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**Labour mobility within the EU in the context of enlargement and the functioning
of the transitional arrangements**

VC/2007/0293

Deliverable 8

CMR, University of Warsaw

Country Study: Latvia

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Abstract

Latvia constitutes a good example of economy of a small size, with all its consequences with regard to people's, trade's and capital's mobility. With approximately 40 thous. persons who left Latvia in the aftermath of the 2004 EU enlargement, the number of Latvian migrants has not been elevated in comparison to other sending countries. However, the intensity of the postaccession outflow could be rated among the highest in the group of NMS. The international labour mobility, together with such macroeconomic imbalances as consumption-driven economic growth, the investment-domestic savings gap and inflationary pressure, caused serious distortions in the Latvian labour market developments. The most important include substantial increase in the wage level and severe labour shortages in several economic sectors, such as administration, transport and manufacturing. Remittances sent from abroad are mostly spent on domestic consumption and, therefore, the impact of migrants' incomes seems to be of less significance to economic development. Last, but not least, due to the aging process and the so-called youth-drain, demographic forecasts reflect a real depopulation of the country, which anticipates elevated labour immigration in the near future.

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The views and opinions expressed in this publication are those of the authors and do not necessarily represent those of the European Commission.

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1. Introduction

1.1. Macroeconomic and Labour Market Development

1.1.1 Macroeconomic Development

Latvia, as the other two Baltic States, easily strode across political and economic turbulences accompanying the restoration of independence. In fact, since the mid 1990s the macroeconomic stability underpinned one of the highest economic growth rates among all post-communist countries (Table 1). Later on, the 2004 EU Enlargement strongly stimulated the growth of Latvian economy. In fact, the deepening of economic integration in the period 2004-2007 was associated with large disbursement of EU structural funds, lower nominal interest rates and substantial flows of foreign investments to Latvian financial institutions (IMF, 2006). Consequently, the rate of economic growth, already high at the beginning of the 2000s, has increased rapidly to the level of 10.6% in 2006 and 12.2% in 2007.

This spectacular rate of economic growth, however, was driven mainly by the final consumption expenditure and, to lesser extent, gross fixed capital formation, whereas the current balance remained negative (Table 1). The largest factor contributing to the negative current balance was trade in goods, with growing import driven by strong domestic demand that outdistanced the supply capacity. In 2007 the ratio of export to import levelled off at 55%, whereas the current account balance was -23.4% of GDP. Very similar trade imbalance and the key role of consumption in the GDP growth were observed in the other two Baltic States.

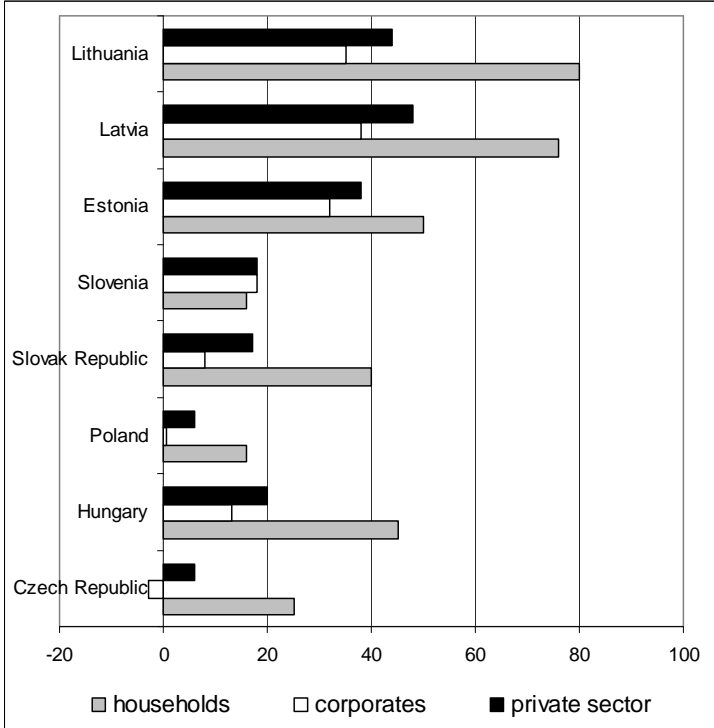
Table 1: Main Macroeconomic Indicators¹, Latvia 2001-2007

	2001	2002	2003	2004	2005	2006	2007
Real GDP growth	8.0	6.5	7.2	8.7	10.6	12.2	10.3
Gross value added, % change from previous year	8.4	6.6	7.1	8.8	10.8	11.8	9.5
Gross value added in industry, % change from previous year	17.5	17.2	16.7	16.4	15.5	14.5	13.6
Exports of goods Nominal, billion Euro	2.5	2.7	2.8	3.4	4.4	4.9	6.0
Imports of goods Nominal, billion Euro	4.0	4.3	4.6	5.7	6.8	9.8	10.9
Current account balance in % of GDP	-7.6	-6.7	-8.2	-12.3	-12.5	-22.3	-23.4
Public balance in % of GDP	-2.1	-2.3	-1.6	-1.0	-0.4	-0.2	0.0
Long-term interest rate in %	-	-	-	4.85	3.53	4.16	5.63
Foreign direct investment, as % of GDP	1.6	2.8	2.7	4.6	4.4	8.3	8.0
Growth of foreign investments, current price	-	18.2	18.5	36.2	29.8	40.5	42.8
Consumer price index, in %	2.5	2.0	2.9	6.2	6.9	6.6	10.1
Consumer price index (2000=100)	102.5	104.5	107.5	114.2	121.9	129.9	143.0
Producer price index (2000=100)	101.7	102.7	105.9	115.0	124.0	136.8	158.8
Employment growth, in %	2.2	2.3	1.0	1.1	1.5	4.8	3.5
Economic activity rate (15-64)	67.7	68.8	69.2	69.7	69.6	71.3	72.8
Unemployment rate, LFS definition	12.9	12.2	10.5	10.4	8.9	6.8	6.0

Source: Central Statistical Bureau of Latvia, Eurostat, International Monetary Fund.

The consumption-driven growth of GDP in Latvia posed a threat of so-called overheating. The main contribution in the economic overheating was paid by the rising level of credits released to the private sector, mostly to the households (Table 1). The average annual growth of credits to the private sector reached in Latvia the record level of almost 50%, which was the highest among the all EU NMS (Figure 1). Increased investments, however, have not been accompanied with increased domestic savings but relied on foreign liabilities. This, after the current account deficit, created another economic imbalance (WB, 2006).

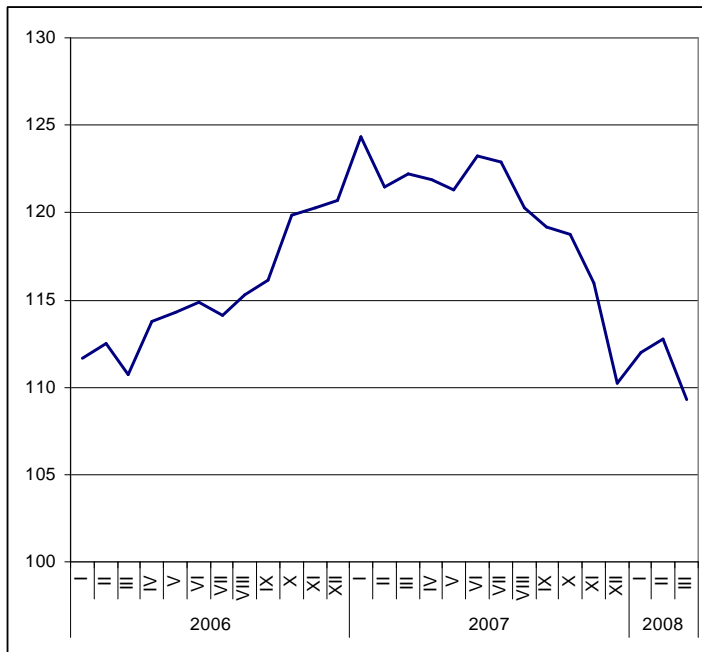
Figure 1: The growth of credits to private sector, incl. households and corporates, 2002-2006 (average annual percent change)



Source: IMF 2006.

Rapid credit growth and strong demand have been soon accompanied by the inflationary pressure. The rise of price level has been to some extent determined by external factors, such as increase in food and energy prices. In 2006-2007, wage demands – strengthened by labour shortages and post-accession outflows – also played a role (Figure 2). All in all, in 2007 the inflation rate reached a threshold of 10.1%, and the expected level is 15.3% in 2008.

Figure 2: The growth of real monthly wages, as % of corresponding period of previous year



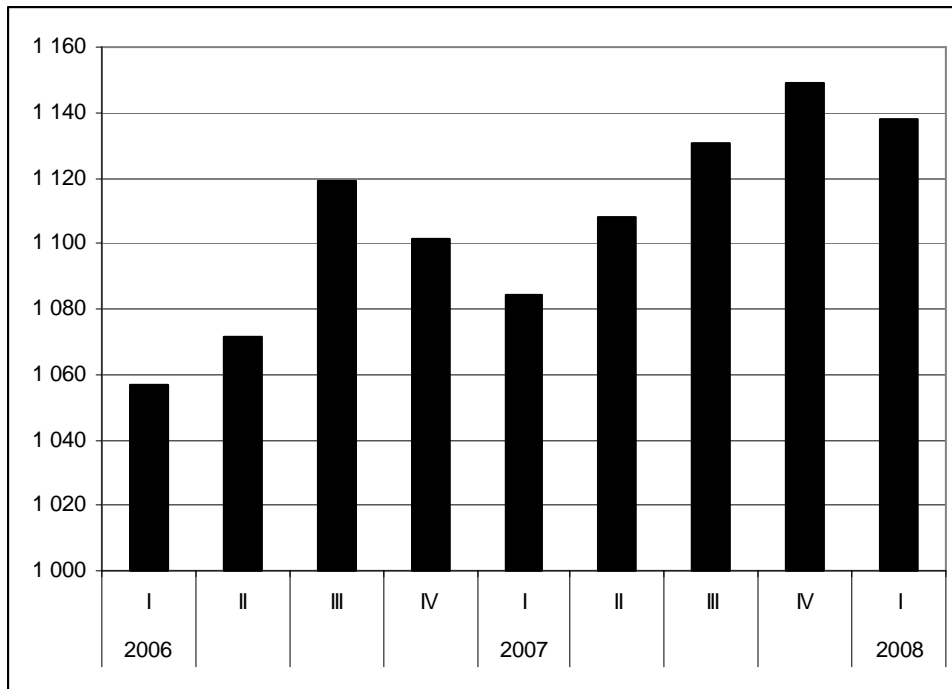
Source: Central Statistical Bureau of Latvia.

