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THE INFLUENCE OF LATVIAN LABOR  
EMIGRATION ABROAD ON LATVIA'S  
COMPETITIVENESS

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Tänään, koska maailma on yhä maailmanlaajuinen, maat kilpailevat toisiaan vastaan eri ehdoin. Maa kilpailukyky riippuu eri kertoimiin, jotka erottavat yhden kansakunnan toisesta. Koska työvoima on arvokas voimavara kaikille kansakunta, maastamuutto se voi vaikuttaa maan monin tavoin, mikä vaikuttaa maan kilpailukykyä.

Opinnäytetyön tavoitteena oli selvittää, miten Latvian työvoiman maastamuutto työskennellä ulkomaille vaikuttaa Latvian ja sen kilpailukykyä. Lisäksi opinnäytetyön myös pyritty vastaamaan kuinka kilpailukykyinen on Latvian talous, jotka ovat ihmisiä, jotka muuttavat maasta Latvia ja mitkä ovat niiden kokemuksia, mitä mahdollisia seurauksia tälle maastamuuton Latvian työvoiman sekä miten nämä seuraukset voivat vaikuttaa Latvian kilpailukykyyn ?

Voidakseen vastata edellä mainitun tutkimuksen kysymyksiä määrällisiä ja laadullisia tutkimusmenetelmiä käytettiin. Ensinnäkin, Internet-kysely tehtiin kerätä tietoa Latvian siirtolaisten jotka ovat menneet ulkomaille töihin itse. Sen jälkeen, jäsennelty haastattelu tutkijoiden instituutin filosofian ja sosiologian University of Latvian projekti noin maastamuutto tehtiin.

Tutkimuksessa kävi ilmi, että maastamuutto Latvian työvoimasta vaikuttaa Latvian talous ja sen kilpailukyky sekä myönteisiä että kielteisiä keinoja. Tutkimus havaitsi, että tekijät, maastamuutto, jotka vaikuttavat Latvian talous ovat: jätetään nuorten ja koulutettujen ihmisten, rahalähetykset takaisin Latviaan, mahdollinen aivovuoto ja aivotuhlauksen, helpotus Latvian talouden sekä muuttaa tason yrittäjyyden ja innovaatioiden maassa .

Tulokset osoittivat myös, että maastamuutto on positiivinen vaikutus yrittäjyyteen-yrittäjyyttä maassa, mikä parantaa Latvian kilpailukykyä muun maassa.

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## ABSTRACT

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Today, as the world is becoming more global, countries are competing against each other on different terms. Country competitiveness depends on different factors that distinguish one nation from another. As labor force is a valuable asset for any nation, the emigration of it can affect the country in many ways, thus affecting the country's competitiveness.

This thesis aimed to find out how Latvian labor force emigration to work abroad will affect Latvia and its competitiveness. Moreover, the thesis also strived to answer how competitive is Latvian economy, who are the people who emigrate from Latvia and what are their experiences, what are the possible consequences for this emigration of Latvian workforce, as well as how these consequences might affect Latvia's competitiveness?

To be able to answer the above mentioned research questions quantitative and qualitative research methods were used. First, an Internet survey was made to collect data from Latvian emigrants who have gone to work abroad themselves. After that, a structured interview with researchers from Institute of Philosophy and Sociology, University of Latvia's project about emigration was conducted.

The research found out that the emigration of Latvian workforce affects Latvian economy and its competitiveness both in positive and negative ways. The research found that the factors regarding emigration that influence Latvia's economy are: leaving of young and educated people, remittances sent back to Latvia, possible brain drain and brain waste, relief of Latvian economy as well as changing level of entrepreneurship and innovation in the country.

The results also showed that emigration has a positive influence on the entrepreneurship in the country, thus improving Latvia's competitiveness among other countries.

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Keywords Country competitiveness, emigration, labor force, Latvia

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## 1 INTRODUCTION

There are many countries in the world and each of them has resources and factors that make them different from each other. Today, in the globalized world, where countries are engaging in international trade, they are competing with each other on different terms. Michael E. Porter has significantly contributed to the topic and researched on what makes a country competitive. He suggests that a competitive country does not necessarily have extremely rich resources, however, it uses the existing resources in a productive manner. (Porter 2011)

To assess how competitive a country is, Michael E. Porter (2011) has come up with the Diamond Model for National Competitive Advantage. This model consists of four main and two additional factors that help to research how competitive a country is in a global context. In this research Porter's Diamond Model of National Competitiveness is used to realize how competitive Latvia is as a country. With the help of the Diamond model, it can be seen that Latvia is not one of the most competitive countries in the European Union, as according to The Global Competitiveness Report 2015-2016 it was placed in the average 44<sup>th</sup> place out of 140. According to the report, Latvia's major problems that are interrupting the growth of its competitiveness are: tax rates, government bureaucracy, inadequately educated workforce, as well as insufficient capacity to innovate. (Schwab & Sala-i-Martin 2015, xv,230)

As in 2007-2008 the world was experiencing financial difficulties, many countries were struggling to provide jobs and acceptable standard of living for their inhabitants. Because of this, many people chose to emigrate to another country to look for better working opportunities to be able to improve their standard of living and increase their material wellbeing. Moreover, after the financial crisis hit Latvia, many people decided to leave the country to look for better working opportunities abroad. Many working age people left Latvia, because they did not see any opportunities at home. It can be seen from Official Statistics Bureau of Latvia's data that the population has decreased significantly since year 2007. In 2007 there were 2 208 840 people living in Latvia, while at the beginning of 2015 there were



only 1 986 096 inhabitants in Latvia. It is still hard to forecast the consequences that Latvia will need to face regarding these migrants in the long term. (Centrālās Statistikas Pārvaldes Datubāze)

As Latvia is facing problems in improving its competitiveness that are closely related to human resources, this emigration will surely affect the competitiveness of the country also in the future. Some of the problems that Latvia will have to face regarding its work force emigration abroad will most likely include: affected innovation and entrepreneurship, vitalized households, relieved economical pressure, brain drain and brain waste. A factor that might help to increase Latvia's competitiveness is well planned and executed return of migrants who have left the country to work abroad. If all factors of the return are positive, these migrants could spur innovation and the level of entrepreneurship in the country. These consequences will be explained more deeply in the theoretical study of the thesis.

Even though the topic of Latvia's labor emigration has been studied thoroughly by many experts, there has not been much research on how this emigration will affect the country's competitiveness. Between the years 2014-2015 the project conducted by the Institute of Philosophy and Sociology of University of Latvia's researchers aimed to collect thorough information about the people who have left Latvia in recent years with the help of a scientific survey. As stated in the project's website, it is believed to be the biggest and most significant survey of Latvians overseas. As information about Latvia's inhabitants who are living abroad has been collected, it is necessary to understand the possible consequences of this emigration on the country's competitiveness so that Latvia would be able to face these problems and improve its situation among other countries in the future. (Institute of Philosophy and Sociology, University of Latvia 2015)

### **1.1 Research problem and objectives**

As it can be seen from the official statistics of Latvia database, in the last years Latvia has been experiencing depopulation. The statistics show that Latvia has lost 290 424 people since the year 2004 when it joined the European Union. The major factor affecting this depopulation is emigration of Latvian working age

people. The aim of this thesis is to realise possible consequences of Latvian laborforce emigration to work abroad on country's competitiveness.

As previously mentioned, research has been made to understand the emigrants who are leaving Latvia and emigration itself. However, it is not yet understood how this major leave of Latvian people will affect the country's economy as whole and its competitiveness. As this is a large and current problem that Latvia is facing even now this topic was chosen.

To be able to understand how Latvia's competitiveness might be affected by the emigration of Latvia's working age people, it is crucial to understand how competitive Latvia is now. Altogether, this thesis aims to answer these research questions:

1. How competitive is Latvian economy as a whole?
2. Who are the people who leave Latvia and what are their experiences with emigration to work abroad?
3. What are the consequences that Latvia might have to face regarding the emigration of its labor force?
4. How these consequences might affect Latvia's competitiveness among other countries?

To be able to answer the above mentioned research questions, a literature review on country competitiveness focusing on Latvia's case, emigration of Latvian people abroad as well as possible consequences that might affect Latvia's competitiveness regarding the emigration will be conducted. Moreover, a research on Latvian emigration behaviors will be done and attitudes as well as opinions of researchers from the Institute of Philosophy and Sociology of the University of Latvia will be collected.

## **1.2 Structure of the thesis**

This thesis consists of five sections. The first section of the thesis aims to introduce the background of the study, the aim, research questions as well as structure of the paper. Methodology used in the research as well as limitations of the thesis are also shortly described in this section.

The second and third section of the thesis consists of theoretical framework. Second section of the thesis explains the concept of a competitive nation and assesses how competitive is Latvia as a country. The third section of the thesis focuses on the emigration problem of Latvia. Moreover, the possible consequences of the emigration of Latvian labor force are also introduced in this part.

In the fourth section, research methodology used in this thesis is described more thoroughly. This part also includes explanations of data collection, validity, reliability and limitations of the research.

The final, fifth section of the thesis includes empirical part and findings of the research. In this part collected data is analyzed and explained. Conclusion of the research as well as recommendations for Latvia and suggestions for further research are given at the end of the part.

## **1.3 Methodology and limitations of the thesis**

Methodology of the thesis consists of two areas: quantitative and qualitative research. First part of the research consists of an internet survey conducted with Latvian emigrants who have went to work abroad themselves. This survey aims to collect information on who are the people who leave Latvia to work abroad as well as what are their opinions and experiences with emigration. The second type of research method used in this thesis is structured interviews with researchers from the Institute of Philosophy and Sociology of the University of Latvia's conducted project called *The Emigrant Communities of Latvia: National Identity, Transnational Relations and Diaspora Politics*. (Institute of Philosophy and Sociology, University of Latvia 2015)

The thesis also contains some limitations that restricts the research. As the thesis is researching possible effects on Latvia's competitiveness regarding its labor force emigration to work abroad, it is strictly limited by focusing on human resources and its emigration. It is well known that there are many aspects that contribute to building a competitive nation, however this research only views the topic from human resources aspect. More thorough explanation of the limitations of the thesis will be presented in the fourth section of thesis together with research methodology.

## **2 COMPETITIVE ADVANTAGE OF NATIONS**

Michael E. Porter (2011) discusses that there are many misconceptions of what makes a nation competitive. Some think that a competitive nation is one with competitive industries and firms but, as can be seen, even the most prosperous nations in the world have some industries that are unable to compete with the most successful rivals. Porter also proves that a nation cannot unnecessarily be called competitive if its exports are rising, because some nations with stable or slowly decreasing exports are the ones with strong income per capita growth. (Porter 2011, 51)

Porter (2011) also reveals that national competitiveness cannot be based on the nation's ability to create jobs. Even though it is crucial for a nation to be able to create jobs for its people, it is important to consider the type of the jobs to be created so that the national income could be increased. Moreover, he states that national competitiveness cannot be based on how large the nation's trade balance is, how low their labor costs are, or how good their exchange rates are. Porter (2011) reveals that these measures are important, but do not clearly relate to the nation's competitiveness. (Porter 2011, 52)

### **2.1 What makes a nation competitive?**

Porter (2011) suggests that what makes a nation competitive is not all about its economical state. He states that a competitive nation strives to grow productivity. Moreover, productivity should be looked at on an industry level. The most important goal of a nation is to create a high standard of living for its citizens. However, higher standard of living cannot be reached by clarifying how competitive the nation is, but by how efficiently it uses its resources, such as capital and human labor. (Porter 2011, 52-53)

As Porter (2011) explains, for a nation to gain a competitive advantage, its companies must be able to produce products or services with either lower costs or produce specialized products that can be priced higher. Furthermore, for a nation to be able to sustain the competitive advantage firms have to produce higher

quality products or make the production process more efficient. This means that if the nation wants to become more competitive it should grow its productivity. (Porter 2011)

Porter (2011) suggests that national competitiveness can be seen in particular industries or even segments of these industries. He states that by improving profitability in important industries, the whole nation's competitiveness will grow. For an industry to grow its productivity, the quality of its human resources and technology is crucial. Human resources in these industries must have good education and special skills, which cannot be obtained only by general education. On the other hand, a high quality technology that can keep up or even lead the innovation must be available. Improving productivity means maximizing outputs of the process while using as less inputs as possible. Higher productivity for workers mean higher wages, however, higher productivity of the use of capital brings higher return to the owner. It is said that by improving the level of productivity of the use of human resources and capital will increase the country's competitiveness. (Porter 2011)

Supporting the notion of growing productivity, Paul R. Krugman states:

"Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker." (Krugman 1997)

As Porter (2011) discusses, trade across nations and investment from other nations can help to improve the productivity of the country, but it can also burden the improvement and maintenance of the current level of productivity. As the world is becoming more global, nations can source materials or even outsource the whole production process abroad to raise productivity levels. Thus, Porter (2011) suggests that a nation should concentrate on industries that they are more successful at, and import products and services from those industries where productivity is low. Nations might also want to establish subsidiaries of the firms from their most productive industries abroad to increase exports, thus earning foreign profits which would increase the nation's income. (Porter 2011, 53-54)

## 2.2 Absolute and comparative advantage

Besides Porter's theory of national competitiveness, there are more concepts that help to better understand how a nation can become competitive in a global context. Two classical theories of competitiveness are Adam Smith's absolute advantage and David Ricardo's comparative advantage. These theories, even though differs from each other, have build a strong foundations in the literature of competitiveness.

