

Guest-workers: Latvia's opportunities, benefits and interests

Ivars Indāns, Dr.demogr.

Joining the European Union (EU) has been the most important event of the Latvia's external and internal policy since the renewal of independence of the state. Latvia's participation in the EU has changed and influenced economic, social and internal development of the state. One of the most visible phenomena supported by the EU is free movement of labour which in Latvia's case meant rapid impact on demographical situation, namely, unpredictably high growth of international migration. As a result of massive emigration, Latvia has lost about 200 thousand inhabitants of active labour in reproductive age. Taking into account the low birth rate, emigration facilitates depopulation of Latvia. Since 2008, when Latvia was hit by the financial crisis, the trend of emigration got stronger. While Latvia is losing labour at large-scale, it will be increasingly difficult to ensure GDP growth in the long-term – although it gradually resumed in the 2010 on the account of export-oriented industries. Economic situation dictates the need for elaboration of migration policy, the basis of which was created in the period until Latvia joined the EU. Depopulation of Latvia's inhabitants and negative migration rates inevitably raises the question of attracting labour from abroad.

Causalities of international migration and development of the EU policy

When creating migration policy of Latvia, it is important to take into account factors which arise as a result of processes of social dynamic and migration, which have links to the globalization and in the same time depend on the impact of political environment and public processes. There are two opportunities from the ideological view-point. Liberals think that international migration is positive for the interests of migrants (improve quality of life), receiving countries (increase in tax turnover), and countries of origin (transfers of money by migrants facilitate development). National conservative approach is based on assumptions that international migration worsens conditions of the majority of migrants (social discrimination), receiving country suffers of social costs and society segregation, while countries of origin loose labour and human resources, thus increasing the risk of poverty.

Last decades show that international dependency and globalization stimulates liberal approach, which is based on economic benefits. Precondition of that is diminishing the role of the state in the governance of international migration processes, but one of the factors causing impact on the migration can be policy of governments and international organizations. Effectiveness of immigration policy is characterized by the following indicators and criteria which are bound to these two above mentioned approaches: economic impact, social integration, political integration, impact on demography, social discrimination, investment in human resources, fiscal effect, impact on the growth of GDP, illegal migration.

Majority of the EU Member States have included migration in the strategy in order to address future labour shortage. However, there are differences in the extent of the approach to which migration is seen as a desirable strategic tool to address the needs of labour. The analysis of the EU migration policy shows that an increasing number of the Member States establish and implement migration policies based on the economic benefits, paying special attention to attracting highly skilled labour and foreign students. These tendencies of the European countries reflect also in the development of the policy and rights of the EU. Although different models of migration management are implemented in the Member States of the EU, after the economic

crisis an increasing number of countries have been developing selective migration policy approach in order to facilitate economic competitiveness in global markets.

Analysis of Latvian immigration policy

When analysing immigration policy of Latvia, the theoretical assumption of the policy goals should be taken into account. When making the migration policy, two view-points have been particularly significant. One of them is the economical view-point on market behaviour. This view-point is based on the neoclassical calculations of costs & benefits: people move if it maximises their own individual benefit (mostly through higher income) and stop moving away or even come back if equations of costs & benefits change. Positive approach is based on efforts to involve external factors, including immigrants, and use these factors for economic development. Second view-point is a bureaucratic one, and it regulates their reception and residence, thus effectively making common behaviour. Negative approach is directed towards limiting and controlling migration.

Latvia does not have any strategy for the economical migration. Until now, bureaucratic-regulatory approach of migration issues has dominated in Latvia. Reception order of work-force from the third countries is regulated financially and administratively. Therefore, the number of incoming employees is insignificant in Latvia, although it is tended to increase. In Latvia's circumstances, one of the migration risks is that providing some support for guest-worker attraction may lead to decrease of employers' motivation to increase productivity, improve work conditions and system of social guaranties. Since employers would choose to attract cheap work-force from third countries, there could be unfavourable impact on development of local market; besides there will be the need for investments to integrate quest-workers, as well as returning of emigrated inhabitants of Latvia will not be facilitated.