The disadvantageous structure of GDP growth, the widening deficit of current account and inflation pressure, which constitute the indicators of macroeconomic imbalances in a small open economy, deteriorated the economic situation of Latvia. Therefore, certain tightnings in monetary policy are expected to be introduced. The International Monetary Fund forecasted the drop in growth of real GDP to 3.8% in 2008 and 2.5% in 2009. Already at the beginning of 2008 this forecast turned out to be in line with the economic slowdown.

1.1.2. Labour Market Development

Paralelly to the economic and wage growth, and despite shrinking stock of persons at economic active age, Latvia records increase in the number of persons employed (Figure 3, Table 2). In two year period, from the first quarter of 2006 to the first quarter of 2008, the employment level rose by 8%, whereas the economic activity rate rose from 69.8% in the fourth quarter of 2005 to 74.4% two years later. This was possible due to creation of new jobs, mostly in services and construction sector. Consequently, since mid 2004 the unemployment rate has been significantly declining, in particular the youth (aged 15-24) unemployment rate: at the end of 2007 the former reached the record level of 5.3%, the latter – 5.4%. Out of all East-European NMS such low unemployment rates were registered only in the Baltic States and Slovenia.

Figure 3: The number of employed persons aged 15-74, in thous.



Source: Central Statistical Bureau of Latvia.

Table 2: The average annual employment growth, three Baltic States, 1997-2006

Country	1997-2000	2001-2004	2005-2006
Estonia	-2.0	0.9	3.7
Latvia	-0.2	1.7	3.2
Lithuania	-1.6	0.5	2.1

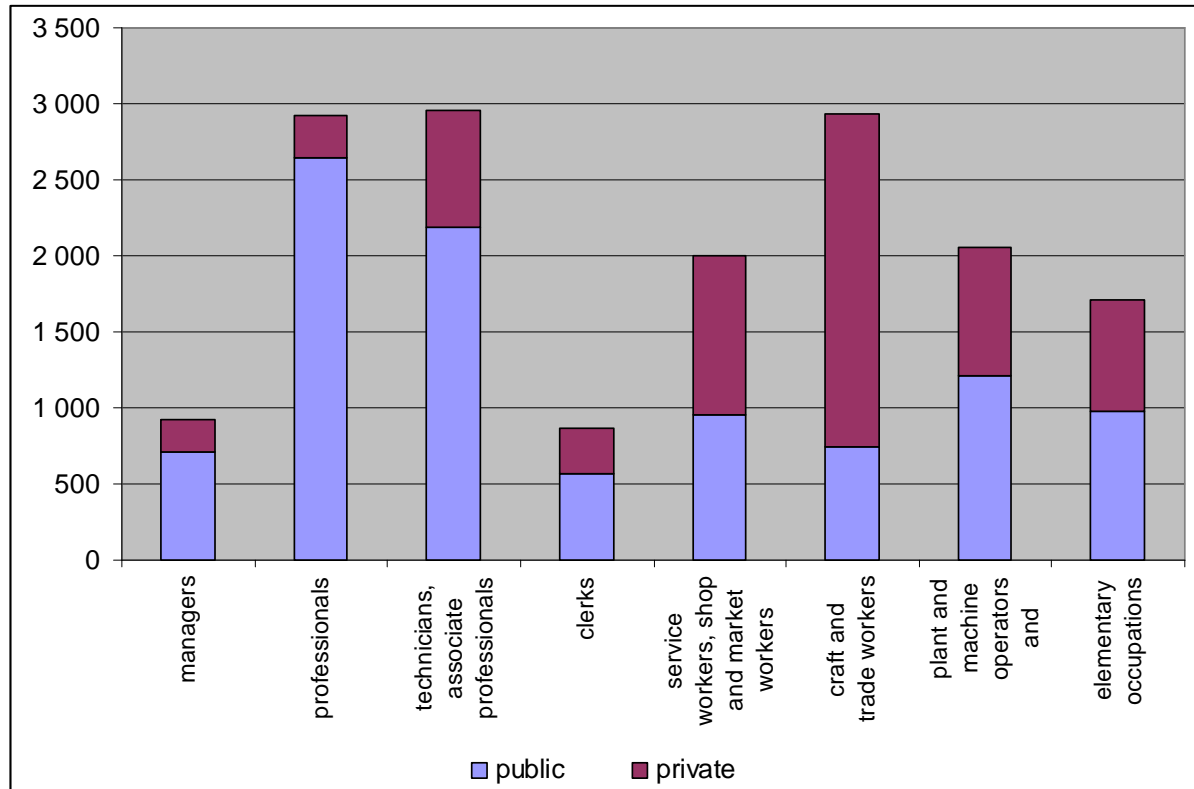
Source: Eurostat.

Since the EU enlargement the Latvian labour market has been tightening with labour shortages emerging in several sectors. Apart from economic upswing, a major factor contributing to the labour shortages in Latvia was accession-related outmigration. In the period 2004-2006 Latvia has experienced a significant outflow of the workforce, estimated by Krisjane *et al.* (The geographic mobility, 2007a) at around 85 thous. persons. The losses were much more serious in particular economic sectors.

As a consequence, the number of reported by employers vacancies increased in 2005-2007 from 12,3 thous. do 20,2 thous., and the job vacancy rate from 1.3% to 1.9%. The most spectacular increase in number of vacancies was registered in construction, real estate and education sector, while the most disadvantageous situation (the highest vacancies rate) referred to public administration (5.2%), transport (3.0%) and manufacturing (2.3%). As far as certain professions were concerned, the highest skill mismatch (the undersupply of professions) included craft and trades workers (the vacancies rate of 2.7%, Figure 4), machine operators and assemblers (2.7%), and professionals (2.2%). According to the research quoted by the World Bank (2007), labour shortages constitute a relevant obstacle in operation and growth of companies. In Latvia 45% companies reported difficulties in activities due to labour shortages. The latest study

among Latvian construction companies revealed that due to labour shortages 20% of newly hired employees had lower qualifications than originally demanded.

Figure 4: Job vacancies by major occupational groups at the end of 2007.



Source: Central Statistical Bureau of Latvia.

In the context of labour market situation, the threat posed by outmigration became the key issue in further economic developments. As a matter of fact, the main concerns raised in the EU Enlargement-related public debate referred to the outflow of workers, in particular professionals and graduates. This, to some extent, proved to be well-grounded.

1.2. Institutional setting for labour migration

1.2.1. Regulations on migration

The entry and residence of people in Latvia are controlled by the Office of Citizenship and Migration Affairs (PMLP), the Border Guard, and the Consular Department of the Latvian Foreign Ministry. The work of foreigners in Latvia is regulated by the law on immigration and the Cabinet of Ministers regulations that are subordinated to it. If a foreigner – a citizen of a third country – wishes to work in Latvia on the basis of a job contract or other legal agreement, or if that person wishes to be a self-employed person, then he or she must receive a work permit.

The way in which work permits are requested and issued is regulated in Cabinet of Ministers Regulation No. 44, "Regulations on work permits for foreigners". The foreigner pays a fee for the review of the necessary document in accordance with Cabinet of Ministers rules. Invitations for foreigners to come and work in Latvia are approved by the State Employment Agency (NVA). The PMLP issues residency and work permits for such workers.

A work permit is not necessary if a foreigner has received a permanent residency permit or has received a temporary residency permit in accordance with Section 23.1.19 of the law, if residence in the Republic of Latvia is related to pupil or student exchange, practice or apprenticeship in one of the educational establishments of the Republic of Latvia or in a commercial company registered in the commercial register or performance of another task (in which case the validity of the permit is no more than one year), and only if the individual does not receive compensation for the work. A work permit is also not needed if the individual has arrived in the Republic of Latvia for a performance on tour (concert on tour) as a performer (musician, singer, dancer, actor, circus performer and others), an author (composer, choreographer, director, set designer and others), administrative or technical worker to ensure the performance (concert) and the intended length of stay does not exceed 14 days. Finally, the permit is not necessary if the individual has received the residency permit of a permanent inhabitant of the European Communities.

Latvia's immigration law rules for the entry, presence, transit, departure and detention of foreigners, as well as the procedure whereby foreigners are protected in the Republic of Latvia or expelled for the country. The institutions which are responsible for documenting and controlling the arrival and presence of foreigners, according to Section 3 of the law, are the Office of Citizenship and Migration Affairs, the Border Guard, the diplomatic and consular offices of the Republic of Latvia, and the Consular Department of the Foreign Ministry. The law says that a foreigner who wishes to establish legal work relations must conclude an employment contract or can be employed on the basis of another civil agreement (for instance, the person can be a member of a company's governing or executive institutions). Foreigners can also be self-employed, but in any case, they require work permits. Work and entrepreneurship are seen as important reasons for granting temporary residency permits. The validity of permits for groups related to labour mobility may not exceed one year if the individual is self-employed, or five years if the individual is registered in the Commercial Register as a person who is registered in the commercial register as a member of a partnership who has the right to represent the partnership, a member of the board of directors, a member of the council, proctor; administrator, liquidator or a person who is authorised to represent the activities of a merchant (foreign merchant), which are associated with a branch. The validity of the permit cannot exceed four years if the foreigner is a representative of the representation office of a foreign merchant or if the foreigner is involved in scientific co-operation, and it cannot be valid for more than one year if the person is involved in the implementation of an international agreement or project in which the Republic of Latvia is involved, or if the individual is offering assistance to the state or local government institutions of the Republic of Latvia (Section 23). The validity of these temporary residency permits is not

very long, and that does not really encourage foreign companies to look at the Latvian labour market. Permanent residency permits are not even intended for highly qualified specialists. This is something that must be considered if the government hopes to attract such specialists from abroad.