As Cho & Moon (2013) reveal in their book, before Michael Porter's theory of national competitive advantage, Adam Smith had introduced his theory about absolute advantage. He thought that all nations should focus on the area of production in which they have the absolute advantage. He proposed that countries specialize in the area they are the most productive at. According to his theory, countries will benefit by trading with products and service where they have the absolute advantage in. According to *A Framework for Teaching Basic Economic Concepts with Scope and Sequence Guidelines, K-12*, a country has an absolute advantage in a field where they can produce more products or services with the same amount of resources as their competitors. This means that a country who can reach a higher output level while using the same amount of inputs as its competitors will have the absolute advantage. (Cho & Moon 2013, 5-9; *A Framework for Teaching Basic Economic Concepts with Scope and Sequence Guidelines, K-12*, 113)

Cho & Moon (2013) also state that another important contributor to the competitiveness theory is David Ricardo, who expanded Smith's findings and introduced comparative advantage theory. Smith's theory did not cover what would happen if one country would have absolute advantage in both type of goods when trading between two countries. Ricardo's comparative advantage states that the more productive country should focus on the commodity where it has the absolute advantage. On the other hand, the country that is not as productive in neither of the two types of goods should trade with commodity where they have the least absolute disadvantage. This means that both countries would benefit from the trade

across borders, even the ones who do not have the absolute advantage. As explained in the book *A Framework for Teaching Basic Economic Concepts with Scope and Sequence Guidelines, K-12*, a country has a comparative advantage when it can produce goods or services with lower alternative costs than the other nation. This means that the country should trade those goods and services that they are most productive in. (Cho & Moon 2013, 9-11; *A Framework for Teaching Basic Economic Concepts with Scope and Sequence Guidelines, K-12*, 113)

### **2.3 Gaining competitive advantage with innovation**

Nowadays, competitiveness has been researched more thoroughly by new authors who have contributed to the topic. Cho and Moon (2013) have combined Michael E. Porter's and other classical author theories about competitive advantage and have added their own insight to the topic. They also explain how nations can gain competitive advantages with innovation.

Cho & Moon (2013) insist that nations gain competitiveness with their ability to innovate and upgrade within its industries. It is the same for companies. If a company wants to succeed, it needs to innovate and find a better solution to be able to outpace its competitors. They also state that in this time of globalization, the concept of nation is becoming more important. Competitive advantage of a nation is created through a local process. Differences in values, economical systems, histories, cultures and institutions can create competitive advantages for nations. There are differences among nations, thus it is not possible for a country to be able to have competitive advantage in all or even majority of its industries. Cho & Moon (2013) consider the nations that have competitive advantages in some industries to have the most challenging, dynamic and strategic local environment that leads to innovation and improvement. (Cho & Moon 2013, 63-64)

A competitive nation cannot exist without competitive companies that succeed in markets all around the world. Even though globally successful companies all use different strategies, they understand that what makes them successful is innovation. These companies come up with the latest technologies as well as new methods of how to do business to become leaders. Sometimes they do not have to in-



vent a completely new way of doing things, they might only need to improve their performance in areas they already operate at. Companies might need to improve the design, functionality or the production process to win over their competitors. Cho & Moon (2013) advocate that a significant part of innovation is about improving small things one at a time rather than inventing a completely new technology. Some companies can gain competitive advantage by starting to operate in a completely new market, which is an innovation as well. It is also believed that once a company gains a competitive advantage with the help of innovation, the only way to keep it is by persistent improvements. Today in the highly globalized market, innovation can be copied very quickly, thus companies need to keep improving all the time. To support this notion, Cho and Moon (2013) also state that companies can only keep their competitive advantages by constantly upgrading them. They suggest that companies need to build their strategies for the global market as well as constantly develop them. It is proven that if the company will not improve its competitive advantage, competitors will. Innovation and change is recommended when companies or nations want to gain a competitive advantage. (Cho & Moon 2013, 64-67)

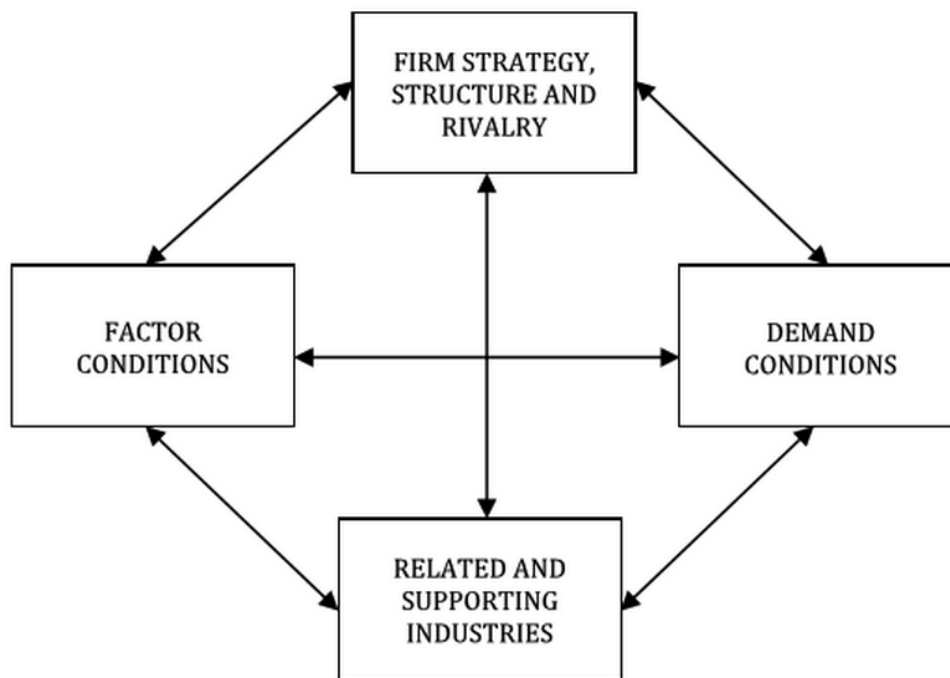
#### **2.4 Porter's Diamond Model for National Competitive Advantage**

To be able to research and see how competitive a country is in international context Michael Porter came up with a Diamond Model of National Advantage. Cho and Moon (2013) explain that the model consists of four aspects of a nation that contribute to its competitive advantage. As can be seen in Figure 1, the four dimensions of the Diamond model include:

- ***Factor Conditions*** - the components of production that the nation possesses. Such components are human resources and infrastructure, for example.
- ***Demand Conditions*** - the situation of demand in the home market for the industry's end products.
- ***Related and Supporting Industries*** - whether the country has or does not have domestic suppliers or other related industries that are able to compete globally.

- *Firm Strategy, Structure, and Rivalry* - the common manner companies are established, governed and organized in the specific country. The situation of the competitiveness in the country is also assessed.

(Cho & Moon 2013, 67-68)



**Figure 1** Porter's Diamond Model of National Competitive Advantage (From Adam Smith To Michael Porter : Evolution of Competitiveness Theory (Extended Edition), D. Cho & H. Moon 2013, 68)

Because of these factors, it is possible to see which aspects of a country help its companies and industries to gain competitive advantage and succeed in international markets and which factors are hindering this success. When a nation creates the right environment for companies, they can gain competitive advantages. For companies to be able to gain these competitive advantages, the nation should allow and support special skills and assets that will help in the industry, encourage better information circulation regarding product and production, as well as provide such environment for companies that supports innovation and investment. By

improving the national environment, a nation will help its companies to gain competitive advantages and sustain them. (Cho & Moon 2013, 67-69)

As Cho & Moon (2013) explain, what a nation should have or create for its companies are *factor conditions*. This means that a nation should have high quality factors of production. This consist of labor, infrastructure, natural resources of the country, land, and capital. It is believed that in the most complex industries these factors are not inherited, but instead they are created. This means that highly skilled laborers and knowledge base is created. It is important that a country not only creates these factors, but also consistently upgrades them. It is also known that the most significant production factors are the ones that require high level of investments and specialization. Even though all factor conditions are crucial for building a competitive nation, this thesis focuses on labor force's influence on the competitiveness of the country, to see how labor emigration abroad will affect the country's competitiveness. (Cho & Moon 2013, 69-71)

The second part of the Diamond Model of National Competitive Advantage is *demand conditions*. Even though a competitive company needs to be able to compete in a global market, domestic demand also plays an important role in the creation of the competitive advantage. As Cho & Moon (2013) inform, there are better chances for a nation to gain competitive advantage in certain industries if they know what their buyer needs are. Moreover, domestic demand is especially important in forcing the nation's companies to innovate, thus finding new ways to outperform their global competitors. The more sophisticated the buyers, the more pressure for companies to innovate. Domestic demand in a specific industry can help in building a competitive advantage, particularly when the domestic market is bigger in size or higher in significance than the global market. Values and circumstances of the nation might also pressure domestic companies to improve their creations, thus rising their competitiveness on a global level. This is especially important when the nation is exporting its values abroad. (Cho & Moon 2013, 71-72)

The third factor that determines a national competitive advantage according to the Diamond model is *related and supporting industries*. For a nation to be able to attain a competitive advantage it is important to have supporting and related industries that are globally competitive. It is crucial for a competitive nation to have high quality domestic suppliers. This means that the suppliers can deliver the goods in a quick, easy and cost effective manner. It also means that the communication is easier, thus innovations can be developed faster. The information and changing demands can be circulated in a more timely manner and the related industries can compete better not only in their home market, but also abroad. However, a nation does not need to have local suppliers in all industries to be able to innovate faster and gain a competitive advantage. Sometimes it might be more beneficial to source the materials or other components from abroad. (Cho & Moon 2013, 72-74)

The last component of the Diamond Model for National Competitive Advantage is *firm strategy, structure and rivalry*. This factor shows how companies are created, managed and organized in a national context. It also shows how the companies are set to compete in the domestic market. These factors differ among countries, and one way does not fit all. There are differences in personal and company goals in all countries, but they can lead to a competitive advantage. Another factor that can help a nation to gain a competitive advantage is how well its people want to work, learn more and gain new skills. Highly educated and skilled people are needed for industries to gain a competitive advantage, thus these industries need to be able to attain them. A company should not be frightened of strong rivals based in the same nation, because this competition might lead to more innovation and success for the industry. (Cho & Moon 2013, 74-78)

Porter (2011) also states that the Diamond consists of dimensions that have to work together and add up to each other to help companies within the nation to get competitive advantage. He states that even if the national environment is supportive of the companies from specific industry, it does not certainly mean that all of the companies will succeed. Not all companies will have the necessary skills,

knowledge, nor all will be able to use the national advantages to their benefit. (Porter 2011)

## **2.5 Chance and government influence on the Diamond Model**

As the main four factors of Porter's Diamond Model have been introduced, it is necessary to look at the two additional factors that affect the competitiveness of the nation as well. Porter (2011) suggests that the Diamond Model of National Advantage is not complete without two more variables that happen outside of the model. These two variables are chance events and the influence of government. (Porter 2011)

As Porter (2011) explains, chance events are those incidents that happen without the control of the companies or even outside the control of the government. Some examples of chance events could be wars, new technological inventions or important changes in the market demand abroad. These happenings can change the whole industry's structure and lead other country's firms to outperform the previous leaders. (Porter 2011)

It is also revealed that the government has a major influence on the creation of competitive advantage for a nation. By introducing different policies and regulations, they can either support or harm the four determinants of the Diamond model, thus affecting the competitive advantage. Cho and Moon (2013) state that the government's role is to support and encourage companies to constantly improve and compete better in the global marketplace. It is believed that the government cannot create a competitive industry by itself, only companies can do it. However, a government plays a supporting role that can help the companies succeed if the other determinants in the Diamond model are also positive. The government's tasks in supporting the creation of competitive advantages are: encouraging change in the industry, promoting competition in the country's own market first, as well as supporting companies to innovate and invent. (Cho & Moon 2013, 79-81; Porter 2011)

Even though, Porter's Diamond model has been changed by many authors and different extensions have been added to it, in this thesis the original Porter's Diamond Model will be used with a few modifications. This choice has been made in order to avoid over complicity and stick to the main objectives of the thesis.

