- **Strengthening the governance of skills systems.** Success in developing and using relevant skills requires strong governance arrangements to promote co-ordination, co-operation and collaboration across the whole-of-government; to engage stakeholders throughout the policy cycle; to build integrated information systems; and to align and co-ordinate financing arrangements. The OECD Skills Strategy project for Latvia supports this by forming an inter-ministerial National Project Team, to support a whole-of-government approach to skills policies, and by engaging a large number of stakeholders in two large workshops (the Assessment and Recommendations workshops) and focus group meetings.

Figure 1.1. OECD Skills Strategy Framework



Source: OECD (2019^[5]), *OECD Skills Strategy 2019: Skills to Shape a Better Future*, <https://dx.doi.org/10.1787/9789264313835-en>.

Four important themes emerged over the course of the project

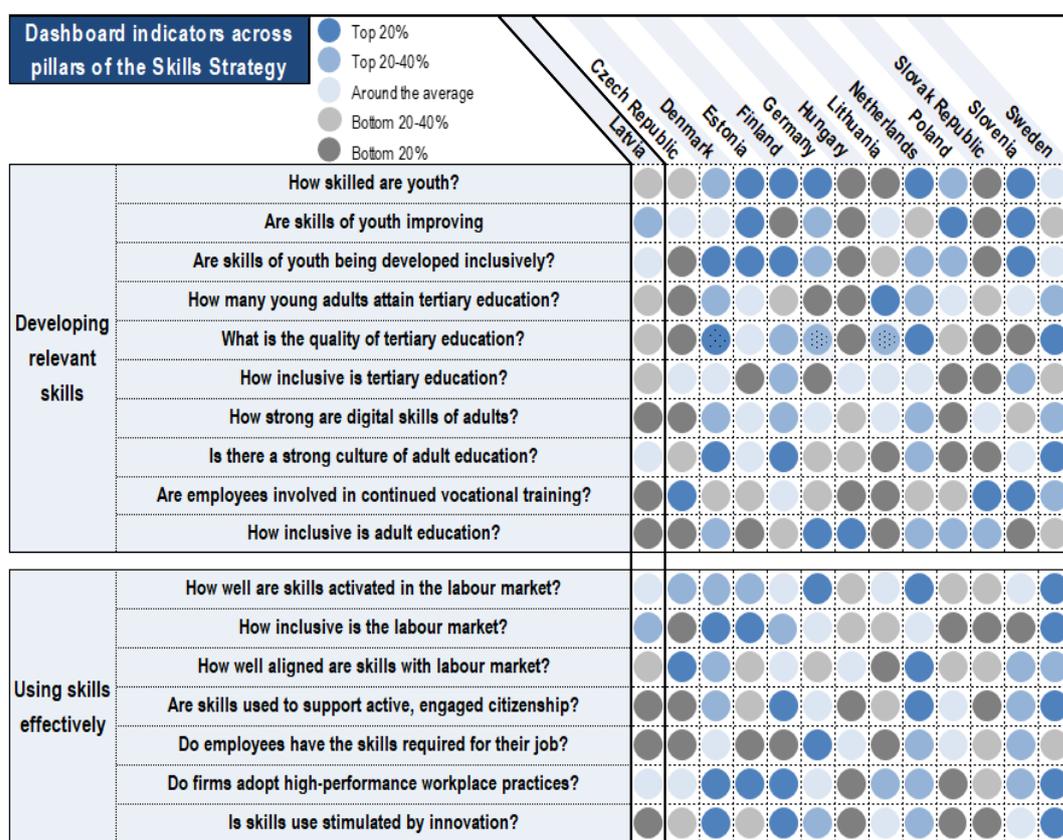
Four important themes for Latvia emerged from the widespread engagement and analysis undertaken in relation to the three components of the OECD Skills Strategy mentioned above:

- **Building capacity to improve the teaching workforce:** Latvia has engaged in an ambitious curriculum reform that involves a transition to a competency-based curriculum to better equip students with the skills they need to thrive in the 21st century. For this initiative to bear fruit, the skills of the ageing teaching workforce must be updated, the selection of candidates to the teaching profession should be reviewed, and a new life cycle approach to professional development, which is tightly linked to teacher appraisal, must be set out.
- **Ensuring a sustainable funding mechanism for adult learning:** Latvia has piloted many projects related to adult learning that are largely financed by European Structural Funds. This has allowed Latvia to expand counselling services for adults, support companies with providing training and upgrade the infrastructure of the vocational education competence centres, among other programmes. In order for these initiatives to be sustainable in the long term, funding sources should be broadened. Latvia could consider piloting a shared training fund in some sectors that employers contribute to and can draw from.
- **Creating incentives to retain and attract skilled workers:** Population ageing combined with the high emigration of skilled workers pose serious challenges to Latvia's ability to respond to changing skills demand. Skills shortages have increased in recent years and are evident in certain high-skilled occupations including engineers, various types of professionals and top managers. To retain talent and attract skilled workers, Latvia needs to improve working conditions and stimulate wage growth in high-demand occupations, while also taking a more active approach to recruiting foreign talent.
- **Monitoring and building capacity for coherent skills policies:** The institutions and individuals involved in Latvia's skills system require sufficient human and financial resources to fulfil their roles and collaborate with each other. To ensure that skills policies are co-ordinated, the state requires a better understanding of current capacity constraints in ministries, agencies and municipalities, as well as among key stakeholder groups. Government and social partners should form partnerships and invest to build their capacity for evidence-based, innovative and coherent skills policies.

Performance of the Latvian skills system

The OECD Skills Strategy Dashboard provides an overview of the relative performance of countries across the dimensions of the OECD Skills Strategy (as presented in Figure 1.2). For each dimension of the strategy there are a number of indicators, which sometimes are composite indicators made up of a number of other indicators. They provide a snapshot of each country's performance.