Citizens from European Union member states and countries in the European Economic Zone and members of their families can enter and reside in Latvia in accordance with European Union regulations. The process is regulated by Cabinet of Ministers Regulation No. 586, which was approved on July 18, 2006, in accordance with the requirements of Section 69 of the immigration law, "Procedures for the Entry into and Residence in the Republic of Latvia of Citizens of European Union Member States and European Economic Area States and their Family Members". The regulations specify the rights of people from the EU, the EEZ and Switzerland and their family members to enter Latvia and to register their presence with the Office of Citizenship and Migration Affairs if they are planning to spend more than 90 days in Latvia. If a citizen of the EU or a family member who is also a citizen of the EU is to spend a specific period of time in the Republic of Latvia, then he or she receives a residency certificate. If a family member of the EU is not a citizen of the EU and plans to remain in the Republic of Latvia on an ongoing basis, then a permanent residency permit is issued. If an EU citizen or family member has a job relationship in Latvia or is self-employment, then a working permit is not needed. The regulations do include a few exceptions with respect to people who do not have to register with the Office of Citizenship and Migration Affairs if they spend more than 90 days in the Republic of Latvia. This is true if the individual spends up to six months a year in Latvia, starting from the first day of arrival if the reason for the individual's presence in Latvia is to establish a legal job relationship here, or if the individual is employed in Latvia but lives in another EU member state and goes home at least once a week. This is a norm, which applies to labour migrants from border areas.

In 2004, the Cabinet of Ministers approved Regulation No. 44 ("Regulations on Work Permits for Aliens") defining the procedure for requesting and receiving such permits, as well as the fees which must be paid in return for the review of the necessary documents. Working permits in this case are issued by the Office of Citizenship and Migration Affairs. The rules say that an individual or legal entity which is considered an employer in accordance with the law "On national social insurance" may employ a foreigner only in the profession, area of specialisation or job which is shown in the foreigner's work permit. The regulations were amended on September 13, 2005, to say that a document calling on a foreigner to come to Latvia for work can be approved only if the agency affiliate has registered a job vacancy that has been vacant for no less than one month after it is registered. The fee for a single foreigner's work permit is 35 lats in a calendar month. If the period of employment is shorter than a month, the full monthly fee must nonetheless be paid. The fee has been instituted so as to limit the involvement of "cheap" foreign workers in the Latvian job market. The rules also define those categories of foreigners who receive job permits on easier terms – information technology specialists (up to 100 job permits a year), scientists, professional sportsmen, as well as members of those groups which were discussed previously in the context of the immigration law.

On October 3, 2006, the Cabinet of Ministers approved Regulation No. 813, "Regulations on Residency Permits" to declare the process for inviting foreigners to come to Latvia; the documents that are needed to request a residency permit; the process for issuing, registering and annulling the permits; and the use of the information that is submitted. The regulation also defines the range of foreigners who have the right to submit documents to the Office of Citizenship and Migration Affairs so as to request a residency permit in relation to their work or entrepreneurship in Latvia. The regulation defines limits on entrepreneurship among foreigners, taking the economic and domestic security interests of the Republic of Latvia into account. These regulations also define the procedure for paying compensation for departing for permanent life abroad, as well as the procedure whereby foreigners announce their absence from the Republic of Latvia. The regulation also speaks to the information that must be included in electronic information systems, as well as the procedure for using that information.

1.2.2. Labour market institutions

Many institutions form the institutional setting of labour market, many of them are linked to labour mobility. They include:

1. The Parliament (Saeima):

- The Committee of Social and Labour Affairs
- The Subcommittee for Employment (established in 2006)

2. The Cabinet of Ministers:

- National Tripartite Cooperation Council (7 subcouncils: Labour, Vocational Education and Employment, Social Insurance, Health, Transport, Environment, Regional Development)
- Ministries, esp. Ministry of Welfare and Ministry of Economics
- State Agencies

3. Trade Unions

4. Employers' Confederation of Latvia

Functions of individual ministries and institutions

(i) The functions of the Ministry of Welfare include: the development of labour, social protection and gender equality policy; the organization and co-ordination of the implementation of labour, social protection and gender equality policy. In order to ensure the fulfillment of functions, the Ministry of Welfare develops the national policy in the following spheres: decrease of unemployment; ensuring of the safe and harmless working conditions and working environment for human health; determination of minimum

wages; regulating of employment legal relations; in the sphere of social insurance and social benefit provided by the state; in the sphere of social assistance, care, social and professional rehabilitation; decrease of social rejection; in order to implement the integrated approach to the dealing with the issues related to the gender equality. The tasks of the Ministry of Welfare include: participation in the development of employment policy and the improvement of career guidance system; ensuring the qualitative development of social care and social rehabilitation service network.

(ii) Since 2003, the state policy in the field of unemployment decrease and the support of job seekers is controlled by the Ministry of Welfare, but implemented – by the State Employment Agency (NVA). The objectives of NVA are determined by “Law on the Support to the Unemployed and Job Seekers” and the regulations of NVA. They provide for the following functions of NVA: to organize the active employment measures and to facilitate the diversification of these measures in conformity with the demand of the labour market, as well as to facilitate the surveillance and cost analysis of the implementation of active employment measures.

(iii) The State Labour Inspectorate is a direct administration institution under the supervision of the Ministry of Welfare. Its main task is to take the measures for the public administration and control in the field of employment legal relations, labour protection and technical monitoring of dangerous equipment.

(iv) The Ministry of Economics performs the economic policy elaboration and develops economic development forecasts on a macro-economic level, analyse of the labour market. The forecasts are used in elaboration of strategic development documents, for instance, the Latvian National Lisbon Program.

(v) The Office of Citizenship and Migration statutes state that the agency implements the state’s migration and refugee policies, determines the legal status of people who are in Latvia, registers the residents of the country, and issues documents which confirm an individual’s identity and allow him or her to travel. When it comes to national migration policies, the fact is that such policies have been manifested as registration of immigration, including repatriation, as well as registration of those who have moved to other countries permanently.

(vi) Free Trade Union Confederation of Latvia is an institution, which functions outside the state administration and is related to the implementation of labour market policy. FTUCL unites on the voluntary basis the independent trade unions of the industries of Latvia and the professional trade union associations of employees, the administration of which are the public level institutions, for the purpose of the defence of common interests and the achievement of common goals.

(vii) Employers’ Confederation of Latvia is the biggest organization representing the interests of employers.

Table 3: Ministries and their responsibilities

Institution	Responsibilities
Ministry of Economics	- National Lisbon Reform Programme 2005-2008 - Programmes for Development of Entrepreneurship - Medium and Long-term Labour Market Forecasting (starting from 1 July, 2007)
Ministry of Education and Science	- Programmes for Development of Higher Education, Science and Technology - Programmes for Development of Vocational Education and Training - Strategy for Life-long Learning - Career Guidance in Schools
Ministry of Regional Development	- National Development Plan 2007-2013
Ministry of Finance	- Single Programming Document 2004-2006 - Structural Funds 2007-2013 - Concept of Taxes
Ministry of Welfare	- Programmes for support to unemployed and jobseekers - Programmes for Diminishing of Poverty and Social Exclusion - Programmes for Gender Equality

Source: Labour Market in Latvia, 2008.

2. Patterns of labour mobility from Latvia

2.1. Relevant data sources and limitations

(i) Central Statistical Bureau of Latvia (CSB) collects and publishes data about long-term migrants according to UN recommendations. These are persons who move to a country as permanent residents or for a period of time that is equal to or longer than one year, as well as people who move from one country to another with the intention of staying there permanently or for one year or more. However, many people have gone abroad with the intention of returning home in a few months or years, and these people did not officially declare their change in residence. That is why there is an absence of statistical data about the volume of this flow of migrants, particularly for the period since Latvia joined the EU and its system of free movement of labour.

(ii) To find out the volume of economic migration and its characterisation, in 2007 the CSB included additional questions on this subject in the Labour Force Survey. However, the sample survey was not sufficient to obtain information on the number of Latvia population employed abroad adequate to the actual situation and to the criterions of the data reliability, but the survey gives partly characterisation of this group.

(iii) Data about long-term migration and about migration of the citizens of third countries (both incoming and outgoing) are collected by the Office of Citizenship and Migration

Affairs. This means that there are data about the number of temporary and permanent residence permits that have been issued, about work permits, visas, and people entering and departing the country, including those who are repatriating to another country. The data are divided up by country.

(iv) A relevant source of information on migration from the NMS is constituted by the data gathered in the main destination countries, which as far as Latvia is concerned, include Ireland and the UK. The limitation of those data sources is based on the fact that they register only inflow of migrants and cannot detect the scale of returns.

Another source of data on migrations is constituted by the research "The Geographic Mobility of the Labour Force"¹. This is a complex research about the geographic mobility of the labor force in Latvia as an EU member state. There was qualitative and quantitative research – a survey of 8,005 Latvian residents in 2006, expert interviews, formalized interviews with Latvian residents who work abroad, as well as statistic and econometric analysis of data. Respondents in the survey were people of working age (aged 15 to 65). The cohort was sufficient to offer representative data not only about Latvia as a whole, but also about each Latvian region individually.

2.2. Stocks and flows of NMS migrants before and after EU enlargement

Political, social, and economic changes in the early 1990s in Latvia meant a fundamental shift in the volume and direction of population mobility, and Latvia, which during Soviet times was an immigration-dominated republic, became an emigration-dominated country.