## **2.6 Labor force's influence on competitiveness**

As Porter's Diamond Model for National Competitive Advantage has been explained in theory, it is crucial to understand the role of labor force in the creation and maintenance of national competitiveness. As Cho & Moon (2013) explain, the classical economy theory suggests that labor force and other production factors directly affect the trade flow. The nation should exports those goods and services in which production human resources are the most productive and successful at. (Cho & Moon 2013, 69)

According to Cho & Moon (2013), the nation should not rely on inheriting good production factors, instead it should create them in industries that are crucial for the country. Country should educate and improve its labor force to become competitive. Employees in different industries need special skills and knowledge to be able to work successfully, thus the country should create these skilled human resources. Even though it will cost money for the nation, this investment will be justified in the future, when the employees will be able to improve the competitiveness in the most important industries and country as a whole. It is crucial that the country creates, upgrades and sustains high qualified human resources to be able to increase its competitiveness. (Cho & Moon 2013, 69)

It must be understood that factors of production that will increase competitiveness for the nation must be highly specialized. Labor force with just high school or general education cannot be seen as valuable factor of production. As it was already mentioned, human resources need to be taught the specific skills required in different industries for them to be able to improve the competitiveness of the nation. Professionals with highly specialized skills and knowledge are scarce, thus they are more difficult for others to obtain or imitate. (Cho & Moon 2013, 69)

Cho & Moon (2013) also reveal that a disadvantage can be turned around into an advantage. If a country lacks skilled labor or cheap raw materials, it can innovate and find new ways of replacing them, leaving out of production process or creating them by themselves. The country and its industries might try to increase the productivity of the already scarce labor or search for new markets or specific market segments to target. Another factor for turning a disadvantage into an advantage is the fact that other parts of the Diamond model should be well developed and successful to be able to create a competitive advantage besides the problems in factor conditions. Disadvantages should be seen as reasons to improve rather than obstacles. (Cho & Moon 2013, 70)

It can be seen that factor conditions and especially human resources directly affect the competitiveness of a country. If a country's labor force is inadequately educated, it will reduce the competitiveness of the particular industry, thus the whole country will suffer. Nations have to match the needs of specific industries with the education of the labor force, so that there are no labor deficit or overproduction. It will cost a significant amount of money for the country to educate its labor force, but it will pay off by improved competitiveness in the future.

As the influence of labor force on the competitiveness of the country has been assessed, it is crucial to understand how competitive is Latvia and how developed its work force is. In this thesis Latvia's competitiveness will be researched according to the Diamond Model for National Competitiveness. Moreover, special attention will be paid to the situation of Latvian work force.

## **2.7 Latvia's Competitiveness according to the Diamond model**

After the Diamond Model for National Competitive Advantage has been introduced, a review of Latvia's competitiveness will be presented. Latvia's situation regarding four main and two additional factors of the model will be researched. Even though this thesis focuses on the emigration of Latvian workforce and how it will affect Latvia's competitiveness, it is crucial to answer the first research question of the thesis and understand how competitive is Latvia as a nation (page 10). To better understand this, the evaluation of Latvia's competitiveness in all

Porter's Diamond Model factors needs to be done. Moreover, to be able to better answer other research questions, it was chosen to take full approach on the Diamond Model, rather than just focusing on factor conditions.

### 2.7.1 Factor Conditions

As this thesis concentrates on the influence of Latvia's labor force emigration abroad on the country's competitiveness in the future, it is necessary to assess the performance of country's labor force. The emphasis in Diamond Model's factor conditions is placed on the country's labor force to research how educated, productive and satisfied are Latvian employees.

- Attractive location - near Baltic Sea
- Population of approximately 1977100 people (Sep. 2015)
- Human Development Index - 0,810 (2013)
- Life expectancy at birth - 72,2 years
- Mean years of schooling - 11,5 years
- Expected years of schooling - 15,5
- Inadequately educated workforce 9,2 (2015)
- Poor work ethic in labor force 5,6 (2015)
- Environment Performance Index - 64,05 (of 100)
- Gini coefficient - 35,5 (2014)
- Labor productivity per hour worked - 8,4 Euros per hour worked (2013)
- Pay and productivity - 4,6 (2015)
- Reliance on professional management - 4,7 (2015)
- Country capacity to retain talent - 2,9 (2015)
- Country capacity to attract talent - 2,6 (2015)
- Women in labor force (ratio to men) - 0,93 (2015)
- Unemployment rate - 10,8 % (2014)

As Investment and Development Agency of Latvia explains, Latvia is located in a very favorable location - right next to the Baltic sea. Moreover, Latvia can be considered a bridge between northern and eastern Europe. According to the Central



Statistical Administration's data, Latvia's population as of September 2015 was a little bit less than 2 million people. It can be seen from statistics, that the population has decreased significantly over the years. Since the year 2000 population in Latvia has decreased by a little over 400 000 people, which is a significant problem for Latvian economy. (Investment and Development Agency of Latvia; Centrālās Statistikas Pārvaldes Datubāze 2015)

As it is revealed in the Human Development Report (2014), Latvia with the human development score of 0,810 takes 48<sup>th</sup> place out of 187 countries. Even though the score signifies that Latvia is a country with very high human development, it still remains in one of the lowest places among countries from European Union (EU). The same report shows that life expectancy for people in Latvia at birth is 72,2 years, which is also lower than rest of the EU countries. In the report it also can be seen that mean years of schooling in Latvia are 11,5 years which is a little bit more than most of the EU countries, while the expected years of schooling are 15,5 - the average level of EU. This means that Latvian population's life is shorter than those of other EU countries. Nevertheless, Latvia's population has obtained approximately the same amount of education as related countries. (Human Development Report 2014)

Even though the country's people have obtained on average the same amount of education as people from other European Union countries, from The Global Competitiveness Report 2015-2016 it can be seen that Latvian labor force is not educated well enough. The report shows that inadequately educated workforce is the 5<sup>th</sup> most problematic factor for doing business in Latvia. Latvia is overproducing professionals in some industries, while other industries are experiencing workforce deficit. The country does not only have inadequately educated workforce - the labor force also lacks work ethics. Latvia needs to educate its workforce to have the specific skills required for their position as well as good work ethics. (Schwab & Sala-i-Martin 2015, 230)

Yale University has conducted a research about how well countries are taking care of the environment. In 2014, out of 178 countries, Latvia was in the 40<sup>th</sup> position

with the score of 64,05 out of 100, which is quite low when compared to other European countries, meaning that Latvia could pay more attention and take better care of the environment. Latvian people should use their resources and produce goods and services in a more environmental friendly manner. (Yale Environmental Performance Index 2014)

Another type of data which is not favorable for Latvia is its Gini coefficient. According to Eurostat, in 2014 Gini coefficient for Latvia was 35,5 which was the highest among European Union countries. As Latvia's Competitiveness Report explains, Gini coefficient shows how equal the income of the population of the country is. As Latvia has a high Gini coefficient, it means that the income in Latvia is very unequal, showing that some people get unfairly large salaries, while others' salaries are disproportionately low. (Eurostat 2014; Latvia Competitiveness Report 2014, 32)

As it can be seen from Eurostat statistics, in 2013 Latvia was one of the most unproductive countries in European Union with labor productivity as low as 8,4 Euros per hour worked. Moreover, Latvia's closest neighbors are surpassing them as well - Lithuania's productivity could be measured with 10,6 Euros per hour, while Estonia's with 11,4. This score indicates that Latvia should use its resources in a more sufficient manner to be able to increase the country's productivity. (Eurostat 2013)

Even though data from the year 2013 shows that Latvia is not competitive enough in terms of labor productivity, The Global Competitiveness Report 2015-2016 shows that the country has improved its performance and has become more productive. Latvia's pay and productivity ratio in 2015 can be rated at 4,6 out of scale from 1 to 7. Latvia's ratio of pay and productivity is the 23<sup>rd</sup> most favorable among 140 countries. The country has improved its productivity and thus can achieve more with less inputs. Latvia does not only work productively, but also highly relies on professional management, meaning that the country manages its processes thoroughly. The country's level of reliance on professional management is 38<sup>th</sup> highest out of 140 countries. (Schwab & Sala-i-Martin 2015, 230-231)

Latvia's good productivity and management system could not survive without successful employees. Even though the labor force is crucial in country's success, Latvia does not seem to be able to retain or attract talent successfully. Latvia is rated at the low 104<sup>th</sup> place for its capacity to retain talent and 110<sup>th</sup> place for capacity to attract talent. Out of 140 countries, Latvia is showing really low performance in this crucial area. The country needs to manage its competent workers and offer attractive salary in return. If Latvia fails to do so, it might affect the economical performance and country's competitiveness in the future. (Schwab & Sala-i-Martin 2015, 230-231)

As Latvia's GDP is not as high as other developed countries, most women also choose to join the labor force and build a career, rather than to stay at home and take care of their families. It can be seen from The Global Competitiveness Report 2015-2016 that Latvia's women in labor force ratio to men accounts for 0,93 and is the 21<sup>st</sup> highest among 140 countries. As Latvia offers equal career opportunities for men and women, it is a good place for women to work and develop themselves professionally. (Schwab & Sala-i-Martin 2015, 230-231)

Latvia has a good business environment for employees to work at, thus it is crucial that the country's people are able to join the workforce and contribute to the economy. According to official statistics of Latvia, in 2014 the share of labor active population in Latvia was 66,3 %, with 59,1 % of total population employed and 10,8 % unemployed. As Latvia's Competitiveness Report (2013) reveals, Latvia is in a good position now, because the birth rate has dropped, the part of the population in the working age has increased, number of children and older people is low and women are working. As the report insists, this phenomenon can be called *demographic window* - a period when the share of working population is significantly high. As the report estimates, this demographic window will continue until year 2017. This situation is very favorable for Latvia, because most people are working and there is not a major burden of benefits and pensions that need to be paid. Latvia Competitiveness Report (2013) also reveals that the nation performs better in economical activity when compared to the other European countries. As Latvia does not have many natural resources, labor force is one of the

most important possessions that it owns. (Centrālās Statistikas Pārvaldes Datubāze 2014; Latvia Competitiveness Report 2013, 37-38)

Overall, Latvia is lacking behind other European countries in terms of economic prosperity. Latvia should seriously consider new ways to improve productivity, provide all Latvian people with equal income and take better care of the environment. On the other hand, as Latvia does not have rich natural resources, labor force and knowledge is the main strength of the nation and should be used productively. Latvia should understand the importance of the labor force in increasing the competitiveness of the country, thus it should think about the ways to retain and attract talented employees in all industries. The country should also educate its work force to fit the needed occupations and avoid overproduction of others.

### **2.7.2 Demand Conditions**

Michael Porter's Diamond Model For National Competitive Advantage suggests that demand conditions should be looked at from a domestic point of view. However, as it was mentioned earlier, some changes to the model will be made to better portray the objectives of the thesis. While looking at the demand conditions, the demand for Latvian products and services will be looked at from an international perspective, instead of home market. This is done to better understand Latvia's competitiveness in a global market.