Data obtained as a result of a survey¹ that was carried out by the Author in 2012 show that in general, immigration policy of Latvia does not correspond to the interests of a majority of entrepreneurs. 49,1% of entrepreneurs in all industry sectors irrespective of the number of employees, amount of financial turnover, and geographical location think that current immigration policy (i.e. work-force attraction) of Latvia does not comply or rather does not comply with the interests of entrepreneurs. Only 14,8% of all surveyed entrepreneurs think that immigration policy of the state complies with the interests of entrepreneurs. It justifies the need to change immigration policy according to the interests of some companies that operate in specific industry sectors, especially regarding strengthening and development of companies with the most potential of export. It should be critically assessed that companies of manufacturing and service sectors are the most critical when giving their evaluation of current immigration policy.

¹ In order to acquire an opinion of entrepreneurs, the Author in cooperation with market and social research company SKDS carried out a survey of managers from 750 companies in March 2012. The sampling method was quota sampling from data base of CSB and publicly available data bases of companies. In the framework of the survey, quota of several degrees was executed by taking into account division of companies according NACE codes. The survey methods were CATI (phone interviews), CAWI (Internet survey). Size of the target group was proportional to the industry's (according NACE code) contribution to the GDP of Latvia. Obtained data were weighted according to the statistics of the CSB on distribution of Latvian companies according to the number of their employees and industry, and according to the financial turnover during last financial year. All companies according their amount of turnover are divided in five similar groups – quintiles; 1st quintile comprises companies with the lowest turnover, but 5th – companies with the highest turnover.

Manufacturing companies have growing and material percentage in the export structure of Latvia, thus affecting the overall performance indicators of the GDP growth.

Also when companies are compared by the number of employees, it can be seen that in companies with 50-249 employees and starting from 250 employees and more, 38,4% admit that immigration policy absolutely and in 50,5% cases partly does not comply with the interests of the companies. The biggest Latvian companies, in terms of number of employees, are particularly important since volume of their economic activity directly affect size of the GDP. Also considering the attraction of foreign investments and creation of new companies, the liberal immigration policy can materially increase the interest of big international companies about investments in Latvia.

Survey data prove that regardless of the company's annual financial turnover, the majority thinks that current immigration policy of Latvia not at all (38,3%) or partly (53,4%) does not comply with the interests of entrepreneurs. This is typical for both – companies with relatively small annual turnover and companies with the highest turnover. Companies which are the largest in financial terms are important because the volumes of their economic activity mostly and relatively faster affect the amount and growth of the GDP.

Do you think that the current Latvian immigration policy(i.e. attractions of work-force) corresponds to the interests of entrepreneurs?

		Absolutely comply	Rather comply	Rather does not comply	Absolutely does not comply	Difficult to say
		Rows' %	Rows' %	Rows' %	Rows' %	Rows' %
All respondents		2.8	12.0	27.3	21.8	36.1
Industry	Manufacturing	2.0	12.3	29.5	19.5	36.7
	Trade	3.4	11.0	25.6	23.6	36.4
	Construction	6.7	15.5	20.4	28.2	29.1
	Services	1.9	12.0	29.0	20.1	37.0
Number of employees	1 employee to 9 employees	2.9	11.7	26.9	22.5	36.0
	10 to 49 employees	2.5	13.0	30.7	16.8	37.0
	50 to 249 employees	1.4	16.9	21.7	24.1	35.8
	250 and more employees		22.7	28.8	14.3	34.1
Company's annual turnover	1 st quintile (up to LVL 25,000)	2.2	18.6	28.3	18.1	32.8
	2 nd quintile (LVL 25,001 - 90,000)	6.3	13.6	25.3	22.6	32.2
	3 rd quintile (LVL 90,001 - 250,000)	.8	7.0	30.5	25.7	36.1