There is also the fact that many people left Latvia in the early 1990s when the Russian armed forces were withdrawn and when Latvia's industrial sector (all subsectors) shrank substantially. In 1992, the year of the greatest level of emigration, more than 50,000 people (most of them of Russian origin) left Latvia, and most of them moved to countries in the CIS (Table 4). Analysing Latvia in the context of international migration processes, there was stabilization in these processes after five to seven years in the 1990s. This has to do with the stabilization of Latvia's economic situation and society-integrating policies that the Latvian government has been implementing.

Between 2000 and 2002, international migration processes stabilised, mostly because they were based on the endogenous migration potential. Links to the countries of the CIS have become far weaker, even though that group of countries still involves the majority of external migration. Official migration data show that the people of Latvia have emigrated most often to Russia, Germany and other CIS member states. It should be noted that the proportion of emigrants and the balance of migration with CIS countries

¹ Project No. VPD1/ESF/NVA/04/NP/3.1.5.1/0003, "The Geographic Mobility of the Labour Force", financed through a national programme related to the European Union's Structural Funds, "Labour Market Research". The study was conducted by researchers at the University of Latvia and by invited experts, all working under the leadership of Zaiga Krišjāne in 2005-2007.

have both declined. Since Latvia's accession to the EU, there have been a larger number of people who move permanently to the EU, while the number of those who emigrate to the CIS countries has declined.

Table 4: International long-term migration according to the official statistical data

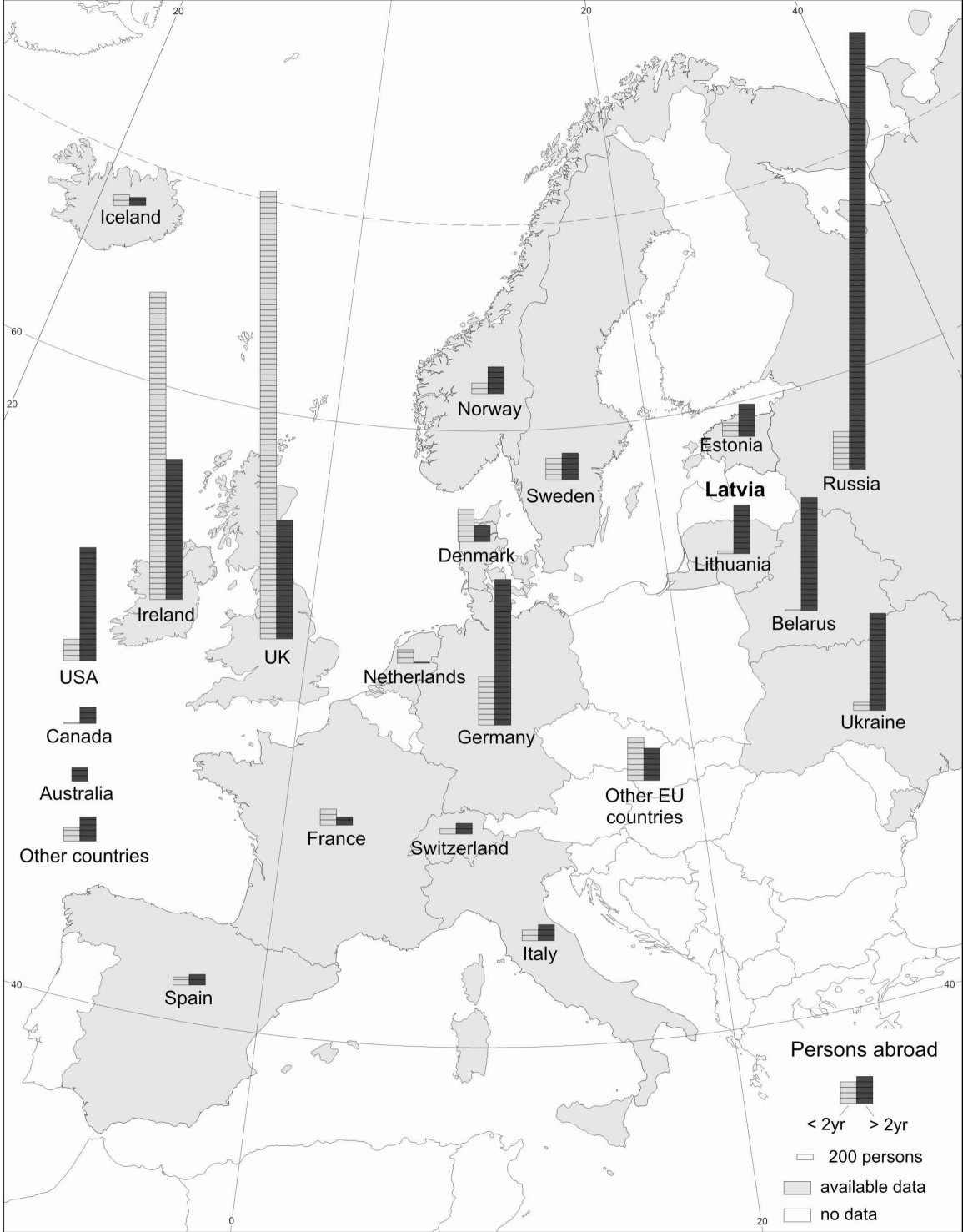
Year	Immigration	Emigration	Net migration
1991	14,684	29,729	-15,045
1992	6,199	59,673	-53,474
1993	4,114	36,447	-32,333
1994	3,046	25,869	-22,823
1995	2,799	16,512	-13,713
1996	2,747	12,828	-10,081
1997	2,913	12,333	-9,420
1998	3,123	8,874	-5,751
1999	1,813	5,898	-4,085
2000	1,627	7,131	-5,504
2001	1,443	6,602	-5,159
2002	1,428	3,262	-1,834
2003	1,364	2,210	-846
2004	1,665	2,744	-1,079
2005	1,886	2,450	-564
2006	2,801	5,252	-2,451

Source: Demografija, 2007.

Official data about international migration is incomplete. People who move from Latvia to another country (most often a member state of the EU which has opened up its labour market) usually do not declare a change in their permanent place of residence, and that has nothing to do with how long they are gone – a few months, a year or several years. Estimates based on Latvian national statistics, Eurostat and LFS, presented in the Deliverable 2 "Analysis of the scale, direction and structure of labour mobility", refer to 18 thousand persons of Latvian citizenship staying abroad in 2004, 28 thousand in 2006 and 43 thousand in 2007. These numbers, albeit indicating a sharp rise in migration proneness since the EU enlargement, underestimate the true scale of the outflow.

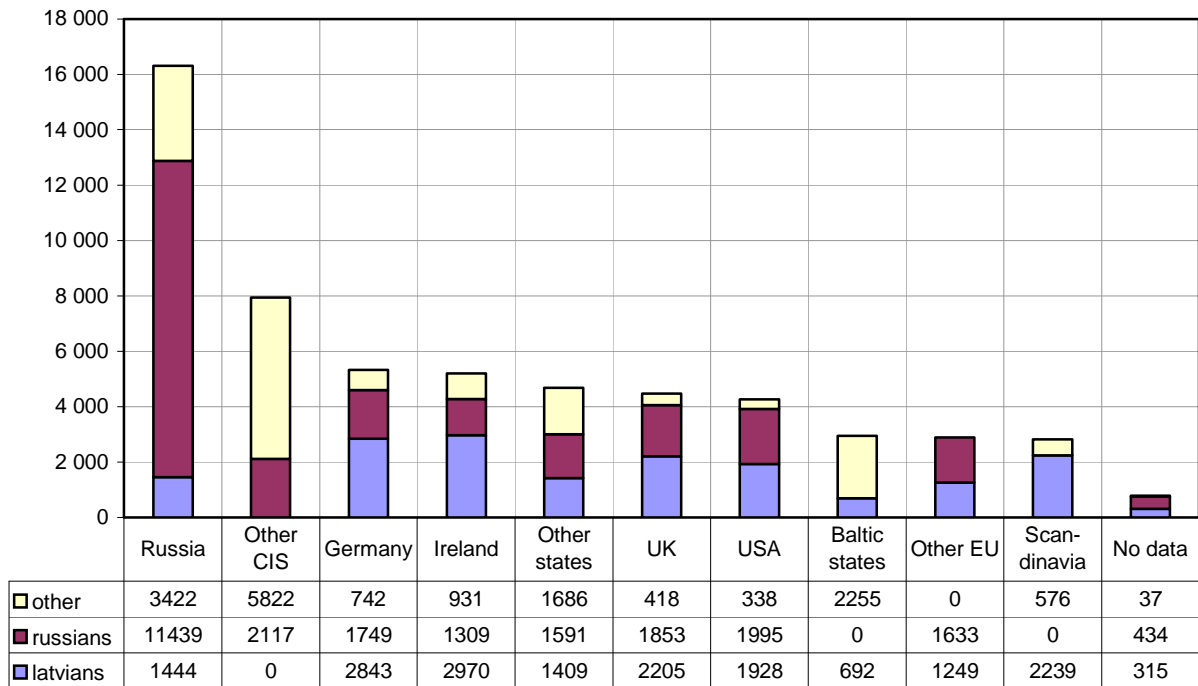
This is proved by the study of the geographic mobility of the labour force. The results of the study indicate that in the past or at the moment of the interview more than 85 thousand persons at working age, members of Latvian households, have ever worked or studied abroad. That constitutes 9% of all respondents. Russia, other countries in the CIS, Germany and Ireland were those countries which were cited most often by people who said that their relatives had lived abroad for more than two years. The large proportion of relatives who were living in the "post-Soviet space" can be attributed to the substantial proportion of non-Latvians (Russians, Ukrainians and Belarussians) in the country.