- Enabling Trade Index - 4,4 (2014)
- Trade openness - 119 (2014)
- Share of the world trade - 0,08 % (2012)
- Prevalence of trade barriers - 4,7 (2015)
- Trade tariffs, % duty - 1,2 (2015)
- Exports - 13,96 billion EUR (2014)
- Imports - 14,65 billion EUR (2014)
- Domestic market size index - 2,9 (2015)
- Foreign market size index - 4,2 (2015)
- Buyer Sophistication - 3,0 (2015)

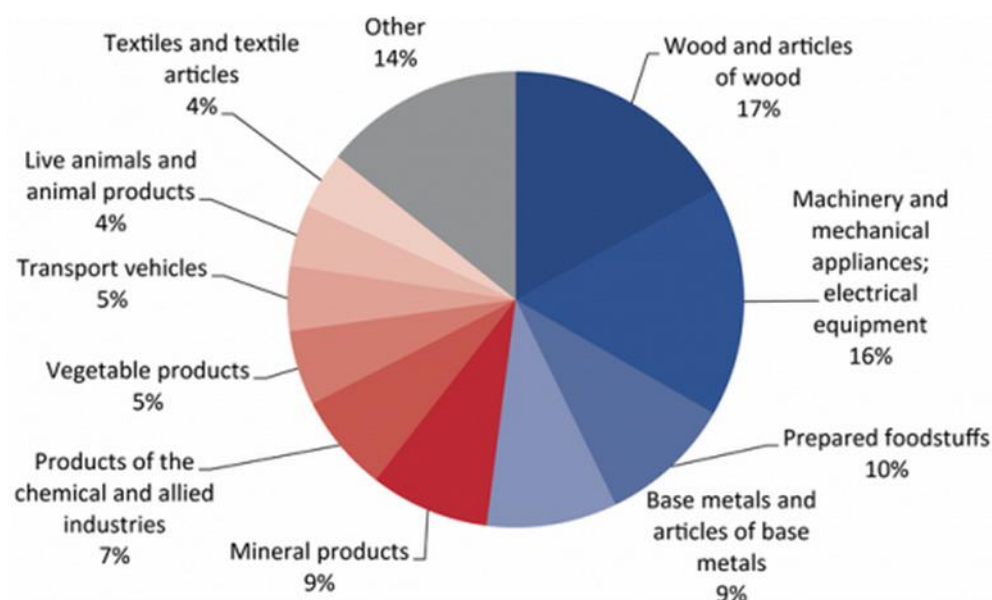
- GDP - 24,058 billion EUR (2014)
- GDP per capita - 12,051 EUR (2014)
- Growth of GDP - 2,4 % (2014)

As Hanouz et. al. (2014) reveal in their report about openness of the country for foreign trade, Latvia's Enabling Trade Index accounts for 4,4 out of scale from 1 to 7 and takes 41<sup>st</sup> place out of 138 countries. In the report it can also be seen that Latvia's access to domestic and foreign markets are lower than those of other European countries. This can be explained with numerous different complex tariffs that need to be faced when engaging in international trade. In 2012 Latvia's share of world trade accounted to 0,08 %, which shows that the country is not a very significant exporter/importer in foreign trade. Latvia should constantly search for new markets and opportunities to trade globally. (Hanouz et. al. 2014, 190-191)

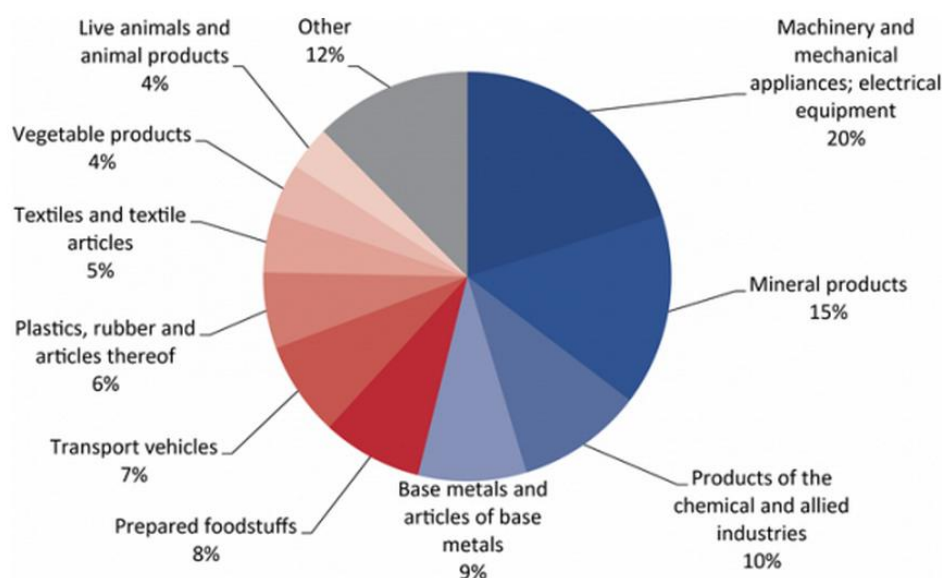
According to the data from the World Bank, in 2014 Latvia's trade openness, which is measured as the sum of exports and imports compared to the national GDP, accounted to 119 %, which has slowly declined since 2013. This means that Latvia's trade in international markets is becoming lower when compared to the national GDP. Latvia should engage more in global trade to improve its trade openness index in the future. (The World Bank)

Even though Latvia's trade openness is decreasing, Global Competitiveness Report 2015-2016 shows that Latvia is in a good position for doing international trade. The country has better balance of trade barriers than competitors. In the report it can be seen that Latvia received a score of 4,7 in the prevalence of trade barriers out of scale from 1 to 7. This can be seen as a competitive advantage, because with this balance of barriers Latvia is in 24<sup>th</sup> place among 140 countries, meaning that there are not so many trade barriers that countries need to take into consideration when doing business with Latvia. One more index which is very favorable for Latvia is trade tariffs, which account to 1,2. Here Latvia is in the high 5<sup>th</sup> place, meaning that Latvia has the most attractive trade tariffs for doing business abroad. (Schwab & Sala-i-Martin 2015, 230-231)

Investment and Development Agency of Latvia reveals that Latvia's exports in 2014 accounted to 13,96 billion EUR, while imports were 14,65 billion EUR. In 2014 Latvia's main exports were wood and articles of wood (17%), machinery, mechanical appliances and electrical equipment (16%), and prepared foodstuffs (10%). On the other hand, Latvia mostly imported machinery, mechanical appliances and electrical equipment (20%), mineral products (15%), and products of the chemical and related industries (10%). Latvia's main export partners in 2014 were Lithuania (18%), Estonia (12%), and Russia (11%). However, the main import partners for Latvia in 2014 were Lithuania (18%), Poland (11%), and Germany (11%). Latvian exports and imports by sector are visualized in Figure 2 and Figure 3. (Investment and Development Agency of Latvia)



**Figure 2** Latvian exports by sector 2014 (Investment and Development Agency of Latvia)



**Figure 3** Latvian imports by sector 2014 (Investment and Development Agency of Latvia)

According to the Global Competitiveness Report 2015-2016 (2015), Latvia's domestic market size index in 2015 in a scale from 1 to 7 was 2,9 which states that Latvia was in 93<sup>rd</sup> place out of 140 countries. The foreign market size index of Latvia was 4,2 and stands for 82<sup>nd</sup> place. It can be seen that as Latvia is a small country with low population rate, the domestic market as well as foreign market is not so big when compared to other countries. (Schwab & Sala-i-Martin 2015, 230-231)

The Global Competitiveness Report 2015-2016 also reveals that the buyer sophistication in Latvia is 3,0 in a scale from 1 to 7. Among all 140 countries, Latvia takes 101<sup>st</sup> place. As Latvia's GDP per capita is low compared to other European countries, people in the country spend most of their money on basic goods, not sophisticated products and services, thus the Latvian buyer sophistication is low. If Latvia engages more in foreign trade and increases the standard of living for its people, the buyer sophistication can also be improved. (Schwab & Sala-i-Martin 2015, 230-231; Investment and Development Agency of Latvia)

Overall, it can be seen that Latvia's domestic and foreign market is not as big as most of the countries, but Latvia is participating in foreign trade with relatively good results. Even though Latvia is behind almost all European Union countries in most of the economic accomplishment measurements, with its 2,4% growth in GDP, it is one of the fastest growing economies in the EU area. (The World Bank)

### **2.7.3 Related and Supporting Industries**

- Five biggest clusters are: transportation and logistics, construction, education and knowledge creation, financial services, and processed food (2011)
- State of cluster development - 3,6 (2015)
- Local supplier quantity - 4,1 (2015)
- Local supplier quality - 4,8 (2015)
- Nature of competitive advantage - 3,5 (2015)
- Value chain breadth - 3,6 (2015)
- Control of international distribution - 4,0 (2015)
- Production process sophistication - 4,1 (2015)

As Cluster Observatory illustrates, in 2011 the biggest clusters in Latvia by employees were transportation and logistics sector, construction, education and knowledge creation, financial services, and processed food sector. According to the Cluster Observatory, most of these five clusters in Latvia are somewhat bigger than Lithuanian or Estonian, however, Lithuania has a bigger cluster of employees in the construction sector. This means that Latvia's employees are divided in sectors and are competing with other peers abroad. However, the Global Competitiveness Report reveals that Latvia's state of cluster development is not so high. In this area Latvia's score was 3,6 out of 1 to 7 point scale. Latvia was in the 78<sup>th</sup> place for its cluster development, which means the country's clusters are not developed enough when compared to other nations. (Cluster Observatory; Schwab & Sala-i-Martin 2015, 230-231)

Latvia's local supplier quantity is quite low at 4,1 out of 7 points. Latvia is far behind average level of 140 countries in the low 105<sup>th</sup> place. The same research



shows that even though Latvia's local supplier quantity is low, meaning that there are not enough of local competitors, the quality of these local suppliers are better than average. Latvia's quality of local suppliers are rated at 4,8 out of 7. Latvia is placed at 39<sup>th</sup> place, which shows that the country is doing better than the average and these local suppliers can be seen as a competitive advantage for the country. (Schwab & Sala-i-Martin 2015, 230-231)

It is revealed in the Global Competitiveness Report that Latvia's nature of competitive advantage has been rated with 3,5 out of maximum 7 points and is in the 62<sup>nd</sup> place out of 140. In this aspect Latvia is doing worse than average and it shows that the country has not been able to achieve strong competitive advantage yet. Latvia should invest in their most important resources to be able to achieve better competitive advantages in the future. As Latvia does not have many natural resources, the country need to develop the most valuable resource they have - its people. (Schwab & Sala-i-Martin 2015, 230-231)

Latvia's value chain breadth also seems not to be as developed and extended as other countries, as this factor in the Global Competitiveness Report has been rated with a low 3,6 score out of 7. Latvia's value chain breadth is not very competitive being placed in the low 82<sup>nd</sup> place out of 140 countries. Latvia is not only doing poorly in the breadth of value chain. It is stated that the country is scoring average also in control of international distribution (47<sup>th</sup> place) and production process sophistication (52<sup>nd</sup> place). This means that Latvia cannot control the distribution of their products and services in international markets as well as other countries. It can also be seen from the results that Latvia's production process is not sophisticated enough. Latvia needs to use their knowledge to boost innovation and improve the way they do business. (Schwab & Sala-i-Martin 2015, 230-231)

When considering Latvia's related and supporting industries, it can be seen that there are clusters of different industries concentrating in the country. However, these clusters are not yet able to compete internationally. It has also been proved that even though Latvia does not have sufficient amount of local suppliers, the existing ones stand out with their high quality. Latvia has also not been able to

obtain sufficient competitive advantages to successfully compete abroad. The country needs to extend its value chain as well as to improve the international distribution of Latvian goods and services. Moreover, Latvia needs to develop their production process to be able to produce better merchandise for foreign markets.