Figure 1.2. Skills Strategy Dashboard: Latvia and selected European countries



Note: These summary indicators are calculated as a simple average of a range of underlying indicators. All underlying indicators have been normalised in a way that implies that a higher value and being among the “top 20%” reflects better performance. Only aggregated indicators are presented for which more than half of the underlying indicators have data available. The “x” indicates insufficient or no available data, and dotted circles indicate missing data for at least one underlying indicator. This version of the Dashboard is specifically developed for OECD-EU countries as a response to the lack of data for Latvia in the Survey of Adult Skills, a product of the Programme for the International Assessment of Adult Competencies (PIAAC). As a result, the outcomes of performance indicators in this Dashboard are not comparable with the outcomes as presented in the OECD Dashboard included in the OECD Skills Strategy 2019.

Developing relevant skills

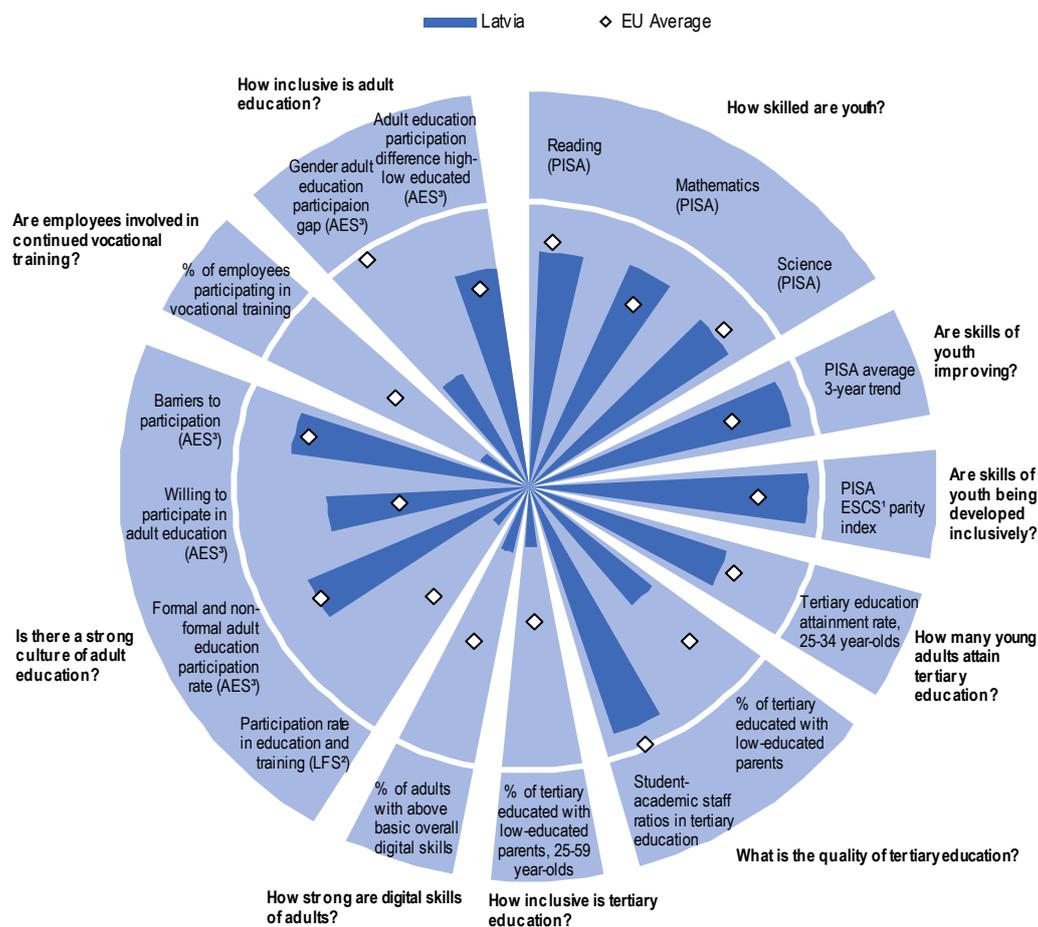
Despite good progress, Latvia has considerable room to further develop the skills of its youth

Figure 1.3 presents the key indicators of the dimension ‘Developing relevant skills’ in the Dashboard presented above, and shows the mixed overall performance of Latvia in skills development. Despite improvements in recent years, scores from the Programme for International Student Assessment (PISA) for Latvian 15-year-olds in science, reading and mathematics are all slightly below the OECD averages (OECD, 2016^[6]). Moreover, only 8.3% of Latvian students are top performers, which is lower than the OECD average (15.3%) and below neighbouring countries Estonia (20.4%) and Lithuania (9.5%). While the impact of socio-economic factors on student performance is below the OECD average, there are still performance gaps between groups (urban vs. rural; boys vs. girls) in all levels of education, from primary to secondary education. Vocational education and training (VET) could be strengthened in Latvia by reducing drop-out rates (17% of VET students dropped out in 2014/2015) and improving participation and the quality of education. Responding to these challenges requires a whole-of-government approach with

the involvement of all levels of government, as well as close collaboration with relevant stakeholders such as education institutions and teacher associations.

Figure 1.3. Key indicators for developing relevant skills

Normalised scores from 0 to 10, (0=minimum, 10=maximum) based on relative position in range of scores among countries, where a higher value reflects better performance



How to read this chart: The normalised scores indicate the relative performance, 0 for weakest performance and 10 for strongest performance across OECD countries. The further away from the core of the chart, the better the performance. For example, indicator 'Share of employees participating in CVT courses, 2015' has a low score in Latvia, indicating a share of employees participating in CVT courses near the bottom of the country ranking.