Figure 5: Distribution of relatives working or studying abroad before and after EU enlargement (combined), by length of stay



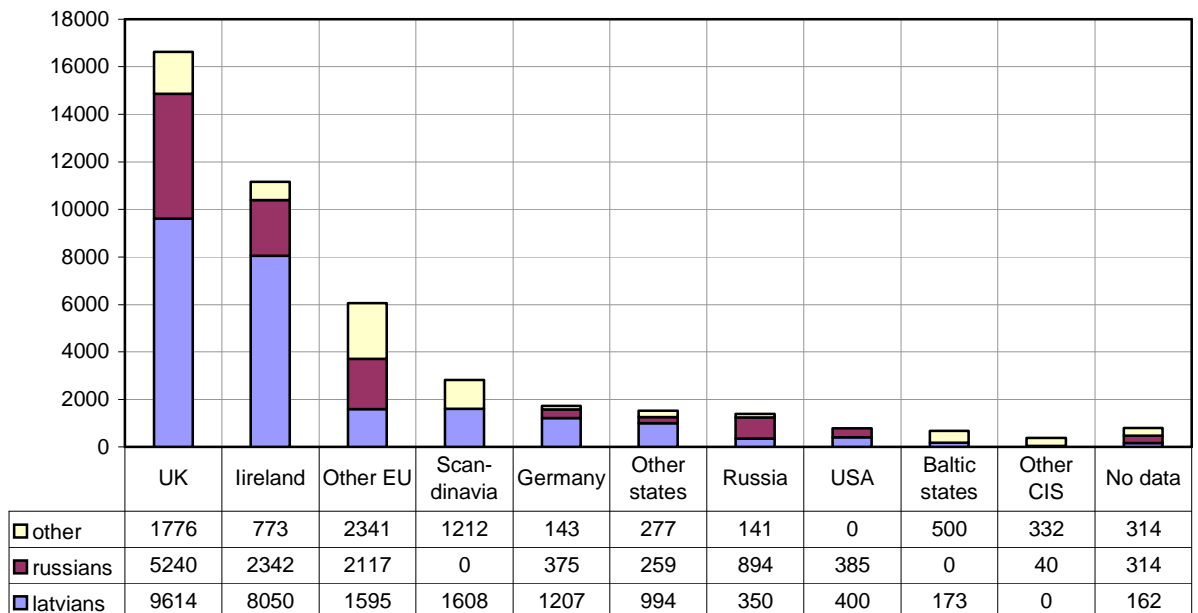
Source: The geographic mobility, 2007b.

Figure 6: Distribution of relatives working abroad for more than two years by country (before EU enlargement)



Source: The geographic mobility, 2007a.

Figure 7: Distribution of relatives working abroad for more than two years by country (after EU enlargement)



Source: The geographic mobility, 2007a.

During the two years after Latvia's accession to the European Union in 2004, people most often travelled to the United Kingdom and Ireland for educational or work purposes (16,630 and 11,165 respectively) (The Geographic mobility, 2007b). Travel to Ireland and the UK began even before Latvia joined the EU. At that time people needed work permits to work officially, but many worked under the radar. Some respondents in the survey, too, said that they had relatives who were working or studying in Ireland and the UK for more than two years.

Young people have been more likely to leave Latvia in recent times, while older people have been gone for a far longer period of time. Table 5 shows that young people began to emigrate comparatively recently (before then they left less often than people in other age groups did), and their intended destination was most often Great Britain or Ireland in specific.

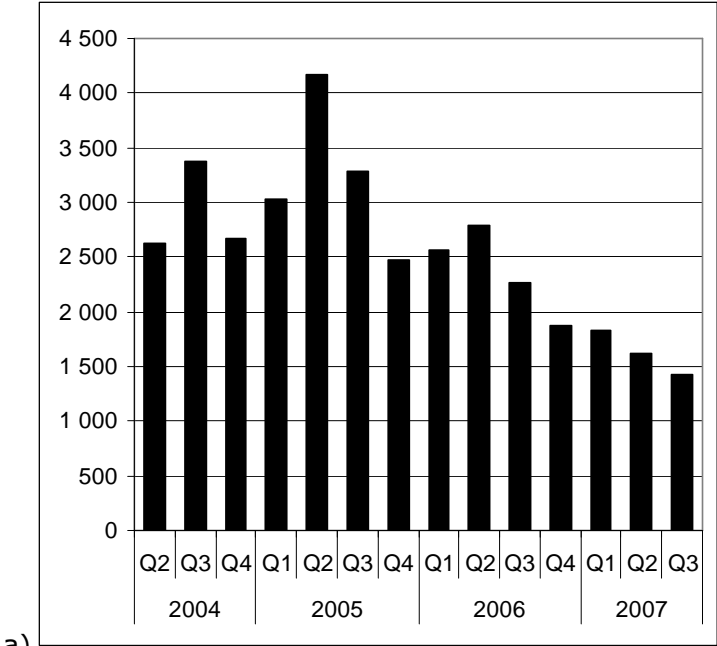
Table 5: Distribution of relatives working or studying abroad by age group and duration of stay

Age group	Working or studying abroad for up to 2 years (before EU enlargement)	Working or studying abroad for more than 2 years (after EU enlargement)
15-27	44.3	16.7
28-40	35.3	35.8
41-55	19.2	33.7
56-65	1.2	13.8
Total	100.0	100.0

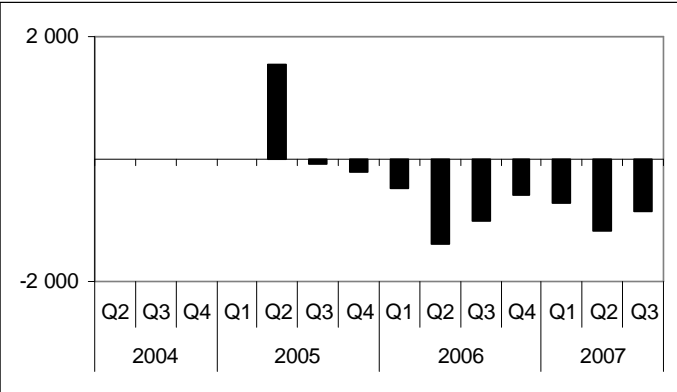
Source: The geographic mobility, 2007a.

According to the data gathered in destination countries, Ireland and the United Kingdom registered a significant inflow of Latvian migrant workers. In Ireland foreigners should apply for a Personal Public Service number (PPS number) which allows for taking up employment, making use of social services, establishing a bank account or even making a driving licence. In the period January, 2004 – April 2007 over 25 thous. Latvian migrants applied for the PPS number. According to the Irish Department of Social and Family Affairs, only 71% of registered migrants from Latvia took up employment in Ireland. The United Kingdom registered comparable in size inflow from Latvia. In the period May 1st, 2004 – September 30th, 2007 36 thousand of Latvian migrants registered in the British Workers Registration Scheme (WRS),. However, the intensive inflow lasted only one year since the EU enlargement, while since the third quarter of 2005 the inflow has been significantly lower (Figure 8). The British National Insurance Number system (NINO system) registered each fiscal year (from April 1st to March 31st) 2004-2005 and 2005-2006 12 thousand Latvian applications.

Figure 8: The number of Latvian applications to the WRS (a) and the absolute change respectively to the corresponding period of previous year (b), May 1st 2004-30th September 2007



a)



b)

Source: based on Accession Monitoring Report 2007, after the British WRS.

2.3. Characteristics of migrants from Latvia

According to The Geographic Mobility survey conducted in 2006, 9% of respondents had ever worked abroad for a longer or shorter period of time. Men had done so more often than women – 12.1% of men and 6.2% of women ever migrated.

Young people dominated in the structure of those people from Latvia who have gone abroad to find work – 62% of the emigrants were aged 15 to 40, whereas the age group 20-29 constituted the largest group (Table 6). 37.5% of male migrants were aged 20 to 29 when they have gone abroad, and the same was true of 39.0% of the female migrants. The labour migrants in the UK and Ireland were comparatively younger – 43% of them were between 15 and 27 years of age.

Table 6: The age and gender structure of those who had worked abroad, 2006

Age group	Have worked abroad, %			Percentage of all respondents, N=8,005
	Men	Women	Total, N=721	
15-19	1.5	5.1	2.8	11.2
20-29	37.5	39.0	38.0	20.8
30-39	25.5	23.6	24.8	19.5
40-49	21.6	18.5	20.5	21.6
50-59	11.1	9.8	10.7	17.0
60-65	2.8	3.9	3.2	10.0
Total	100.0	100.0	100.0	100.0

Source: The geographic mobility, 2007a.

Migration turned out to be selective with regard to the level of education. The proportion of University graduates was significantly higher among migrants (30.9%) than in the overall population (21.1%, Table 7). That can in part be attributed to the age structure of those who have been abroad – young persons who, as a rule in postcommunist countries, are better educated, were also more prone to undertaking migration. Moreover, some of the respondents had worked abroad and at the same time pursued an education, which to some extent facilitated the development of a higher level of education among migrants.

Table 7: The education of respondents who had and had not worked abroad, in %

Education	Had worked abroad	Had not worked abroad	Total
	Primary or lower	9.8	
General secondary	20.4	23.8	23.5
Specialised secondary	38.8	34.1	34.5
Higher	30.9	21.1	22.0
Total	100.0	100.0	100.0

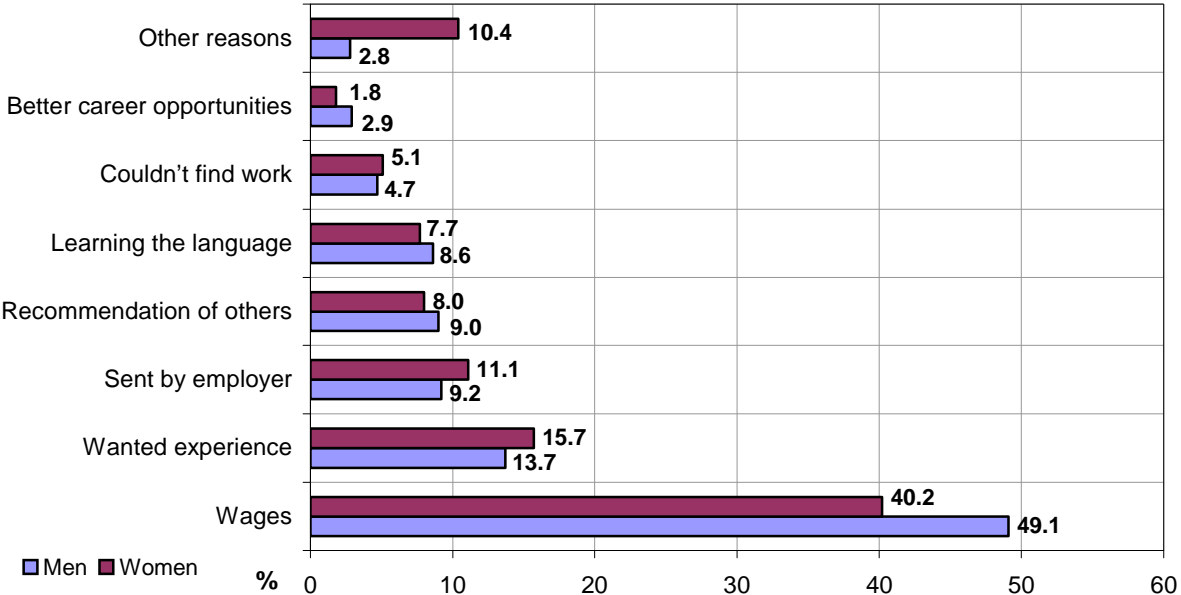
Source: The geographic mobility, 2007a.