#### **2.7.4 Firm Strategy, Structure, and Rivalry**

- Nr. of procedures to start a business - 4 (2015)
- Nr. of days to start a business - 12,5 (2015)
- Intensity of local competition - 5,4 (2015)
- Insufficient capacity to innovate - 8,2 (2015)
- Effectiveness of anti-monopoly policy - 4,0 (2015)
- Share of the shadow economy relative to GDP - 23,5% (2014)

The Global Competitiveness Report 2015-2016 informs that to start up a business in Latvia takes 12,5 days and includes 4 procedures altogether. On average, it is easier to start up a business in Latvia than other countries, because the number of procedures is lower (Latvia is in 22<sup>nd</sup> place out of 140). However, it takes longer time to start a business in Latvia than in most of the countries. Latvia was placed in the 73<sup>rd</sup> place out of 140 countries for the time needed to start a business. (Schwab & Sala-i-Martin 2015, 230-231)

It can be seen from the report that Latvia's intensity of local competition accounts to 5,4 from a scale of 1 - 7. Latvia takes the 38<sup>th</sup> place out 140 countries, which shows that there is intense competition in Latvia, better than most of the countries considered. As Latvia is doing better than average, this is considered as a competitive advantage. The same report reveals that in the effectiveness of anti-monopoly policy, Latvia is in 51<sup>st</sup> place, with the score of 4,0 out of 7 point scale. This means that Latvia is doing worse than average and the competition in the country is interrupted by too high level of monopoly dominance. (Schwab & Sala-i-Martin 2015, 230-231)

Even though, Latvia experiences effective competition in the country, it is lacking innovation. As there is effective competition in the domestic market, companies

should innovate to outpace the rivals, however, this is not the scenario for Latvia. The Global Competitiveness Report 2015-2016 reveals that 6<sup>th</sup> most problematic factor for doing business in Latvia is insufficient capacity to innovate. If Latvia wants to improve its competitiveness, it should encourage innovation, because that is the way that leads to increased productivity. (Schwab & Sala-i-Martin 2015, 230)

As Putniņš & Sauka (2015) reveal in their report, Latvia has a significant problem of shadow economy. Latvia's share of shadow economy relative to national GDP in 2014 was 23,5%. The index for Latvia was higher than those of the other two Baltic countries. Lithuania's shadow economy index was 13,2%, while Estonia's only 12,5%. It can also be seen that Latvia's shadow economy index is not declining as fast as its neighbor countries. (Putniņš & Sauka 2015, 13)

Overall, it is relatively easy to start a business in Latvia, however, the amount of days needed is higher than average. Latvia should do necessary improvements to allow people to start up businesses faster. It can also be seen that Latvia is doing well in terms of the level of competition in the country. There is tense level of competition, which in the future might lead to innovation and improved ways of doing business. Latvia's problem is its high level of monopoly dominance in the country. The government should introduce stricter measures for monopoly businesses to increase the level of competition in the country even more. Latvia also has to diminish the shadow economy, which is a major problem for the country's economy. The government should encourage the businesses to pay legal salaries to their employees and taxes to the higher institutions.

### **2.7.5 The Government**

- Enterprise income tax - 15% (2015)
- Personal income tax - 23% (2015)
- Social tax (employer share) - 23,59% (2015)
- Social tax (employee share) - 10,50% (2015)
- Value added tax - 21% (2015)
- 23rd place in ease of doing business ranking (2015)

- Businesses need 193 hours to comply with tax administration requirements (2015)

Gencs Valters Law Firm (2015) show in their report that the enterprise income tax rate in Latvia in 2015 is 15% of taxable income. The same rate applies to Lithuania, while Estonia has 20/80 of net payments. In another report by the same author, it can be seen that in 2015 Latvia's personal income tax accounts to 23%, Lithuania's 15% (5% for self-employed), while the tax in Estonia is 21%. When thinking about the governments influence on businesses in the country, it is also important to look at the social tax that needs to be paid by both sides - the employer and the employee. In Latvia in 2015 social tax paid by employer accounts for 23,59%, while employee has to pay a 10,50% share of the income. It can be seen that the social tax burden is lighter for Latvian employers than for Lithuanian or Estonian. Lithuanian employers have to pay 30,98% - 32,6% share, while in Estonia employers have to pay a 33% share. Because of the lower tax share for employers, it is understood that it is less expensive to hire labor for enterprises in Latvia than other Baltic countries. Even though it seems that taxes that are paid for Latvian labor salaries are lower, Latvia is proved to have biggest tax burden when it comes to higher salaries, meaning that Latvian entrepreneurs that are paying higher salaries to their employees have to spend more money in taxes than other Baltic countries. Latvian government should improve the tax system in Latvia to boost local businesses and allow them to pay higher salaries to their employees. Another tax that needs to be considered when comparing country's competitiveness is value added tax (VAT). As European Commission's website reveals, Latvia's VAT rate is the same as Lithuania's - 21%, while Estonia has a VAT rate of 20%. It can be seen that Latvia's VAT rate is average among European Union countries. (Gencs Valters Law Firm 2015; European Commission 2015)

Even though Latvia is at the high 23rd place out of 189 in ease of doing business ranking, Cunska et. al. (2013) reveal that there is high level of bureaucracy in the country. It can be proved by the fact that in 2015 Latvia needs 193 hours to comply with the tax administration requirements, while Estonia, for example, only needs 81 hour. Inefficient government bureaucracy has been rated as the second

most problematic factor for doing business in Latvia. (The World Bank 2015, 4; Cunska et. al. 2013, 106; PWC 2015; Schwab & Sala-i-Martin 2015, 230)

It seems that Latvia has average taxes when compared to other EU countries. Nevertheless, businessmen have voted tax rates as the most problematic factor for doing business in Latvia. This could be related to the fact that businesses have to pay a large share of taxes when they pay higher salaries for their employees, complexity of tax regulations and the long time that needs to be taken to comply with the tax regulations. Latvia should rethink its tax policy and how it could be improved to support entrepreneurship and business in the country. (Schwab & Sala-i-Martin 2015, 230)

In general it can be seen that Latvia is a good place to do business, with relatively low taxes. However, it is believed that too high level of bureaucracy still exists in the country. Government should decrease the burden of paperwork for businesses, thus maximizing the time that can be spent on primary business activities. The government should also improve the tax system so that all the people can earn equal salaries.

#### **2.7.6 Chance events**

- Sanctions against Russia
- European migrant crisis

As European Union states in their website, there are many sanctions that have been introduced against Russia, to punish it for the illegal annexation of Crimea. As Russia is one of the biggest export and import partners of Latvia, it will considerably affect Latvian economy in the long term. (European Union 2015)

Another chance event that might affect the economies of the European Union member state countries is the European migrant crisis which started in the fall of 2015. As The Wall Street Journal explains, there are masses of migrants coming to European Union countries to seek for asylum. It is hard to tell what will be the consequences of this migration crisis, but it surely will affect the economies of the

EU member states in the future. As Latvia belongs to EU, it will also feel the influence of this migration crisis. (Pop & Sobczyk 2015)

Even though it is hard to estimate how these chance events will influence Latvia, the country's competitiveness in the future might also be affected by Latvian work force emigration abroad. After the financial crisis of 2007-2008 many Latvian working age people have left the country to look for opportunities abroad to increase their standard of living. As human resources are one of the most valuable possessions that Latvia has, this migration wave of the country's work force will surely influence Latvia's economy and competitiveness in the future.

### 3 EMIGRATION OF LATVIAN WORKFORCE

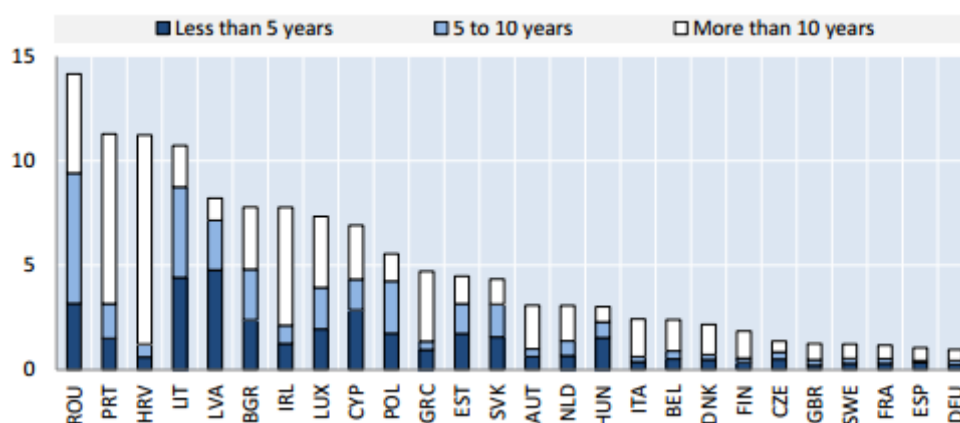
After it has been understood what makes a country competitive and Latvia's competitiveness has been assessed, it is necessary to realize the emigration situation in Latvia and understand how it might affect the country's competitiveness in the near future. Background of the emigration of Latvian people, recent emigration trends as well as possible effects of Latvian workforce emigration abroad will be discussed in this part.

As the University of Latvia reveals in its publication, in the Soviet Union times Latvia's population used to have a tendency to increase. This increase used to be related to immigration from other Soviet Union member states. In the late 80s, Latvia's population was almost 2 700 000 people. However, year 1989 started the era of negative migration balance in Latvia, which is still continuing today. (Latvijas Universitātes Statistikas un Demogrāfijas Katedra 2010, 5)

Indāns (2007) explains that Latvia has to face many problems regarding depopulation. Latvian workforce is emigrating abroad, the population in Latvia is getting older, thus Latvia is facing workforce deficit. As the country is still trying to achieve the average standard of living in European Union, emigration is a significant problem for Latvia and its people. As it can be seen from The Central Statistics Bureau of Latvia's website, in the beginning of year 2015 there were 1 million and 986,1 thousand people living in Latvia, which is a slight decrease from the past century's late 80s. After Latvia joined European Union in 2004 many Latvians have went to look for better working opportunities in other EU countries to increase the quality of their lives. It must also be mentioned that these are only the official statistics, and it cannot be estimated how many more people have left the country without officially registering their leave. (Indāns 2007, 144-145; Centrālā Statistikas Pārvalde)

As Latvia's economical state significantly suffered after the 2007-2008 financial crisis, many Latvian people chose to move to another EU country to look for a job with higher salary. As Dumont & Aujean (2014) reveal in their report, people who move within EU member states are younger and have higher education when

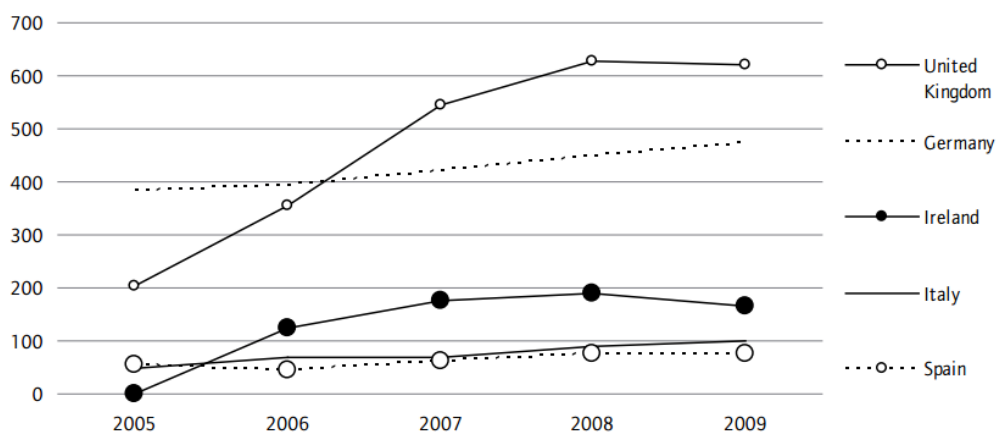
compared to the rest of the population. However, it can be seen that the people moving from central and eastern EU countries are working at jobs that are under their qualification. As Latvia belongs to Eastern Europe, this fact applies also to economical emigrants from Latvia. Latvians are ready to move to other EU countries to work in positions that they are overqualified for to receive higher salaries. Figure 4 shows that in 2013 almost 10% of Latvia's working age population was living in another EU member state. This is the 5<sup>th</sup> highest result among EU countries. (Dumont & Aujean 2014, 3, 9)



**Figure 4** Working age citizens living in another EU country as a percentage of population (15-64), (Dumont & Aujean 2014, 9)

When people choose to emigrate abroad to look for better working opportunities, they usually choose countries with better economical situation or more developed economical system. Galgoczi et. al. (2011) reveal that between year 2005 and 2009 the three main destination countries for the A8 European Union countries, or the ones that joined the EU in 2004, were United Kingdom, Germany and Ireland. The main countries that A8 nationals choose as their new home are visualized in Figure 5. (Galgoczi et. al. 2011, 29)





**Figure 5** A8 population in major EU15 countries: 2005-2009, (Galgoczi et. al. 2011, 29)

As significant part of Latvia's work force has emigrated, it is still unclear how this phenomenon will affect Latvia's competitiveness in the upcoming years. There are many possible effects that Latvian economy might have to face in the future regarding these migrants, thus it is crucial to take a deeper look at them one by one. To avoid painful consequences in the future, Latvia should think about how to attract its workforce to return to their home country.