1. Economic, social and cultural status (ESCS).
2. Labour force survey (LFS).
3. Adult Education Survey (AES).

StatLink  <https://doi.org/10.1787/888934035417>

Educational attainment is high, but challenges remain

Unlike many OECD countries, almost all Latvians are educated to at least upper secondary level – only 12.4% of adults had not attained upper secondary education in 2017, compared with 20.7% in the OECD. In addition, Latvia has significantly increased participation in tertiary education. While in 2005 only 21.7%

of 25-34 year-olds attained tertiary education, this share almost doubled to 41.6% in 2017, which is slightly below the OECD average of 44.5%. Despite this improvement, much can be done to improve access to tertiary education for students from disadvantaged socio-economic backgrounds. Men are currently significantly lagging behind women – for 25-34 year-old men, only 29.8% attained tertiary education, compared with 53.9% of women.

In addition, despite recent improvements in the quality of tertiary education (for instance in the accreditation and licensing system for study programmes), Latvia should continue to make an effort to ensure high quality tertiary education. While an increasing number of Latvians enter tertiary education, there is a need to adjust the system to the demographic trends, fiscal realities, evolving labour market needs and wider national priorities. In addition, the quality of research can be improved in several areas, as demonstrated by the below average share of frequently cited scientific publications.

Skills of adults could be improved through a stronger culture of adult learning

Latvia needs to improve the skills of its population to meet the challenges of the future. Jobs will require higher levels of skills, and basic digital skills are becoming essential to be successful in work and life. Meeting this challenge will mean not only improving the skills performance of youth, but also helping adults to develop stronger skills. Many adults do not currently have the skills needed to adapt to these developments, for instance, only half the adult population has at least basic digital skills.

A culture of lifelong learning could support adults in adjusting to this change in skills demand. The Dashboard shows around average performance for Latvia in terms of developing a culture of lifelong learning, but this hides mixed performance across different measures of participation. The EU Labour Force Survey (LFS) shows that in 2018 only 6.7% of Latvian adults had participated in education and training in the last four weeks – a share below both the EU average (11.1%) and the EU target for 2020 (15%) (Eurostat, 2018^[7]). However, other surveys present more positive results, including the EU Adult Education Survey (AES). The AES, which measures participation within a year, showed a strong increase in participation between 2011 and 2016, and participation rates comparable with the EU average.

Strengthening the motivation of Latvian adults to learn will be important. Like most OECD countries, most adults in Latvia are not willing to participate in education and training (Eurostat, 2016^[8]). More than one in three adults did not participate and did not want to participate in the last 12 months, and almost half of the adults who did participate in education and training indicated not willing to participate in more. High-quality information on learning opportunities and the benefits of learning could help to raise motivation. However, even when Latvian adults are willing to participate, they face obstacles, and even more so than in most OECD-EU countries. In 2016, 48% of adults who were willing to but didn't participate in education and training considered costs as a barrier, and for 42% the work schedule was an obstacle to participation (Eurostat, 2016^[8]).

Using skills effectively

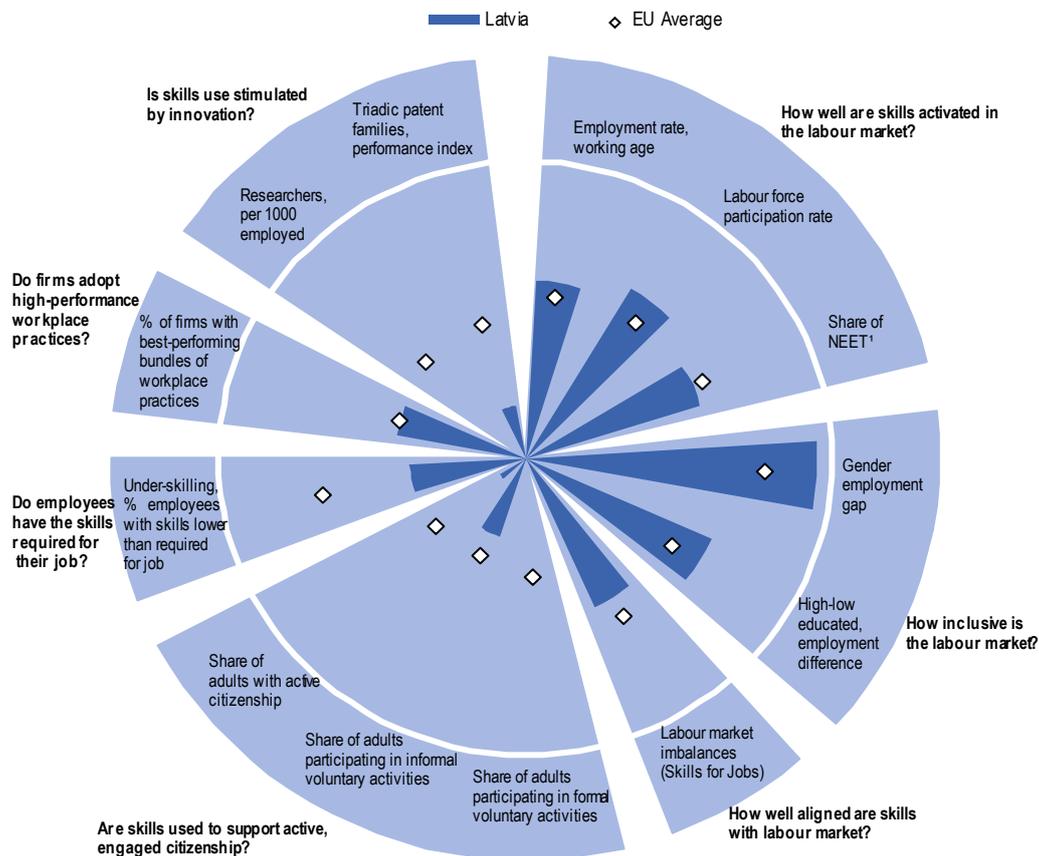
The skills of many Latvians are underutilised in the labour market

Despite a strong increase in the employment rate in recent years, the unemployment rate was still 7.4% in 2018, which is high compared to the OECD average of 5.3% (OECD, 2018^[9]) (Figure 1.4). Adults living in rural areas, especially in the eastern regions of Latvia, such as Latgale, are particularly affected by high unemployment, which can be double the national average or more. In addition, the rate of unemployment for younger generations is comparatively high, and a relatively high share of 15-29 year-olds is not in education employment or training (14.4% vs. 13.9% in the OECD in 2016). Long-term unemployment is above OECD levels – 38% of unemployed adults have not worked for at least one year, compared with 31% across OECD countries (OECD, 2018^[10]). However, the labour market is still relatively inclusive, with

differences in employment between men and women among the smallest in the OECD, and those who are both high and low educated benefiting from employment opportunities (OECD, 2018^[9]).