Both the Geographic Mobility survey and the Labour Force Survey indicate that Latvian migrants had jobs in Latvia before departing from the country. In 2007, according to the LFS, three fifths of Latvian migrants had been employed before the departure, each fifth (18.3%) had been a pupil or student, and only each sixth (17.4%) had been unemployed. Among migrants who had been employed before leaving Latvia, each fifth (19%) was working in trade, each sixth (16%) - in construction, each seventh (13.8%) - in manufacturing, each tenth (9.8%) - in the field of agriculture, hunting and forestry, each eleventh (9.4%) - in transport and communications, each fifteenth (6.5%) was employed in the other community, social and personal activities, and almost every twentieth (5.2%) was working in the field of hotels and restaurants. Parallely, these are also the economic sectors endangered by labour shortages in Latvia (see Section 1.1.2).

In the Geographic Mobility survey economic motivations were of key importance to labor migrants, particularly in terms of the ability to earn more money (Figure 9). Wages were

the dominant motivation for migration in all age groups, and the desire to gain international work experience was the second most important reason. That and the desire to learn a language were important to younger respondents up to the age of 30 and to those living in cities, particularly Riga. Differences in motivation were seen not only by gender, but also by age group. Wages were the dominant reason for all age groups, both in terms of the number of answers and the proportion of answers. Those in the 30-44 age group were most likely to mention wages as a reason. In that age group, another important reason in comparison to those cited by people in other age groups was the inability to find work near their place of residence. Those in the 20-29 age group talked about experience and language skills. Being sent by an employer and recommendations from those already working abroad were important for those in the 45-59 age group. After the age of 60, other reasons were more important than those that are listed above.

Figure 9: Reasons for working abroad by sex, in %



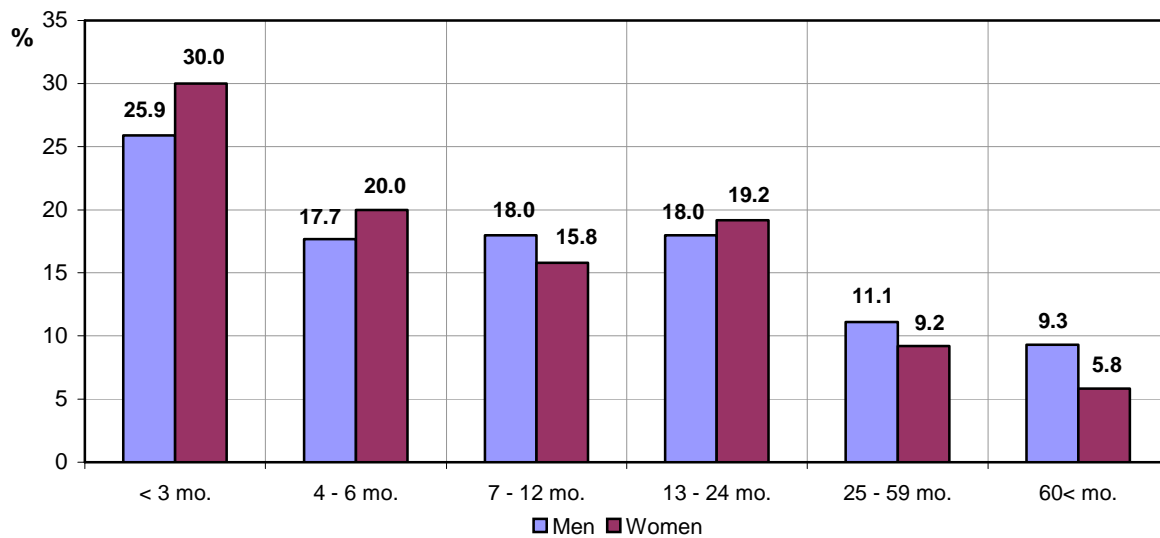
Source: The geographic mobility, 2007a.

Many studies have shown that the dominant motivation for migrants today is often of economic nature, and typically these are people who live abroad only temporarily. This assumption is confirmed in the structure of labour force migration from Latvia to other countries – mostly EU member states which have opened up their labour markets. Most often this involves migration without a permanent change in the place of residence, and that is not dependent upon the duration of the stay abroad – a few months, one year or several years. Some migrants go abroad once and without interruption, while others do so on a periodic basis. The main trend in migration in Latvia is that people do tend to keep a declared and physical place of residence in Latvia so as to be sure that they have a place to return to.

The most common duration of migration is up to 3 months (Figure 10). Latvian labour migrants have usually gone abroad for one or two years. Among those who worked abroad, a comparatively higher proportion of respondents said that they would like to go

abroad to find work once again. Most of them, however, did not plan to do so in the nearest period of time.

Figure 10: Time spent working abroad by sex, in %



Source: The geographic mobility, 2007a.

As far as directions of mobility are concerned, the people of Latvia have worked in more than 50 countries. On average, 33% of those who have worked abroad have done so in more than just one country. Six countries were cited by respondents most often – Germany (17.8% of those who had worked abroad), the United Kingdom (17.6%), Russia (11.1%), Ireland (9.8%), Sweden (8.6%) and the USA (6.7%). According to the 2007 LFS, almost two fifths (39.1%) of all Latvia population employed abroad chose United Kingdom, each third (31.9%) – Ireland, in Germany was employed (4.9%), slightly less (4.5%) – in Norway, 3% worked in Russia, 2.5% - in USA, and 2.4% in Italy.

According to LFS survey most migrants – each fourth (24.5%), who went to work abroad, were from the region of Latgale (Eastern part of the country, with the highest share of unemployed), slightly less (23.5%) from Riga, one sixth (15.7%) from Kurzeme, each eight (12.7) lived in Vidzeme, slightly less (12.4%) lived in Pieriga, each ninth (11.2%) of those, who went to work abroad, lived in Zemgale. The regional distribution of respondents who have worked abroad differs from place to place. People from the Latgale region, as well as people from the region of Zemgale, which is highly agricultural, have more often traveled to the UK than to other countries. People from the Vidzeme region have more often chosen Ireland, which suggests that distinct social networks have emerged among migrants.

Table 8 shows the destination of migrants in comparison to place of residence. We see that people from the capital city most often found work in Great Britain and Germany, while people from the countryside did so most often in the UK and the Nordic countries. Among major cities, the distribution is quite similar to that in Riga, although Ireland is cited considerably less frequently. Even though the unemployment rate in Riga is so low that there tend to be substantial numbers of job vacancies, many of the city's residents have simply been dissatisfied with the low wages that are offered. In other cities and

rural areas, there are insufficient jobs, the spectrum of potential jobs is narrower, and wages are far lower than in Riga. People from the countryside and district centers in Latvia have traditionally gone to find work in larger cities or the capital city. When they find work abroad, they go directly there, most often using the services of low-price airlines.

Table 8: The main destination countries for urban and rural labour migrants, in %

	Riga	Major towns	District centres	Other towns	Rural
United Kingdom	33	25	16	8	17
Germany	32	14	14	23	16
Ireland	14	7	12	10	11
Nordic countries	13	13	24	19	22
Baltic countries	5	3	3	2	3
Other EU/EEZ	24	20	14	4	10
Russia	2	7	11	21	11
Other CIS	3	3	3	0	6
USA	9	4	1	2	3
Other	12	4	3	10	1
Total	100	100	100	100	100

Source: The geographic mobility, 2007b.

With the hope of earning more than they could in other places, respondents have gone to Great Britain, Ireland and the USA (Table 9). Germany and Russia have been selected because a respondent's employer sent him or her there, because a job in the respondent's area of specialization was on offer, or because there were better career opportunities. The motivation of choice is different when it comes to Ireland – the second most important motivation for respondents who have gone to Ireland to earn money is that people who were already living there suggested that they do so. The determinant factor for those who have chosen Sweden has been an offer from an employer or previous experience in Sweden. This shows that there are several Latvian companies, branches of companies, or companies with capital from Latvia which have been operating in Sweden for a longer period of time (Brunowskis *et al.*, 2004). The desire to earn more money than elsewhere ranks only third in terms of the motivations of those who have gone to work in Sweden. Some respondents chose the UK or the USA because they already spoke English or wished to learn the language. Russia was often chosen because relatives or acquaintances lived there.