	4 th quintile (LVL 250,001 - 1,000,000)	2.3	13.3	30.0	15.0	39.4
	5 th quintile (LVL 1,000,001 and more)		23.8	23.4	23.3	29.5
	Difficult to say / does not want to give any answer	2.7	7.0	25.6	23.2	41.4
Region	Rīga	2.7	13.8	26.6	24.6	32.3
	Pierīga	3.7	8.4	32.2	16.9	38.8
	Vidzeme	4.8	10.7	26.0	16.1	42.3
	Kurzeme	1.5	17.0	27.0	11.8	42.7
	Zemgale	3.1	10.3	21.9	26.2	38.5
	Latgale		5.1	31.6	30.7	32.6
Settlement	Rīga	2.5	13.2	26.8	25.2	32.2
	Other town / city	3.9	11.0	27.5	19.9	37.7
	Rural area	.8	10.5	28.1	15.2	45.5

Basis: all respondents, n=750

Until now, approach of limiting immigration policy has markedly dominated in Latvia, and in order to protect local labour market, it establishes administrative-financial regulation of the state. This approach possesses significant support from the society, which is an important condition for implementing the policy. Former efforts to create economical migration strategy were not successful. After the financial crisis, priority of the governments has been decrease of unemployment – meaning that employment policy has been directed towards use of internal resources. But trends of the previous years reveal increasing shortage of labour resources, especially in companies that employ highly skilled workforce. Demographical situation allows forecasting, that around year 2017 shortage of labour resources will affect more and more industries – irrespectively of structural unemployment. Test model of the current labour market does not ensure economic interests – increase growth of the GDP. In this context, it is significant to facilitate attraction of highly skilled foreign labour that promotes not only the growth of GDP , but in long-term would improve sustainability of social security system. It is important for Latvia to support policy which is directed towards internationalization of highest education since Latvia is competing for highly skilled foreign labour (increasing number of the EU Member States have developed strategies for economic migration). Survey of Latvian companies evidence critical attitude towards current immigration policy. From the companies' and industries' development view-point, selective immigration policy would have more economic advantages.

Interests of Latvia

In the context of the EU, Latvia is interested to have intergovernmental approach which is based on possible compromises reached by national governments in order to ensure workable process

for ensuring interests of the EU². Future of the EU in the field of migration depends on two basic scenarios where economic development interests either dominate over collisions of values or obey them. Environment of the external world can materially influence the speed of migration policy creation. Development of the EU depends on how the Member States, when tackling economic issues, will be able to control legal migration, how citizens of the third countries will be integrated in order to diminish threats of social discrimination, how to facilitate changes in demographical situation in order to rely more on local labour, how to use scientific technologies and innovations for facilitating progress of economy. Latvia is interested in liberalization of internal market where citizens of the third countries move within the EU. Considering how to attract highly qualified labour for development of Latvia's export industries, it can be concluded that it would expand opportunities to use resources of the labour market of the EU and advantages of mobility of the citizens of the third countries.

Taking into account that Council Directive 2009/50/EC of 25 May 2009 on the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment came into effect in 2011, Latvia has the opportunity to use the advantages (the EU scale) created by this directive to attract labour. But in short-term and long-term Latvian labour market will not be able to compete with big European countries. Exceptions could be only in cases when, for example, Latvia could offer more flexible and externally more attractive residence conditions as Germany, France or Scandinavian countries. Such possibility, however, is unlikely, taking into account conservative approach of Latvia for the policy of immigration, integration and citizenship.

In the process of making migration policy it is necessary to change limiting approach to approach of facilitating economic growth whose effectiveness would be characterized by demand of export-oriented industries and growth of Latvia's GDP, reaching the average rates of the EU. Link between migration policy and growth of the GDP can be ensured by transition from the current labour market test model to facilitation of selective migration, especially regarding attraction of highly qualified labour and foreign students to Latvian universities.

² Indāns Ivars. [Latvijas skatījums uz Eiropas Savienības nākotni. \(Raksti Ž. Ozoliņas redakcijā\). Stratēģiskā Analīzes komisija. 2007](#)