Figure 1.4. Key indicators for using skills effectively

Normalised score from 0 to 10, (0=minimum, 10=maximum) based on relative position in range of scores among countries, where a higher value reflects better performance



How to read this chart: The normalised scores indicate the relative performance, 0 for weakest performance and 10 for strongest performance across OECD countries. The further away from the core of the chart, the better the performance.

1. Youth not in employment education or training (NEET).

StatLink  <https://doi.org/10.1787/888934035436>

Skills imbalances in the Latvian labour market hamper growth

High emigration and population ageing have contributed to widespread labour and skills shortages. Over two-thirds of employers report that skills shortages are a major obstacle to long-term investment decisions (EIB, 2017^[11]), and these shortages appear particularly acute in science, technology, engineering and mathematics (STEM), as well as in health and social welfare. About 21% of adult employees report having higher skills than necessary for their job, while 10% report having too low skills for their job, according to Cedefop's Skills Panorama (Cedefop, 2019^[12]). By international comparison, however, this rate of under-skilling is high, and is only higher in Estonia (15%) and Lithuania (12%). High emigration and population ageing may push employers to hire workers who do not have the skills or qualifications necessary for the job, because they cannot find workers who match their needs. Latvia can make large

gains in productivity by reducing skills imbalances in the labour market, including by strengthening the responsiveness of the tertiary education system to changing skills demand.

Skills can be used more effectively in workplaces, especially to raise productivity

Latvia enjoyed strong productivity growth until the early 2000s; however, as in many OECD countries, productivity growth has slowed significantly in the past decade (OECD, 2017^[13]). There is clear evidence that the intensive use of skills in workplaces is associated with higher productivity, but various indicators suggest that Latvia is not fully benefiting from the skills developed. Not only do many employees not have the right skills for their job (Cedefop, 2019^[12]), but employee engagement could also be improved as a comparatively large share of employees do not feel involved in improving or influencing their work (Eurofound, 2015^[14]). Skills are also not being used as intensively as they might be outside of the workplace. This is partly demonstrated by very low participation in voluntary activities and active citizenship.

Technological adoption plays a critical role in achieving productivity gains and supporting demand for skilled workers (OECD, 2017^[15]); however, Latvia has been slow to adopt new technologies, and the adoption of workplace practices that support strong overall performance is only average. In addition, Latvia is lagging behind in almost all measures of innovation – the share of researchers and the share of enterprises being innovative are both approximately half the OECD average, and only Chile spends less on research and development than Latvia among OECD countries (OECD, 2018^[11]). However, since 2011, Latvia has been among a group of European countries where innovation performance increased the most, and it is of crucial importance to maintain this trend. By enhancing overall innovation, workplaces could improve performance and support the effective application of skills, with all its related social and economic benefits.

Policy context in Latvia

Latvia has a long history of developing strategic policies to address challenges and seize opportunities of societal and economic changes. As part of this tradition, the Latvian Government has already taken various steps to address many of the challenges identified in this section. These efforts go in the right direction and have the potential to generate the policy outcomes the country needs to strengthen adult education and training and to more effectively use skills at work and in society.

In the last decade, the Latvian Government has identified various skills and education goals. These long-term policy initiatives are of a diverse nature with different durations, target groups and topics within the field of education and skills. The most long-term and comprehensive strategy is the Sustainable Development Strategy for 2030 (Latvia 2030), which defines a broad range of development priorities, strategic indicators, objectives, development directions, areas of action and performance indicators.

The National Development Plan of Latvia for 2014-2020 (NDP2020) is hierarchically the highest medium-term development planning document. In addition to this strategy, various mid-term sectoral strategies have been developed, including the Education Development Guidelines for 2014-2020 (EDG2020, the main national level strategy in education), the Latvian Smart Specialisation Strategy, Guidelines on National Industrial Policy for 2014-2020, the Implementation Plan on Adult Education Governance Model 2016-2020, and the inclusive Employment Guidelines 2015-2020. Other strategies have been developed to support EU targets and funding, for instance the Latvian National Reform Programme for the Implementation of “EU 2020” Strategy and the European Structural Funds Operational Programme (OP) “Growth and Employment”. The OP “Growth and Employment” combines supports from different EU funds and aims to provide support to economic growth and employment, with a particular focus on the competitiveness of Latvia’s economy. The OP has 11 priority axis and a large number of

underlying, specific objectives (SO). Various projects linked to these SO are relevant for this OECD Skills Strategy project and will be discussed in more detail in this report.

The Education Development Guidelines for 2014-2020 (EDG2020) is the mid-term planning document most directly related to the OECD Skills Strategy project. As the main national level strategic document for education development it defines the overarching goal of high-quality, inclusive education for the development of personality, social welfare and sustainable development in Latvia. As EDG2020 terminates in 2020, this OECD Skills Strategy project is intended to support the development of Latvia's new National Medium-term Strategy for Education and Skills for 2021-2027.