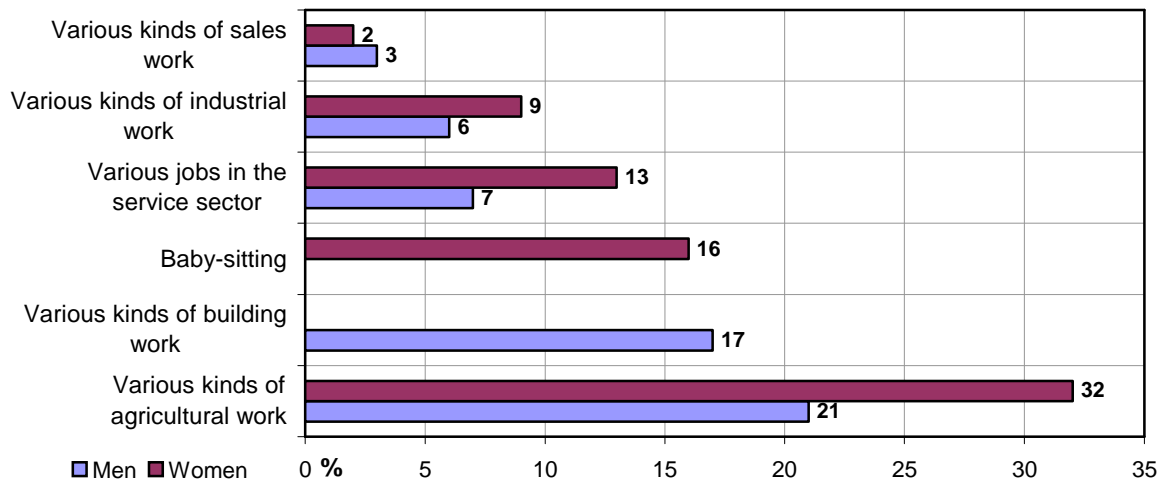
Table 9: Reasons for choosing a specific destination country

Country	Most important reason	Motivation	
		Second reason	Third reason
Germany	Employer sent me; job offered in my area of specialisation; career opportunities	Better wages than elsewhere	Spoke/wanted to learn the language; relatives, friends lived there; family circumstances
UK	Better wages than elsewhere	Employer sent me; job offered in my area of specialisation; career opportunities	Spoke/wanted to learn the language
Russia	Employer sent me; job offered in my area of specialisation; career opportunities	Better wages than elsewhere	Relatives, friends lived there; family circumstances
Ireland	Better wages than elsewhere	People already there recommended it	Relatives, friends lived there; family circumstances
USA	Better wages than elsewhere	Employer offered job; been there before; no real reason	Employer sent me; job offered in my area of specialisation; spoke/wanted to learn the language
Sweden	Employer offered job; been there before; no real reason	Employer sent me; job offered in my area of specialisation; career opportunities	Better wages than elsewhere

Source: The geographic mobility, 2007a.

The most common type of employment for men and women in other countries has been agricultural work of various kinds. In second place for men was construction work, while for women – baby-sitting (Figure 11). These types of employment are most often not in line with the education level or qualifications of the migrants.

Figure 11: Areas of employment among those who worked abroad by sex, in % of mentioned jobs



Source: The geographic mobility, 2007a.

3. Effects of migration on the Latvian economy

Since they joined the European Union, new member states have found that a factor which promotes population mobility is the EU's principle of the free movement of labour. Migration in Latvia has become a topic of economic, political and social importance. However, there has been insufficient evaluation of how migration affects economic development in Latvia, especially in the view of increasing demand for labour.

3.1. Demographic effect

In Latvia, as in other post-communistic countries with aging populations and depopulation, the departure of young people only exacerbates the problem with the population's age structure. Full generational replacement becomes less likely, as does the possibility that the labour force will be regenerated, and this means problems with the qualitative improvement of that force (Eglīte, 2006). Various demographic forecasts, prepared in Latvia and by international organizations, predict reduction of overall population of Latvia to between 2.115 to 2.161 million residents by 2030. Depopulation would be mostly caused by low fertility rate, but also by negative net migration. The most unfavourable phenomenon is constituted by the outflow of the young persons, "the future parents". The "youth drain" is exacerbating the problem of depopulation, and natural movement no longer ensures regeneration of generations and a replacement of those who end up emigrating for good.

3.2. Labour shortages and immigration

As already stated, the number of Latvian migrants who have migrated could be estimated at 85 thous. If this number could be treated as a flow, defined in a specific period of time, it would constitute more than 10% of the national labour force.

Fast economic growth combined with growing internal labour shortages have led many Latvian companies to invite workers from abroad. Since the 2004 EU enlargement the number of work permits issued in Latvia has been increasing gradually, reaching the level of 2 thous. in 2005 (Table 10) and 5 thous. in 2007. Most of these people come from the CIS countries, because the average wage in Latvia may seem competitive to them even though life is becoming more and more expensive in Latvia. However, immigration from so-called third countries, including the CIS, became more complex since the EU enlargement. Little is known about immigration of EU citizens (mostly Bulgarians, Romanians, Lithuanians and Poles), as majority of them work less than 6 months and, therefore, do not need work permits. People arriving from the West are almost always representatives of foreign companies, including specialists from enterprises which have bought companies in Latvia. Still, the total of immigrants in Latvia is rather small, covering approximately 1.6% of the overall population.

Table 10: The number of work permits issued in Latvia per sector

Sector	01.05-		01.01-		%
	31.12.2004	2005	30.06.2006	Total	
Agriculture, hunting and forestry	90	76	25	191	4.40
Fishing	4	9	6	19	0.44
Extracting industries and mining	4	8	1	13	0.30
Processing industries	280	388	179	847	19.51
Supply of electricity, gas and water	9	17	4	30	0.69
Construction	53	123	90	266	6.13
Wholesale or retail; repairs of cars, motorcycles, individual use objects and household appliances and equipment	193	315	112	620	14.30
Hotels and restaurants	94	140	83	317	7.30
Transport, storage, communications	53	144	90	287	6.61
Financial mediations	35	51	36	122	2.81
Real estate operations, leasing and other commercial activities	169	291	154	614	14.14
Governance and defence, compulsory social insurance	4	17	18	39	0.90
Education	135	145	31	311	7.16
Health care and social care	8	17	15	40	0.92
Public, social and individual services	118	322	166	606	13.96
Extraterritorial organisations and institutions	4	8	1	13	0.30
Household activities	1	5	0	6	0.14
Total	1,254	2,076	1,011	4,341	100

Source: based on Office of Citizenship and Migration Affairs (PMLP).

The bottom line here is that during the first few years of EU membership, Latvia experienced immigration that was much different than that in the old member states:

- There were few factors in Latvia which would attract immigrants, and that was probably true in the “unofficial” economy, as well;
- Immigration has been accompanied by emigration, which meant that population numbers did not increase, while the composition of the population changed to a certain degree;
- Immigrants into Latvia are highly qualified representatives of Europe’s traditional culture, as opposed to poorly qualified people from very different cultures;
- The low rate of immigration and the specifics of those who have arrived have not caused any problems in the integration of immigrants;
- It is not expected that the specialists who have immigrated will stay in Latvia because of their competitiveness and because of the high standard of living in their countries origin.

The situation may change over the next five to 10 years, as both the volume and the composition of the migrant flow may change. There are, however, several reasons why the number and composition of the immigrants may well change over the next five to 10 years. Because working people have actively been emigrating to countries which are economically developed, and paralelly Latvia, as a small country, does not train specialists for all professions, employers have already encountered difficulties in finding specialists with the necessary qualifications, particularly because salaries in Latvia remain low. Some businesspeople and researchers feel that the solution could be the immigration of people from Eastern neighbouring or near countries such as Ukraine, Belarus and Moldova, where the salaries are even lower than in Latvia.

However, the scale of immigration in the future is very hard to assess. Researchers from the old EU member states used that technique in the 10 new member states in advance of the 2004 enlargement, but people who immigrate to Latvia come from a far wider range of countries than that, and in a broader survey, the number of people who indicate that they might like to immigrate to as small a country as Latvia might be insufficient for any forecasts.

For that reason, immigration forecasts are based on the anticipated capacities of the recipient country’s labour market and the ability of the local labour force to satisfy demand in this area. In Latvia’s case, there was low fertility in the 1990s, and that means that beginning in 2010, the number of working age people will drop by some 200,000, and that does not include the losses caused by emigration. The former director of the Latvian office of the International Migration Organisation has said in the news media that this shortage of workers will have to be compensated with immigrants from neighbouring countries to the East, as some countries in Western Europe have had to do (Kesnere, 2005). That would mean the arrival of some 20,000 guest workers each year,

without thinking about how many family members they might bring with them, and how many of the immigrants would or would not find a life here in Latvia.

Such intense migration would exceed not just the irreversible emigration that is anticipated in survey data, but even the increased migration that was experienced in the 1970s and 1980s, when Latvia was still part of the Soviet Union. Back then, 12,000 to 13,000 people arrived in Latvia each year (Demogrāfija, 2006). Since then the legal terms for migration have changed, because people from the East must cross the EU border to get to Latvia. It is presumable that in the potential countries of origin of these immigrants, the collapse of the Soviet Union and its economic system and the social crisis which occurred as a result of this caused lower fertility rates at the same time as they occurred in Latvia. That means that in those neighbouring countries from which immigrants might most easily arrive in Latvia and find it easier to adapt to life in Latvia if only because of the vast number of Russian speakers in the country, employment opportunities in the local market will increase, and the number of potential emigrants will inevitably decline. It is no accident that the president of Russia has already called upon all Russians who are living abroad to return to their ethnic homeland.

For these reasons, attempting to forecast immigration in Latvia just on the basis of the anticipated reduction in the number of people of working age is not sufficiently justified. The second way of forecasting immigration – on the basis of labour market demand, similarly to emigration forecasts that are based on the stated intentions of local residents – again is one which ensures only short-term forecasts. Employers tend to state the number of jobs that are vacant, but they do not try to forecast how many vacancies there will be in five or 10 years, to say nothing of the more distant future. Employers also are by no means unanimous on the level of qualifications that is needed among would-be employees (Kazāks *et al.*, 2006).

Even if companies in Latvia have started to call for more extensive immigration, the fact is that the National Development Plan, which relates to the EU's Lisbon Strategy, speaks to a knowledge-based economy, as opposed to a labour-intensive one. This would be in line with the anticipated changes in the size of the European and the Latvian workforce and the relevant local resources. As the number of residents of active age diminishes and societies grow older, the EU is focusing more on the fuller employment of local labour forces, including attempts to extend the working lives of older people through the process that is known as active aging (Kesnere, 2005).