### 3.1 Possible consequences of Latvia's labor emigration

As deeper background of emigration of Latvia's workforce has been introduced, it is crucial to address the possible consequences that Latvia might have to face in the future regarding this problem. The following sub sections contain the possible consequences and deeper insight into them. First, it is important to understand the labor force trends of Latvia during the period of emigration and forecasts regarding future.

#### 3.1.1 Latvian labor force trends

To understand how Latvian labor force emigration abroad will affect Latvia's competitiveness, it is crucial to realize what are the labor force trends that the em-

igrants are experiencing abroad and how it is affecting the labor force back home in Latvia.

In his article Hazans (2013) reveals that emigrants who leave Latvia and move abroad are experiencing high rate of employment in the host countries. He states that up to 84% of Latvian emigrants were employed in the host countries during the crisis period. He also reveals that those migrants who have returned to Latvia are enjoying higher level of employment, than those who have never left the country to work abroad. However, it has been stated that return migrants also experience higher unemployment rate, which could be explained with the fact that they are able to spend more time to look for jobs as they most likely have saved a part of earnings from their emigration period abroad. (Hazans 2013)

Hazans (2013) also states that it has majorly been discussed whether this emigration of Latvian labor force has already led to labor shortages. Investors who are looking for opportunities to invest in Latvia as well as employers complain that it is hard to find qualified workers, thus suggesting that unemployment in Latvia is structural, meaning that the people who are unemployed are not suitable for majority of the vacancies offered by the labor market. The article also reveals that the highest labor shortages are experienced in the construction sector and large manufacturing companies. Hazans (2013) suggests that for now only a small part of businesses are experiencing difficulties in finding employees with relevant qualification, however, he believes that labor shortages will become major problem in the near future. (Hazans 2013, 99)

When talking about labor shortages, European Centre for the Development of Vocational Training in their report reveal that between year 2008 and 2013 the economical crisis reduced employment in many sectors in Latvia, especially suffered construction and manufacturing. They also forecast that up to year 2025 the most positions will be available in manufacturing, construction, distribution and transport, business and other services. They state that in the future there will be higher demand for high and medium qualified workers in Latvia. Moreover, Siliņa-Osmāne (2010) reveals in her report, that workforce deficit is also forecast-

ed in such occupations as engineering, structural engineering, electrical engineering, and other physical and engineering occupations. She also reveals that doctors, dentists, other medical personnel occupations, and different business professionals will be in high demand. The author believes that up to year 2020 there will not be enough tourism professionals, quality management senior specialists, senior project managers, and dentist assistants. (European Centre for the Development of Vocational Training 2015; Siliņa-Osmāne 2010, 19)

As a large share of Latvia's labor force has emigrated abroad to look for better paid jobs, Latvia might face serious workforce deficit in some occupations in the near future. As different sources have forecasted, even though for now labor shortage is not a major problem for most sectors, there will most likely be workforce deficit in high qualified and medium qualified positions in the near future. The only way how Latvia can overcome this future problem is by either attracting immigrants from other countries, Latvian specialists that have emigrated, or educate the remaining people to fit the needed positions and to prevent overproduction of professionals in different fields.

### **3.1.2 Possible effects on Latvian economy**

When thinking about consequences of Latvian workforce emigration abroad, it is crucial to understand how this emigration can affect the country's economy as a whole. Austers (2015) in his review of different research papers explains the possible consequences of the sending country - the country whose work force is leaving for work to another nation. He reveals that after migrants have left the country, it will most likely suffer from decreased total production simply because the amount of workers have declined. Even though the total production is forecasted to decrease, the income per capita should increase. The remaining workers, who still work in Latvia should enjoy increased earnings, however, owners of such factors as land, raw materials, and capital will most likely see a decrease in their income. Even though the remaining workers in the country might feel increase in income, it depends on their position. The report states that positions who might be able to enjoy this increase, if specialists are emigrating, are most likely highly

qualified workers, while the low qualified workers will not see any increase or might even lose their position as the domestic demand will decrease. It can also be the opposite, when low qualified workers might be in demand, thus their wages might rise, while the highly qualified workers' earnings will remain at the previous level. The author also explains that the whole situation can be more complex and the country might not necessarily feel any decline in the economical performance. (Austers 2015, 30)

In his article Hazans (2013) reveals that emigration usually leads to decreased but more elastic labor supply. This process is said to increase employee wages. Moreover, as the labor market is reduced, employers are forced to lower the hiring standards, thus decreasing the quality of the output of workers. Due to the emigration, the increase in wages for workers is suggested to also increase consumer prices. On the other hand, as the domestic demand is decreased, it might affect consumer prices in the opposite direction. The article estimates that over a four year period from 2005 to 2008 inflation has increased by 0,8 percentage points in Latvia and Lithuania due to the emigration. Moreover, the article also reveals that emigration has increased real wages of workers by 2,5%. While it has been said that it is too low, it has been revealed that this increase for specific occupations, sectors and specialists who share specific skills might be larger. (Hazans 2013, 99-100)

Even though it was previously mentioned that the emigration of Latvian labor force has reduced employment in many sectors in Latvia, emigration can also be viewed from a positive side. When thinking about how this emigration of Latvian workforce affects the labor market in Latvia, Hazans (2013) reveals that it has reduced the unemployment rate significantly. As emigrants move abroad, the remaining unemployed or economically inactive people can fill their previous vacancies. The data from the article suggests that if there would not be this major emigration wave, the unemployment rate would be higher and less vacancies would be available. It is also stated that the emigration of a major part of Latvian workforce allowed to save money on benefits that would have to be paid to the unemployed people. (Hazans 2013, 97)

Hazans (2013) also reveals that another consequence that Latvia will have to face regarding its workforce emigration is decreased motivation to invest from domestic and foreign investors. The biggest threat that is affecting the motivation of investors is seen as decreased population and the size of domestic market. Labor shortage is also seen as a factor affecting investor motivation. Even though, the motivation for investors is decreased, it is suggested that Latvia might enjoy investment and trade opportunities with countries that host major part of Latvian workforce in the years to come. (Hazans 2013, 101-102)

### **3.1.3 Effects on innovation and entrepreneurship**

As Latvian human resources are moving away, the country might need to face decline in innovation and entrepreneurship. As Latvia's labor is leaving the country, it can interrupt Latvia's economical development. Latvia is not losing only low qualified labor, many economical emigrants are highly skilled specialists that are looking for better opportunities abroad. As these specialists are moving to other countries, Latvia might lose its potential to innovate. As it can be seen from the Global Competitiveness Report 2015-2016, Latvia already is not performing as good as advanced economies, thus, by losing well educated people, Latvia's innovation capacity might decline even more. On the other side, as literature suggests, when there are scarce resources people need to think of new solutions to different problems, so it might actually spur the innovation if the right scenario is employed. To be able to do this, Latvia needs to introduce new immigration policy to attract professionals from abroad or country's own highly qualified people who have emigrated. (Austers 2015, 31-32; Schwab & Sala-i-Martin 2015, 230)

As Wahba & Zenou (2009) state in their article about migration and entrepreneurship, the wealth of the country, the capacity of innovation as well as the competitiveness of the country highly relies on the level of entrepreneurship in the country. The article suggests that many migrants who have returned back to their homeland use their savings from work overseas to start up their businesses, thus overcoming the problem of capital acquisition. In their research where they aimed to find out whether Egyptian return emigrants are more likely to become entrepre-

neurs when compared to the people who have not emigrated, the results confirmed this suggestion. The results of their research also reveal that the social networks they are involved in play a major role in becoming entrepreneurs for people who have never emigrated, however they do not majorly affect return migrants decision to start their own business. The data from the article also shows that savings from their working experience overseas as well as gained human capital abroad affect positively the decision to become entrepreneurs for return migrants. Interestingly, the article also suggests that even though return migration and entrepreneurship is closely related, people often have to choose between these two options. The article states that the decision to become an entrepreneur is related to human capital, social networks as well as access to credit. As it is stated - migrants often tend to lose their social capital back in the home country, however, this can be compensated by the experience and financial savings gained overseas. (Wahba & Zenou 2009, 2-4, 23)

When thinking about what economic impact return migrants bring to the home country when they return, King (2015) states that they carry their newly acquired skills and knowledge with them when they return as well as innovative entrepreneurial attitudes. In King's (2015) book different factors that affect how return emigrants can influence innovation in the home country are expressed. First, the number of return emigrants affect the level of influence they can bring to country's innovation and development. If low amount of emigrants return, it could be that they fail to exert influence or are absorbed by others. The amount of return emigrants should be large enough to be able to make any changes, but not too large to avoid causing hostility among the remaining people in the country who would have to sacrifice something to receive these migrants back. King (2015) also expresses his belief that the emigrants should return in concentrated period of time to be able to influence the potential to innovate in the home country. He also states that the amount of time spent abroad is crucial in determining the ability to influence the innovation. If the emigrants have not spent significant amount of time abroad, it is said that they have not gained enough skills and knowledge to be able to exert any influence. Other factors that affect the potential to influence the innovation and entrepreneurship in the home country include the social class the

return migrants belong to or the education and qualification they have obtained. The differences between the destinations where they are emigrating and return to also affect their power to exert influence in the region. The type of training the return migrants have obtained also is important, as it is believed that emigrants who have obtained general training are more able to innovate and use their skills back at home than people who have specialized knowledge and skills. As it is suggested, the return of the emigrants should be properly organized and in conformity with other aspects of the country's economic policy. If all of these factors are positive when emigrants return to their country, their ability to foster innovation and entrepreneurship back at home should be much higher. (King 2015)

As this thesis is about the case of Latvia, it is crucial to understand the situation there. From Hazans (2013) article, it can be seen that the amount of people who are self-employed or employers is the highest among return migrants (6,2%), while the lowest among those who have left Latvia - emigrants. It can be seen that emigrants do not see or use the opportunities to become entrepreneurs abroad, but if they return home, they use their new skills and knowledge gained abroad to build up their own businesses. The rate of entrepreneurs among the people who have remained in the country is seen to be similar to return emigrants and accounts for 5,9% for those aged between 18-74. (Hazans 2013, 83)

It can be seen from the theory that when emigrants leave, the country is not only losing them but also their skills and knowledge. As these valuable assets are lost, the capacity of innovation and entrepreneurship in the country can also decline. The theory suggests that there are many factors that contribute to the success of return migrants. If the return of emigrants is well planned and executed properly, it can affect country's ability to innovate and do business.

### 3.1.4 Vitalizing Latvian households

Another positive factor that labor emigrants are contributing to Latvia when leaving is sending remittances back home. Most of the people who leave Latvia to look for better working opportunities abroad leave their whole or part of the family back home. These people usually travel to work abroad and plan to either return to Latvia when the economical situation will recover, or slowly move the whole family to the new destination country and build a new life there. While they still have part of their family in Latvia, these emigrants send share of their foreign earned salary back home to their families in Latvia. Most of the labor force that has left Latvia has some debts or loans that need to be repaid back home. These remittances usually go for paying back these debts and to support the family in Latvia. (Austers 2015, 30-31)

Vjakse (2014) suggests that even though these migrants who are sending money back to their families in Latvia might be supporting their households, due to the high level of shadow economy in Latvia, it is believed that country's economy and household economies are like two parallels. Even though sending remittances back home to Latvia will increase the buying power of the family, there are also many bad side effects for Latvian economy. One of such effects is that the country's economy will lose the money they have spent to educate these people who have migrated abroad. Moreover, the demographic load will increase, leading Latvia closer to a demographic crisis. (Vjakse 2014, 11-13)

Overall, it can be seen that remittances sent to the remaining families in Latvia are vitalizing Latvian households. By having higher income, the remaining family gains higher purchasing power, thus they are also helping the country's economy. However, at the same time, Latvia's economy is suffering, because of the lost workforce and the time and money invested in developing these emigrating human resources.