The Latvian government recently introduced several reforms and policies in the field of skills and education, many of which are steps in the right direction to address the challenges identified in this section and throughout the report. These reforms and policies include various regulations for pre-school education, basic education, secondary education, special education, and vocational education, as well as regulations for higher education, and the opening and accreditation of study directions and study programme licensing. Moreover, a number of regulations have been adopted for teachers, including regarding remuneration, quality assessment, requirements for initial education, professional qualifications, and the improvement of teachers' professional skills. For education institutions, new regulations also focus on their accreditation, funding, standards and examination procedures. These reforms and policies will be addressed in more detail in the full report.

The most recent initiatives directly related to improving the development and use of skills provide an indication of how actively the Latvian government has worked to address skills challenges.

Priority areas and recommendations

Based on this assessment of the overall performance of the Latvian Skills System and the feedback from the Latvian Government, four priority areas have been identified for the Skills Strategy in Latvia:

1. Strengthening the skills outcomes of students (Chapter 2 in the full report).
2. Fostering a culture of lifelong learning (Chapter 3 in the full report).
3. Reducing skills imbalances in the labour market (Chapter 4 in the full report).
4. Strengthening the governance of the skills system (Chapter 5 in the full report).

These priority areas will be discussed in detail in the full report, which present in-depth analysis and findings from two stakeholder workshops, focus group discussions, and bilateral meetings during the project, which all led to a number of concrete recommendations.

Strengthening the skills outcomes of students

Skills are critical to the success of people and of society as a whole, and higher levels of cognitive skills are associated with a number of desirable outcomes. Developing skills at an early age is, therefore, a key investment in the economic prosperity and well-being of countries. Across the OECD, adults with higher literacy proficiency are more likely to be employed, earn high wages, trust others, participate in the democratic process and community life, and report good health than their less-skilled peers. For countries, skills are a key driver of innovation, productivity and, ultimately, economic growth, social cohesion and higher living standards (OECD, 2016_[16]).

Developing strong skills in youth not only paves the way to success in higher education and the labour market, but also helps foster a culture of lifelong learning that can shield individuals against technological displacement. Countries whose youth develop strong skills typically also have highly skilled adult populations, as skills outcomes in youth are strongly correlated with success in tertiary education and

participating in further learning in adulthood (OECD, 2019^[6]). Strengthening student outcomes will be essential for Latvia to achieve its aspirations.

Opportunity 1: Building capacity to improve the teaching workforce

Teachers have been found to be the most important school-related factor explaining student outcomes (Schwartz, Wurtzel and Olson, 2007^[17]). Any country aiming to keep its education system internationally competitive needs to recruit, retain, develop and nurture a high-quality teaching force. In its 2005 report, “Teachers Matter: Attracting, Developing and Retaining Effective Teachers”, the OECD comprehensively reviewed teacher policies in 25 countries, and confirmed how prevalent the concern is across nations about the supply and quality of teachers (OECD, 2005^[18]).

Opportunity 2: Fostering continuous quality improvement from ECEC to secondary education

Evaluation and assessment arrangements are key to improvement and accountability in school systems. Governments and education policy makers are increasingly focused on the evaluation and assessment of students, teachers, school leaders, schools and education systems. These assessments are used as tools to better understand how well students are learning, to provide information to parents and society at large about educational performance, and to improve the school, school leadership and teaching practices (OECD, 2013^[19]). Latvia is currently reviewing these arrangements to complete the existing framework and align it to the new curriculum requirements.

Opportunity 3: Improving equity between urban and rural areas

Ensuring equity in education is a key policy challenge in Latvia. Equity in education means that schools and education systems provide equal learning opportunities to all students (OECD, 2018^[20]), and Latvia’s education system shows a mixed picture in terms of equity. On the one hand, the compulsory education system is relatively inclusive, for example, the impact of socio-economic factors on student performance is below the OECD average. On the other hand, there are wide regional disparities in student outcomes. Latvian students in rural schools have on average lower skills and are less likely to continue further studies. Rural schools face many challenges, including attracting the most talented teachers and preventing drop-out. Furthermore, the declining student population puts pressure on rural schools to remain efficient with low student numbers.

Opportunity 4: Strengthening vocational education and training (VET)

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. Latvia estimates that demand for VET graduates will be higher than supply by 2035 (Ministry of Economics, 2018^[21]). In recent years, Latvia has undertaken several reforms to strengthen its VET system, including a curriculum reform, the development of educational standards and qualifications, modular VET programmes, teacher training and closer co-operation with employers, and has begun to develop a work-based learning framework based on the results of pilot projects. While these reforms are significant steps in the right direction, there remain important challenges in the VET system, such as the difficulty to attract candidates, and high drop-out rates (Ministry of Economics, 2018^[21]).

Recommendations for strengthening the skills outcomes of students

Opportunity 1: Building capacity to improve the teaching workforce

Attracting and selecting the best candidates to build a skilled pool of new teachers.	Fully Implement the reviewed teaching standards and ensure that they align with and promote the implementation of the new competency-based curriculum.
Promoting a life cycle approach to professional development.	Consider establishing a separate body to raise the quality of teachers and promote the teaching profession. Develop schools as learning organisations in the long-term to empower teachers to put the curriculum into practice.

Opportunity 2: Fostering continuous quality improvement from early childhood education and care (ECEC) to secondary education

Reviewing the appraisal system.	Develop occupational standards for school leaders and ECEC support staff, and ensure that developed standards are aligned with the new curriculum.
Strengthening school evaluation.	Consider strengthening the role of the State Education Quality Service to support low-capacity education institutions and municipalities. Establish a procedure for assessing the quality of education for the pre-primary education institutions. Foster greater policy coherence by embedding school evaluation and external evaluation within a broader evaluation and assessment framework that supports the introduction of the new curriculum.
Strengthening system level monitoring.	Develop a common assessment tool to monitor child development and ensure pre-primary education quality. Develop a set of indicators that could flag education institutions in need of support, including low performing education institutions. Finalise and implement a comprehensive monitoring system.