Observations in various parts of the world and particularly in the eastern reaches of the former Soviet Union, indicate that labour demand in and of itself does not tend to be a decisive pull factor in migration unless higher wages and better standards of living than those in the country of departure are guaranteed. If wage levels in Latvia remain static, it is very unlikely that the flow of immigrants will satisfy the hopes of employers. Bringing wages closer to the EU average would be justifiable in economic terms if companies were also to ensure that there is an equal increase in productivity and output. That would reduce the need for additional workers, and it would reduce the intensity of emigration, which would mean a lesser need for guest workers. The number of Latvians who return

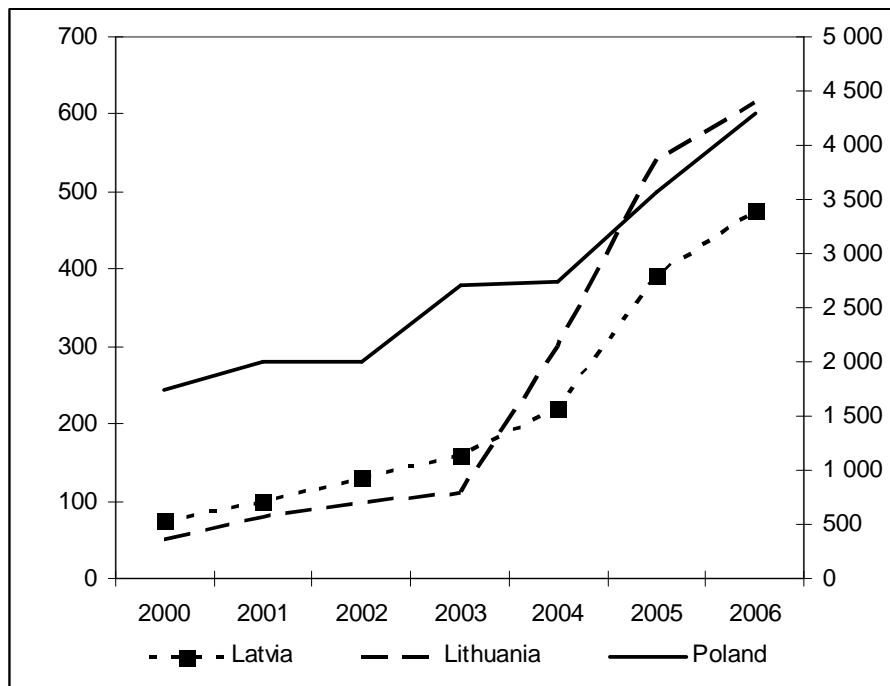
from other countries would increase, and that would be a different flow of immigration. It would reduce population losses that are caused by emigration.

According to what potential emigrants have said in a wide variety of surveys, the vast majority – 96 to 97% - think even before they leave that they will be back in Latvia after two or three months, after a year, and certainly no longer than after five years. Once people start living abroad, however, their opinions change – only 29% say that they plan to return, 38% say that they won't, and 33% haven't made up their minds, according to Eglīte in 2006. This confirms the common view that the longer someone is abroad, the less likely it is that that person will return. This means that the possible volume of return migration flows does not keep up with the number of emigrants if the conditions which caused people to emigrate in the first place have not changed and if their period of emigration has become too long.

3.3. Remittances

Since outflow from Latvia is mostly constituted by labour migration, it is important to assess the scale of remittances sent back home and their role in economic development. According to the estimates by World Bank (2006), in the period 2000-2006 the remittances sent to Latvia increased six-fold, from app. 75 million USD to app. 475 million USD (Figure 12). The sharp increase was registered especially since the 2004 EU enlargement. In 2004 the the share of remittances in the GDP was 2.5%, which was higher than in Poland (1.5%) and comparable to Lithuania (3%).

Figure 12: Remittances (total) in Poland (right scale), Latvia and Lithuania (left scale), 2000-2006, in million USD



Source: World Bank, 2006.

In the Geographical Mobility survey nearly two-thirds of respondents declared that they had gone abroad so as to earn more money, but 50% of them did not send any money back to Latvia. Of these, 9% spent all of the money while abroad, and 40% spent most of the money there. The remaining respondents send 20 to 80% of their income back to Latvia.

This relatively low level of remittances can be attributed in part to the age of those who were abroad and the amount of time that they spent abroad. Those who worked for three months or less sent virtually no remittances to Latvia. On the other hand, those who had spent more than five years abroad reported spending most of their money in the place where they lived. Among those who worked for no more than six months, 60% sent nothing to Latvia, and among those who worked for one to three years, 36% did the same. Men were more likely than women to send nothing of their earnings back to Latvia. Most of the money – as much as 80% - was sent to Latvia by women and by men who are now aged 35-44.

Most spent most of the money that they had earned abroad on everyday needs (Table 11). The second most commonly cited use of money was the purchase, construction or renovation of real estate – 30.5% of respondents said that they had done so. Most of them had built or renovated property as opposed to buying real estate. The fact that much of the money which people earned abroad was spent on everyday needs has substantially reduced other options as to what to do with the money.

Table 11: The purpose of money earned abroad, in %

	% of respondents			Rank	
	Average	Men	Women	Men	Women
Spending					
Everyday needs	69.6	71.9	65.3	1	1
Purchase, construction, renovation of real estate	30.5	32.1	27.5	2	2
Appliances, furniture	18.5	18.5	18.9	4	3
Purchase, renovation of motor vehicles	17.1	21.3	9.0	3	7
Education (respondent's or someone else's)	13.1	10.8	17.1	7	4/5
Repayment of loans, debts	12.7	12.9	12.6	6	6
Other	16.1	15.6	17.1	5	4/5
Total %	177.8	183.2	167.6	-	-

Source: The geographic mobility, 2007a.

Note: The total exceeds 100% because respondents were allowed to give more than one answer. This question was not answered by those who spent all of their money abroad.

A very similar result was obtained in the research conducted in 2003 by Eglite *et al.* (2006). Most migrant used money earned abroad for their or their family living, or household expenditures, such as new flat, house, household's equipment, car (Table 12). Education and business were ranked as less important purposes.

Table 12: The purpose of money earned abroad, in %

Goals	% among already worked		Ranging	
	men	women	men	women
One's own living	51.4	53.4	1.	1.
Maintenance of the family	27.8	19.8	2.	4.
Own/children studies	15.3	25.9	6.-7.	2.
New flat/house	15.3	12.9	6.-7.	6.-7.
Household's equipment	23.6	17.2	3.-4.	5.
Car	23.6	12.1	3.-4.	6.-7.
To start business	2.8	2.6	10.	10.
To set up family	9.7	8.6	8.	9.
Travel	18.1	22.4	5.	3.
Other	5.6	11.2	9.	8.

Note: Total exceeds 100% because some mentioned several goals.

Source: Eglite *et al.* (2006).

Conclusions

In the post-accession period, in comparison to Poland or Romania, Latvia has sent marginal numbers of migrants. However, in economic, social and even demographic dimension the impact of the outflow was much more serious in the Latvian case. In fact, Latvia constitutes a good example of small open economy, with all its consequences with regard to people's, trade's and capital's mobility. According to the estimates, at the end of 2007 43 thousand Latvian citizens have stayed abroad, more than twice in comparison to the pre-accession period. Given the fact that the period of time when this outflow took place was very short, this number renders a real post-accession labour exodus. The

survey conducted in Latvia indicates the number of 85 thousand migrants, mostly young and educated persons, who have ever worked or studies abroad. This means that every tenth economically active person has ever migrated.

In the period of economic transition migration pattern has drastically changed in Latvia. At the beginning of the 1990s a massive outflow took place, which was to a great extent long-term and ethnically driven, and found its outlet in the CIS countries and Germany. In the mid 1990s this ethnic migration potential ceased to exist and the scale of outmigration lowered. Still, the international mobility took place, but was limited to short-lasting and mostly unregistered flows of migrant workers. At the turn of the 20th and 21st centuries, and especially since the 2004 EU accession the outflow from Latvia took on higher proportions and was directed mostly to those EU member states that did not introduce transitional periods toward Latvian labour force: Ireland, Sweden, and United Kingdom. Just like in th mid 1990s, post-accession workers were interested mostly in undertaking short-term mobility and the intention of acquiring higher financial capital dominated.

Therefore, what was initially not expected in Latvia but has increasingly become evident, the post-accession outflow, although short-term in nature, posed a threat to the domestic labour market. What was not observed in the major sending country of the region, namely Poland, just some years since the accession to the EU, a high level of unemployment in the country was replaced by difficulties in finding workers in various professions. Employers have been forced to raise salaries at least to the level which was needed to ensure provision for families. Every fifth employer had to employ a person with lower qualifications than initially desired. These effects warranted the need for recruitment of foreign labour force. Another detrimental consequence of emigration from Latvia, not observed in the major sending countries, refers to loss of demographic potential. The youth drain, along with unfavourable tendencies in fertility, exacerbates the problem with generational replacement.

In the case of Latvia the negative effects of post-accession outflow seem to displace the positives. The scale of remittances is relatively low and, moreover, migrants' incomes are mostly spent of everyday needs, rather than on education and investment. However, it must be stated that the consequent rise of salaries in Latvia improved living standard and could already have reduced potential migration, as the dominant motivation for migration is that the individual hopes to earn more money abroad. It also might force the employers to use the work force more efficiently. To benefit the most from the accession, the Latvian state should reduce those factors which encourage people to leave, and encourage those who have already left to come back home.

Labour migration towards to the old EU member states has largely been the result of different wages in the sending and receiving countries. During the economic recession there have also been differences in employment opportunities. Rapid growth of unemployment is one of the factors why more people start to think about emigration from Latvia. Despite earlier assumptions that the declining economic situation in the UK and Ireland would encourage return Latvian workers, only few have come back so far.

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