### **3.1.5 Economic Pressure of Latvia Can Be Relieved**

It is revealed that when part of the labor force is leaving the country it can cause positive consequences for the country's economy. Austers (2015) explains that when a country is experiencing recession, it might relief the economy when part of the labor is leaving to work in other countries. He states that Latvia's economy might improve because part of the spare labor is sent away. With labor force leaving the country, unemployment rates will also decline. As part of the country's labor has left, housing and other infrastructure in the country has become more accessible. Moreover, as some part of labor has went away, social pressure is also relieved, because the unemployment decreases, thus the remaining people should be able to get positions that they prefer. (Austers 2015, 31)

Official Bureau of Statistics in Latvia's data on unemployment does not unequivocally confirm the proposed hypothesis. As it can be seen from the statistics, the unemployment rate in Latvia has risen significantly since year 2008. This rapid increase can be related to the world financial crisis that hit Latvia as well. For two years the unemployment rate grew and peaked at high 19,8% in 2010. After this rise, the share of unemployed working people started to decline and of October 2015 was 10,8%. This can be related to the emigration wave of Latvian labor force to look for better opportunities abroad. (Centrālās Statistikas Pārvaldes Datubāze)

To support the notion that emigration is relieving the social pressure in the source country, Vjakse (2014) states that long term emigration allows the emigrants to increase the standard of living while decreasing the social pressure in the homeland. As the working age people are leaving, people who remain in the country can enjoy better working opportunities and can access infrastructure easier. (Vjakse 2014, 13)

### **3.1.6 Brain drain and brain waste**

Two additional problems that's consequences Latvia will most likely face is the so called brain drain and brain waste. Regarding brain drain Austers (2015) explains

that when people leave the country they do not only take the labor away, they also take the long accumulated skills and knowledge with them. The labor force that leaves the country has obtained knowledge and education partly paid by the remaining people in the country. The departure of highly qualified people might cost a lot for the sending country. Austers (2015) continues by stating that people not only emigrate because they see better opportunities abroad, they also leave because they do not see any opportunities at the home country. (Austers 2015)

The data from Hazans (2013) article reveals that in the period of financial crisis emigrants were more productive than the period before crisis, thus increasing the possible brain drain. The article also states that the migrants who have returned back to work in Latvia are on average much more productive than the people who have never left the country to work abroad. He also suggests that as the number of return migrants are not significant enough, it cannot compensate the brain drain. (Hazans 2013, 101)

Another problem that affects emigrants who have went to work abroad includes brain waste, when people are employed at positions that do not require the qualification they have gained. Data from Hazans (2013) article reveals that approximately only 26% of emigrants who have left Latvia are employed in a position that requires their obtained qualification. The percentage of these emigrants is higher in the countries from continental Europe, meaning that more people are using their qualifications, thus eliminating brain waste in this region. In the countries in continental Europe the percentage of emigrants who used their obtained education reaches 36%. The lowest amount of people who use their qualifications abroad thus increasing the brain waste is in Ireland and in the countries that are outside the Old Europe territory. (Hazans 2013, 85-86)

As the high and medium qualified specialists leave the country, it is lacking human capital. It is also believed that the people who go abroad accumulate new knowledge, skills and experience, thus it would be extremely beneficial for Latvia if these migrants returned back home. Latvia needs to seriously consider possible ways to return the skilled laborers back home. As these specialists return home,

they will be able to use these new skills and experience in the home market thus raising productivity and innovation. Moreover, as Latvia is not only losing brain of its people when they emigrate abroad, it is suggested that the brain of these people are often wasted, meaning that the people do not use the knowledge and skills they have obtained in the job they are working abroad. Latvia should educate its people according to the needs of the labor market and provide better working opportunities at home, so that people would not opt for working lower level jobs with higher salaries abroad in the first place.

### **3.1.7 Return migrants**

As emigrants have gone abroad and gained valuable new experience that distinguishes them from the rest of the population, it is crucial to find out if they are going to return to Latvia and use the knowledge and skills they have gained abroad in their home country.

When thinking about the decreasing population of Latvia, Hazans (2013) states that it would be beneficial for Latvia if part of the emigrants who have went abroad would return back home. The article states that in a survey that represented the whole population which was conducted in 2011 only 23% of the people who participated planned to come back to Latvia in the next five years, while 65% planned to stay in the foreign country for more than 5 years. The survey also reveals that 12% of the emigrants that were questioned planned to move to another foreign country. As the results show, most of the people plan to stay abroad for long term. The research also shows that those people who stay abroad longer tend not to return to Latvia. (Hazans 2013, 86)

The results of Hazans (2013) research show that majority of emigrants believes that the time they have spent abroad has positively influenced different aspects of their life. When asked about how this experience has affected their professional skills, the respondents for a survey that was conducted for the specific research of the article, majority of respondents (69%) feel that this experience has improved their skills in a positive matter. Majority of respondents (69%) felt that their English language knowledge was improved because of this working experience

abroad. The research also suggests that migrants who have returned back to Latvia are enjoying higher employment rate than people who have never went to work abroad. Moreover, the research shows that the earnings are higher for those people who have emigration background. Hazans (2013) concludes the topic by stating that overall emigration has a positive influence on the lives of economical emigrants. (Hazans 2013, 88-89)

As it is proved that emigration has a positive effect on the lives of the people who have went to work abroad, it is crucial for Latvia to try to return these people with increased skills and positively improved aspects of life. The return of the Latvian emigrants will not only improve the demographic situation of the country but also decrease the brain drain and increase Latvia's competitiveness.

### **3.2 Conclusion of the theory part**

As the second and third section of this thesis consists of literature review related to country competitiveness and emigration, it is necessary to make common conclusions for both parts to shortly remind the reader about what was presented above.

As the theory suggests, a competitive nation is one that strives for improved productivity and quality in all the processes concerned. A good way to improve country's competitiveness by improved productivity is innovation. Finding new and more productive ways to do things is the key point if nations want to increase their competitiveness.

For assessing how competitive is a nation very helpful seems to be Michael Porter's Diamond Model for National Competitive Advantage, which evaluates country's competitiveness based on four main and two additional factors. In this thesis Porter's model was used to assess the competitiveness of Latvia. The results show that Latvia is doing average when compared with other European countries, thus it needs to improve its competitiveness in the future, if it wants to improve its ranking among other rivals.

A major problem that is affecting Latvia's competitiveness is its workforce emigration abroad, thus leaving Latvia with decreased population. It is suggested that, because of this emigration, Latvia might have to face different problems, such as labor shortages, brain drain, brain waste, affected innovation and entrepreneurship. Emigration, however, should not be looked only from a negative side, as the emigrants who work abroad are sending remittances back home and gain valuable skills and experience abroad. Moreover, the economic pressure of the country can be relieved as people are leaving.

It is suggested from the theory that the return of the emigrants who have went to work abroad could affect nation positively. With the knowledge and skills they have gained abroad, they might improve the innovation and the level of entrepreneurship in the country. However, the return of the emigrants should be planned carefully and executed properly to affect the situation in the country positively.

## **4 RESEARCH METHODOLOGY**

In this section the research method used in this thesis as well as data collection, reliability and validity of the thesis will be explained more deeply. Moreover, the limitations of the thesis will also be assessed.

### **4.1 Research Method**

Research can be divided into two main types: qualitative research and quantitative research. According to the needs of the researcher and expected results, it is very crucial to choose the most suitable type of research. To be able to do this, these two types of research should be understood more thoroughly. (Glenn 2010)

Quantitative research, based on Glenn (2010), is more concentrated on finding out different aspects of human behavior, such as what they do, when they do it and where they do it. This type of research is more focused to test the hypotheses, rather than to generate them. The sample for quantitative research usually is much bigger than for qualitative research and chosen randomly. Data of quantitative research can be used in applied mathematics, and illustrated with graphs and other mathematical terms. On the other hand, in qualitative research the data cannot always be visualized in such manner. The type of quantitative research used in this thesis is an Internet survey that aims to better understand different behaviors of economical migrants and what are they thoughts on Latvia and their plans for the future regarding their homeland. (Glenn 2010, 95-97)

According to Glenn (2010) qualitative research is more focused on thoroughly understanding different human behaviors and what causes such behaviors. This type of research aims to realize why and how people make decisions. Qualitative research also requires small but focused sample to be able to better understand human decision making. In qualitative research sampling is not random, but chosen with a purpose - sample is chosen based on different characteristics that the participants share or do not share, or whether they belong to a certain class. Qualitative research, as oppose to quantitative, is exploratory, thus it aims to explore and generate hypotheses. Data analysis for qualitative research is different than

for quantitative. In qualitative research, the data needs to be coded carefully and measure the correct measurements. Some types of data collection for qualitative research includes: observation, structured interviews, unstructured interviews. In this thesis, structured interviews with researchers from the field are used, to better understand how different behaviors of economical emigrants might possibly affect the country's economy and its competitiveness. (Glenn 2010, 95-97)

The research method used in this thesis combines both quantitative and qualitative methods. First, Internet survey is used to collect answers from Latvian economical emigrants who have went to work abroad themselves regarding their behaviors while leaving and future plans regarding Latvia. This type of research was chosen to collect more data in shorter period of time and as Glenn (2010) suggested - to understand different aspects of Latvian emigrant behavior. Moreover, structured interviews are used to gather the opinions of experts from the field to better understand what could be the possible consequences of the emigration of Latvian working age people on Latvia's competitiveness in the future. As qualitative research is suggested to thoroughly understand human behaviors, it was chosen as the best option for this part of the research. (Glenn 2010, 95-97)

## **4.2 Data Collection**

As suggested by O'Gorman & MacIntosh (2014) data collection is one of the most important processes of a research, thus it is extremely crucial to choose the right data collection method. Authors suggest that there are two types of data: primary data and secondary data that the researcher can collect. The type of data that needs to be collected should be based on type of the research constructed and the expected results. (O'Gorman & MacIntosh 2014, 79)

Primary data is the original data that the researcher has collected for the purposes of the research. Examples of primary data could be answers to an interview or questionnaire that has been generated by the researcher for the specific research. O'Gorman & MacIntosh (2014) suggest that every form of information that is related to the research question can be seen as potential source of data. Few examples for primary data include: questionnaires, surveys, transcripts or interviews,

field notes from focus groups, maps, charts, diagrams, tables, and observations. The type of data chosen to be collected must be matched with the nature and purpose of the research. Data can be in different forms, such as textual, numerical, visual or combination of them all. (O'Gorman & MacIntosh 2014, 81-82)

Second type of data that can be collected in a research is secondary data. Secondary data is the data that is not collected specifically for the research and is available for everyone. Secondary data can be found in form of newspapers, books, publications, reports or articles. Such forms of secondary data as personal or official documents can also be used. What is secondary data to one researcher could have been primary data to another when conducting the original research. Few types of secondary data include: databases, reports and documents that are publicly available, company reports, census reports, surveys available to the public, articles from journals, books, interviews and speeches that have been published. Even though secondary data has not been collected specifically for the research conducted, it can still be a valuable source of information. Secondary data can complement primary data collected for the specific research or even be used on its own. (O'Gorman & MacIntosh 2014, 83-84)

In this research both types of data are collected to gain better understanding of the topic. In the first, second, third, fourth and partly in fifth part of this thesis secondary data is used in collecting theoretical materials the study is based on. The data for the theory part is collected from books, publications, journal articles and other reliable secondary data sources. Data that the theoretical part of the thesis is based on is considered secondary data because it was not collected specifically for this research, but is related to the topic. Another type of data collected in this research is primary data that was collected in a form of an Internet survey targeted at economical emigrants working abroad and structured interviews for experts in the field. The data from the Internet survey was collected in October 2015 and totally 75 people have submitted their answers to the survey. The second part of empirical research includes collection of primary data from structured interviews with experts from the field. Altogether, three structured interviews were conducted.



### 4.3 Reliability and Validity

It is important for a research to be reliable and valid. If a research can be considered reliable and valid it can be seen that it is aiming to gain scientific acceptance. As Denscombe (2009) reveals, reliability and validity have not been used consistently in theory of research methodology, thus it is important to understand and distinguish these two notions successfully. (Denscombe 2009, 143)

As Denscombe (2009) suggests, validity is related to how real and true the data of the research are. Validity assesses how accurate the questions in the research are structured as well as how true are the data collected and the explanations provided. It is suggested that the validity shows the quality of the data of the research as well as analysis of the data collected. (Denscombe 2009, 143)

Before the empirical study of this research was done, a thorough literature review was implemented to gain better understanding of the topic. The secondary data for the literature review was collected from such reliable sources as different books, journal articles and government websites. The data collected is of high quality and trustworthy. The literature review was made as basis for empirical part of the thesis and the questions for the Internet survey as well as structured interview was matched to answer the research questions. Empirical findings aim to support the theoretical part of the thesis.