Opportunity 3: Improving equity between urban and rural areas

Reviewing the school consolidation process.	At the national level, define a set of transparent quantitative and qualitative criteria for decisions-making around consolidating schools, in order to strengthen the founder's responsibility in establishing and operating an efficient school network. Consider designing incentives to motivate highly competent teachers to teach in rural areas.
Ensuring equal access to quality ECEC.	Establish means-tested support from municipalities to reduce the financial burden associated with ECEC.

Opportunity 4: Strengthening vocational education and training (VET)

Boosting vocational education take-up.	Embed career/learning guidance for students and their parents in the education system.
Reducing the drop-out rates of VET students.	Establish a VET graduate tracking system to improve the tracking of drop-outs.
Improving the quality and labour market relevance of VET.	Mainstream the "Effective management for VET schools" (SO 8.5.3.) project that promotes, among other, teacher and school leader training. Continue strengthening work-based learning implementation. Develop a co-funding instrument to fund Sector Expert Councils for the medium term.

Fostering a culture of lifelong learning

There is a growing need in Latvia to upgrade and reskill regularly in adulthood in the context of technological change, more frequent transitions between jobs, the growth of non-standard forms of work

(and by extension less access to employer sponsored training) and the lengthening of working lives. Higher skilled adults typically have higher earnings and employment rates, report better health, feel included in political processes and have more trust in others than low-skilled adults. In this report, the focus is on the notion of a lifelong learning culture as it relates to adults and how much they engage in adult learning.

Adult learning is essential for boosting the skills of adults, and can generate a range of personal, economic and social benefits. According to the OECD Priorities for Adult Learning indicators, which combines a number of different indicators on adult skills, population ageing, automation, structural change and globalisation, Latvia is ranked as the fourth highest country in terms of urgency of getting the adult learning system ready for the future (OECD, 2019^[22]).

Opportunity 1: Raising awareness about adult learning

Adult motivation to engage in learning is a key determinant of observed participation levels in adult learning. Motivation is considered to be key for successful adult education engagement (Carr and Claxton, 2002^[23]), even more significant than socio-economic background (White, 2012^[24]). Raising awareness about the potential benefits of adult learning and how to access it is critical for fostering adult learning. Information about adult learning opportunities needs to feed into awareness raising initiatives and must reach end users in a tailored and user-friendly form. Targeted guidance and counselling services are needed to ensure that end users know how to interpret and act upon the information.

Opportunity 2: Reducing barriers to adult learning

Even when there is motivation to participate in adult learning, external barriers can still make participation difficult for adults. According to the Adult Education Survey, the most significant barriers in Latvia are finances, time and family responsibilities. There are a number of different financial instruments that can help reduce the cost of adult learning. For employed adults, finding the time for adult learning can be challenging. For this target group, participation in adult learning could be raised through creating incentives for employers to invest and support adult learning for their employees. Those with family responsibilities, in particular adults with young children, may find it difficult to combine raising children with participating in training. This highlights the importance of having childcare options available during training times.

Opportunity 3: Expanding the provision of adult learning

Participation in formal adult education in Latvia is below the average. Improving the provision of adult learning opportunities in formal adult education could raise the overall participation rate. With population ageing and emigration combining to decrease the size of Latvia's traditional student population, it is in the long-term interest of these institutions to expand their course offering to adult learners. VET schools, in particular the Vocational Education Competence Centres, as well as tertiary institutions could train their staff to accommodate adult students, tailor their course offerings to the specific needs of adults, deliver courses in flexible and modular formats and play a proactive role in reaching out to adult learners.

Opportunity 4: Raising the quality of adult learning

Simply raising awareness, removing barriers and expanding the provision of adult learning opportunities do not guarantee strong adult learning outcomes: it is also critical to have high-quality adult learning programmes. Evidence suggests that countries with high-quality systems for formal and non-formal adult education tend to have higher participation rates in adult learning (Broek and Buiskool, 2013^[25]). Quality criteria in particular for non-formal adult education are needed. Relevant stakeholders could be engaged in order to determine together how to measure the quality criteria, how to evaluate and monitor them and how to support adult learning staff to implement them.

Recommendations for fostering a culture of lifelong learning

Opportunity 1: Raising awareness about adult learning	
Raising the level of motivation among adults.	Co-ordinate awareness raising campaigns targeting unmotivated adults about the value of adult learning through a central body that fosters co-operation across ministries and between government and stakeholders.
Improving guidance and counselling.	Improve guidance and counselling through a sustainable funding model. Provide ongoing training for guidance counsellors.
Opportunity 2: Reducing barriers to adult learning	
Providing financial means to reduce the cost of adult learning.	Explore piloting a shared training fund in some sectors that employers contribute to and can draw from.
Encouraging employers to enable participation in adult learning during working hours.	Explore the viability of introducing a mandatory requirement for employers to provide or support participation in adult learning for their employees.
Providing complementary social policies to make adult learning feasible for those with family responsibilities.	Promote collaboration between adult learning providers and municipalities to provide childcare options near to adult learning programmes.
Opportunity 3: Expanding the provision of adult learning	
Expanding the provision of adult learning in VET, especially Vocational Education Competence Centres.	Strengthen the management and pedagogical capacity of the VET schools, in particularly Vocational Education Competence Centres to deal with adult students.
Expanding the provision of adult learning in tertiary education.	Promote a strategic role of tertiary education institutions to engage adult learners.
Opportunity 4: Raising the quality of adult learning	
Raising the quality of adult learning.	Work with relevant stakeholders to define quality criteria, particularly in non-formal adult education.

Reducing skills imbalances in the labour market

Skills imbalances imply costs for individuals, firms and the economy as a whole. As the skills needed in the labour market continue to undergo changes due to globalisation, digitalisation, and demographic change, reducing skills imbalances remains a pressing policy priority. In Latvia, the emigration of highly-educated workers is a significant challenge and has contributed to skills shortages. Most employers report that skills shortages are a major obstacle to long-term investment decisions (EIB, 2017^[11]). These shortages appear particularly acute in STEM fields but also in occupations related to health and social welfare. The share of Latvian workers who are under-skilled for their jobs is high by international standards, and 18% of workers are under-qualified (compared to 12% who are over-qualified). De-population may push employers to hire workers who do not have the skills or qualifications necessary for the job, because they cannot find workers who do. Addressing skills imbalances has been a key challenge for Latvia in recent years, and has been highlighted in several national policy planning documents (Latvia2030, NDP2020, Guidelines on National Industrial Policy for 2014-2010).

Opportunity 1: Strengthening the responsiveness of the tertiary education system to changing skills demand

There is room for improvement in aligning tertiary education to changing skill needs. Latvia has already taken steps to steer education investments towards in-demand skills through financial incentives and funding mechanisms. Better collaboration between higher education institutions and employers is needed, as well as efforts to extend work-based learning opportunities to tertiary education, and to raise awareness about the importance of career guidance among university management.

Opportunity 2: Retaining talent in Latvia by stimulating sustainable wage growth and improving working conditions

The emigration of highly educated workers is a major challenge for Latvia, and contributes to skills shortages. To stem the flow of highly educated emigrants out of the country, Latvia should improve overall job quality in all occupations, but particularly in high-demand occupations. Job quality improvements would make Latvia a more attractive place to work for return migrants, as well as other skilled workers from abroad – both of which could help to alleviate skills shortages.

Opportunity 3: Facilitating internal mobility and attracting skilled workers from abroad

To address skills shortages in the context of a declining population, Latvia should facilitate internal mobility and to attract workers from abroad who have the skills necessary to fill positions in shortage occupations. Latvia needs to make the most of its existing skills supply by creating favourable conditions for internal labour mobility. Latvia could also develop policies to attract skilled workers from abroad who have the skills needed to fill positions in shortage occupations.

Recommendations for reducing skills imbalances in the labour market

Opportunity 1: Strengthening the responsiveness of the tertiary education system to changing skills demand	
Fostering collaboration between tertiary education institutions and industry.	Build the capacity of SECs to engage in updating and designing curricula in tertiary education.
Encouraging employers to provide work-based learning.	Assist employers in pooling the responsibilities of providing work-based learning opportunities in tertiary education.
Raising awareness about the role of career guidance in tertiary education.	Raise awareness among university management concerning the importance of career guidance services.
Opportunity 2: Retaining talent in Latvia by stimulating sustainable wage growth and improving working conditions	
Upgrading to higher value-added activities in global value chains.	Support SMEs who face constraints in moving to higher value-added activities.
Improving the use of skills in the workplace.	Support SMEs in making optimal use of their employees' skills.
Improving access to social protections.	Strengthen collective agreements and union coverage to give workers the capacity to negotiate better wages.
Opportunity 3: Facilitating internal mobility and attracting skilled workers from abroad	
Facilitating internal mobility.	Facilitate internal labour mobility by addressing rental housing market barriers.
Attracting skilled workers from abroad.	Develop Latvia's "smart migration" policy. Increase the supply of job-oriented language training.

Strengthening the governance of the skills system

Effective governance arrangements are the foundation of Latvia's performance in developing and using people's skills. In many regards, skills policy is fundamentally different from other policy areas. On the one hand, investing in skills is widely popular across different electoral and political constituencies (Busemeyer et al., 2017^[26]) as the benefits for economic development and social inclusion are broadly recognised. On the other hand, skills policy is more complex than many other policy areas because it is located at the intersection of education, labour market, industrial and other policy domains. Therefore, the success of policies to develop and use skills typically depends on a wide range of actors, including different levels of government, learners, educators, workers, employers and trade unions.

Effective governance of Latvia's skills system requires effective whole-of-government co-ordination, stakeholder engagement, information systems and funding arrangements. Whole-of-government co-ordination between ministries and with subnational authorities helps to ensure that skills policies are

coherent, efficient and successfully implemented. Government engagement with employers, trade unions, education and training providers, civil society organisations, etc. in skills policy-making enables policy makers to access on-the-ground expertise and can foster support for implementation. Building integrated information systems harnesses the potential of skills and learning data to optimise the design and implementation of skills policies. Aligning and co-ordinating financing arrangements is essential to ensure that skills funding is sufficient, well targeted and sustainable in the long term.

Opportunity 1: Strengthening strategies and oversight for skills policy

Effective strategy and oversight bodies are part of the “enabling conditions” to support a whole-of-government approach to skills policy, and are necessary for stakeholder engagement, integrated skills information and co-ordinated financing. Latvia has numerous high-level strategies covering different aspects of skills development and use. However, Latvia lacks a shared and integrated vision for skills to steer diverse government actors and stakeholders in the same direction. Responsibility for overseeing skills policies is fragmented across a large number of inter-ministerial and cross-sectoral bodies in Latvia, with no single body responsible for skills development and use. In some instances, Latvia’s oversight bodies lack analytical capacity and support, decision-making authority and/or accountability to ensure they effectively co-ordinate and improve skills policy making.

Opportunity 2: Improving co-operation at different levels of government and with stakeholders

Effective co-ordination between Latvia’s ministries, agencies, and municipalities (*novadi*) will be essential for implementing lifelong learning and integrating skills and learning information. Latvia has a range of government rules and procedures in place for inter-ministerial co-ordination, and these are generally effective. However, Latvia can strengthen inter-ministerial co-ordination of skills policies by moving beyond mere co-ordination, to partnerships in which ministries co-design, co-fund and/or co-deliver skills policies and programmes. Sub-national authorities have lacked representation in national fora, performance based national regulation and softer vertical co-ordination mechanisms (such as agreements). Capacity constraints at both levels of government limit vertical co-ordination. Despite various promising examples, subnational co-operation on skills policies could be more systematic and substantive. In policy making, stakeholder engagement is common but its impact and quality appears limited, in part because some stakeholder groups lack engagement capacity.

Opportunity 3: Building an integrated monitoring and information system on skills

As skills systems evolve and become more complex, managing data and information on skills and learning becomes a key policy issue. Effective information systems can inform the decisions of learners, education providers, firms and policy makers, and ultimately help diverse actors form a shared understanding of the challenges, opportunities and priorities for skills. Latvia has many systems in place to generate skills information, which it continues to develop. However, there are information gaps on some forms of learning, educational expenditure and, especially, the performance of learning providers and programmes. Information on available learning opportunities and skills needs could be better integrated and more user friendly. Stakeholders could play a greater role in validating skills needs information. Finally, government lacks capacity to make full use of available skills and learning information in policy making.

Opportunity 4: Raising, targeting and sharing investments in lifelong learning

Governments, individuals and employers need to work together to share the costs of investing in lifelong learning. Government alone cannot shoulder these costs, but certain individuals and firms are unlikely to invest in learning without external support. Latvia spends less on educational institutions per student than

the OECD average, at all levels of formal education. Employers and individuals spend relatively little on tertiary and adult education and training. Latvia is highly reliant on state funds for formal, first-chance education, and on European Structural and Investment Funds in adult learning. Latvia lacks a clear framework or agreement on how to sustainably share the costs of funding lifelong learning between government, employers and individuals. Funding for lifelong learning in Latvia is not allocated based on strong evidence about which programmes work best. It could also be allocated more equitably across regions.

Recommendations for strengthening the governance of the skills system

Opportunity 1: Strengthening strategies and oversight for skills policy	
Creating a comprehensive and influential education and skills strategy.	Ensure that Latvia's medium-term Strategy for Education and Skills 2021-2027 clarifies skills concepts, covers lifelong learning and skills use, and builds accountability.
Ensuring effective oversight of the education and skills strategy.	Appoint a whole-of-government and cross-sectoral steering group with decision-making capacity to oversee the Strategy for Education and Skills 2021-2027.
Opportunity 2: Improving co-operation at different levels of government and with stakeholders	
Strengthening the inter-ministerial co-ordination of skills policy.	Strengthen the Cross-Sectoral Coordination Centre's and Employment Council's roles in the inter-ministerial co-ordination of skills policy.
Strengthening co-ordination between the state and municipalities on skills policy.	Strengthen co-ordination between national and subnational authorities on skills policy in the context of Latvia's administrative territorial reform. Strengthen civil servants' capacity to fulfil their roles to co-ordinate and collaborate on skills policy.
Strengthening co-operation on skills policy at the subnational level.	Give subnational bodies a greater role in co-ordinating skills policy, while supporting the spread of good inter-municipal co-operation practices. Provide financial incentives for inter-municipal and public-private partnerships to deliver skills services.
Improving stakeholder engagement with skills policy makers and providers.	Build the trust and capacity of stakeholders, while supporting the spread of good engagement practices.
Opportunity 3: Building an integrated monitoring and information system on skills	
Improving information on learning participation, expenditure, outcomes and opportunities.	Develop a comprehensive dataset on lifelong learning, building on the VIIS and BURVIS databases. Consider merging and building upon existing portals to develop an integrated, comprehensive and user-friendly online portal about education and training opportunities, qualifications and guidance services.
Improving the quality and use of skills needs information.	Develop a comprehensive skills assessment and anticipation system with input from, and shared oversight by, social partners. Strengthen the role of sectoral expert councils with the support from industry to validate and provide high quality information on sectoral skill needs and trends. Build government's capacity in order to improve the use of skills and learning data and information in evidence-based policy making.
Opportunity 4: Raising, targeting and sharing investments in lifelong learning	
Ensuring sufficient, shared and stable expenditure on lifelong learning.	Develop a cross-sectoral funding agreement for lifelong learning, and allocate state funds towards adult learning.
Increasing the impact and equity of lifelong learning funding.	Increase the impact of lifelong learning funding through greater performance-based funding. Ensure equitable funding for lifelong learning across regions through greater cost- and needs-based funding of municipalities.

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Notes

¹ The OECD Skills Strategy applies a broad definition of skills, including cognitive skills (e.g. literacy and numeracy), meta-cognitive skills (e.g. critical thinking, complex problem solving, creative thinking), social and emotional skills (e.g. conscientiousness, responsibility, empathy), and the professional, technical and specialised knowledge and skills needed to meet the demands of specific occupations.

² Presented by the European Commission in 2017, the European Pillars of Social Rights are about delivering new and more effective rights for citizens, by building upon 20 key principles, structured around three categories: i) Equal opportunities and access to the labour market, ii) Fair working conditions, and iii) Social protection and inclusion (European Commission, 2017^[27]).

OECD Skills Strategy Latvia

ASSESSMENT AND RECOMMENDATIONS

Skills are the key to shaping a better future. Skills are central to the capacity of countries and people to thrive in an increasingly interconnected and rapidly changing world. Megatrends such as globalisation, technological advance and demographic change are reshaping work and society, generating a growing demand for higher levels of skills, as well as new sets of skills.

OECD Skills Strategy projects provide a strategic and comprehensive approach to assess countries' skills challenges and opportunities, and build more effective skills systems. The OECD works collaboratively with countries to develop policy responses that are tailored to each country's specific skills needs. The foundation of this approach is the OECD Skills Strategy framework, which allows for an exploration of what countries can do better to i) develop relevant skills over the life course, ii) use skills effectively in work and in society, and iii) strengthen the governance of the skills system.

This report OECD Skills Strategy Latvia: Assessment and Recommendations identifies opportunities and makes recommendations to strengthen the skills outcomes of students, foster a culture of lifelong learning, reduce skills imbalances in the labour market, and strengthen the governance of the skills system.