Another aspect that affects the study is external validity, which shows how well the results of the research match the world. As Jha (2008) reveals, the sample of the study must be chosen carefully to reflect the opinions of the whole population to be able to generalize the results. As the sample for this thesis was chosen randomly, the results of this research cannot be generalized to all the Latvian emigrants who have went to work abroad. (Jha 2008, 107)

Another important aspect of a research is its reliability. Denscombe (2009) explains that reliability is related to the data collection methods chosen and the fact that they should not distort the findings and should be consistent to the research. Research findings should be consistent and not misleading. The research can be

considered reliable when the findings are the same when another researcher conducts a research of the same kind or when the same research is done in another setting. The findings should be the same also when the research is conducted another time with the same people. (Denscombe 2009, 144)

In this thesis quantitative and qualitative research methods are used. First, an Internet survey was conducted and primary data was collected from Latvian working age emigrants that have went to work abroad. The survey was placed in the Internet and targeted people who are currently working abroad. The sample for the Internet survey is quite large and consists of 75 people, thus improving the reliability of the research. Even though the sample is large enough to be able to understand different emigration related behaviors of a group of emigrants, the results of this research cannot be generalized to all of the Latvian working age emigrants, because, as the official data shows 272 248 people have emigrated from Latvia on a long term basis in the period between 2004-2014. The second part of the empirical research consists of structured interviews with experts from the field. A structured interview was sent to experts who have researched the emigration of Latvian people abroad and have gained a strong knowledge base in this field. Due to the limited time and busy schedules of the researchers, only 3 interviews were conducted. (Centrālās Statistikas Pārvaldes Datubāze)

#### **4.4 Limitations**

As mentioned in the introduction, the biggest limitation of this thesis is that it is solely focused on the human resources and how the leave of this valuable resource from the country might affect its competitiveness. The thesis aims to find out how the emigration of Latvian workforce will affect the competitiveness of the country, thus other aspects that might influence Latvia's competitiveness in the future are not researched. As human capital is one of the most valuable resources that Latvia possesses, the decrease of it will surely influence the country and its competitiveness.

Another limitation that this research has is the limited scope of destination countries where emigrants surveyed now live and work after leaving Latvia. The sur-

vey for Latvian economical emigrants was placed on three places on the Internet: author's facebook page, author's draugiem.lv page, which is Latvian social network site, and a group for people who have left Latvia to move to England. As the Internet group where the survey was placed was dedicated to the United Kingdom, most of the respondents of the survey have emigrated to this country, thus meaning that England is the main destination country for the respondents of the survey for this thesis. As Galgoczi et. al. (2011) reveal, England is the main country for A8 nationals including Latvians, thus this limitation should not be considered to distort the results. (Galgoczi et. al. 2011, 29)

Even though this thesis has some limitations, it still is able to give an overall understanding of how the emigration of Latvian workforce might affect the country's competitiveness in the years to come.

## **5 EMPIRICAL STUDY**

As the theoretical study has been introduced, this chapter will focus on the empirical research. The results of the internet survey as well as structured interviews will be revealed and analyzed in this section. The possible consequences on Latvia's competitiveness that were suggested in the theoretical section will either be supported or denied by the results of the empirical research. At the end of this chapter the conclusions will be made, recommendations for Latvia stated and suggestions given for further research.

### **5.1 Results and Analysis of the Internet Survey**

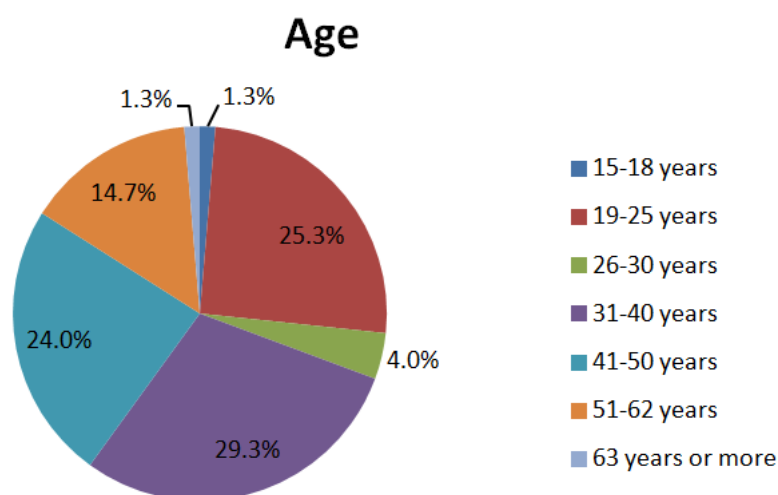
The internet survey that was made for this research was targeted at economical emigrants of Latvia that have chosen to go work abroad themselves. The survey aims to answer the second research question and find out who exactly are the people who choose to emigrate from Latvia and what are their behaviors and experiences related to their life and work in a foreign country. The survey was made to gain a deeper understanding of the life of economical emigrants and choices made regarding working life abroad and in Latvia. In this chapter, the results of the survey will be revealed and analyzed to understand the effects of economical emigration on Latvia's competitiveness.

#### **5.1.1 Background of the Respondents**

As it is important to understand what kind of people mostly choose to leave Latvia to work abroad, the first few questions in the survey aim to support this purpose. In the first question the respondents were asked to reveal their gender. From the results it can be seen that 59 females have participated in the survey out of 75 respondents altogether, while only 16 male respondents have answered to the survey's questions. As females are more likely to respond to a survey, it should not be thought that they make up the majority of economical emigrants of Latvia.

The second and third question of the survey that inquired about the age of respondents and their education aimed to test the suggested hypothesis of Dumont

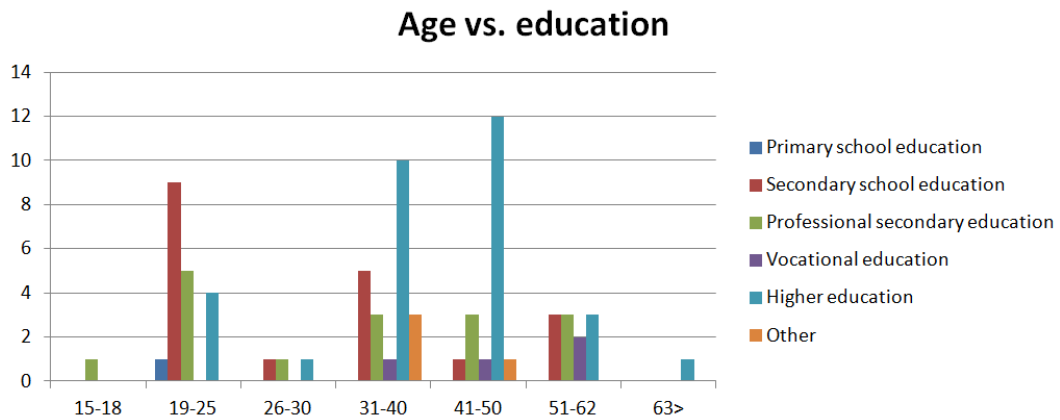
& Aujean (2014) stating that in the European Union people who leave the country because of economic reasons are relatively younger and more educated than the rest of the population. From Figure 6 it can be seen that this is true regarding age in Latvia's case, as the majority (29,3 %) of respondents are between the ages from 31 to 40. As statistics show, the median age of Latvian people in 2015 was 42,9 thus meaning that emigrants who leave Latvia are in their working age and younger than the general public. The second largest segment of respondents are in the age group from 19 to 25 (25,3 %), followed by those who are from 41 to 50 years old (24 %). (Dumont & Aujean 2014, 3; Central Intelligence Agency)



**Figure 6.** Age of respondents

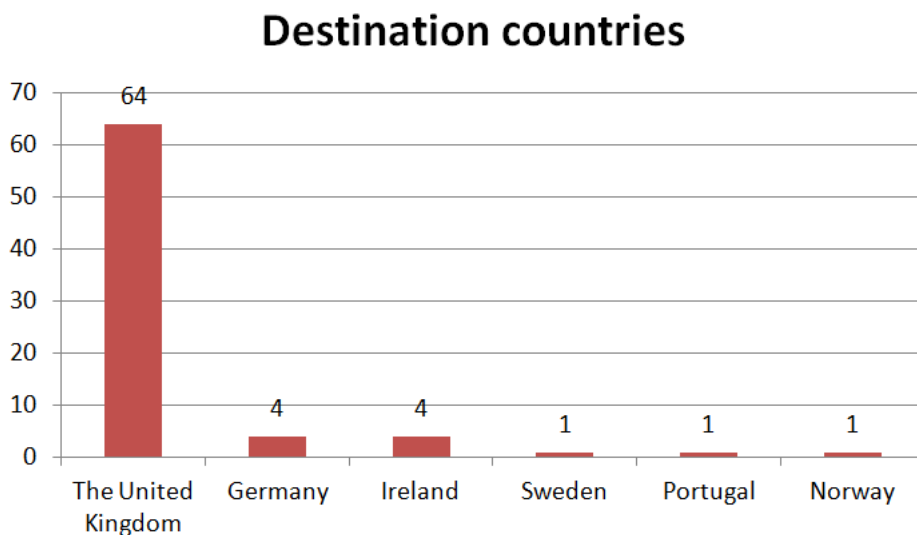
As results to the third question of the survey show - people who leave Latvia and look for work opportunities abroad have obtained good education. As the results reveal, the majority of respondents (41,3 %) have finished higher education and have a bachelor's, master's or a doctor's degree. The results also show that other respondents have obtained secondary school education (25,3 %), professional secondary education (21,3 %), vocational education (5,3 %), and other education (5,3 %). As just one respondent has obtained only primary education, the results support the notion that Latvian economical emigrants are well educated people. Figure 7 shows the age of respondents versus their education level obtained. It can be seen that the emigrants who leave Latvia are young and educated people. The same figure also visualizes the fact that young people are the ones who have ob-

tained lower level of education, meaning that they might want to stay and continue their education in the new destination country.



**Figure 7.** Age of respondents versus the education level obtained

The fourth question of the survey aims to find out the most popular destination countries that Latvian economical emigrants choose to work and live in after leaving Latvia. The results showing these countries are displayed in Figure 8. As regarding the limitations of the thesis, it is not surprising that the main destination country for the respondents of the survey is the United Kingdom. The second and third most popular country to move to for respondents are Germany and Ireland, followed by Sweden, Portugal and Norway.

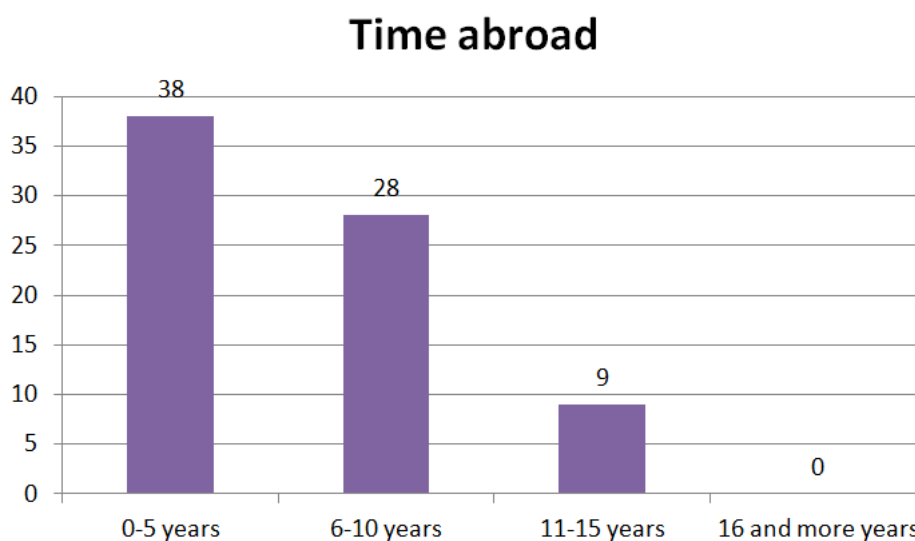


**Figure 8.** Destination countries of respondents

### 5.1.2 Emigration Details

This section of the survey is made to understand the circumstances of the life of emigrants and their connection with Latvia. In this section the respondents are asked for how long they are abroad already, the family that is or is not with them as well as different aspects of their leave from Latvia.

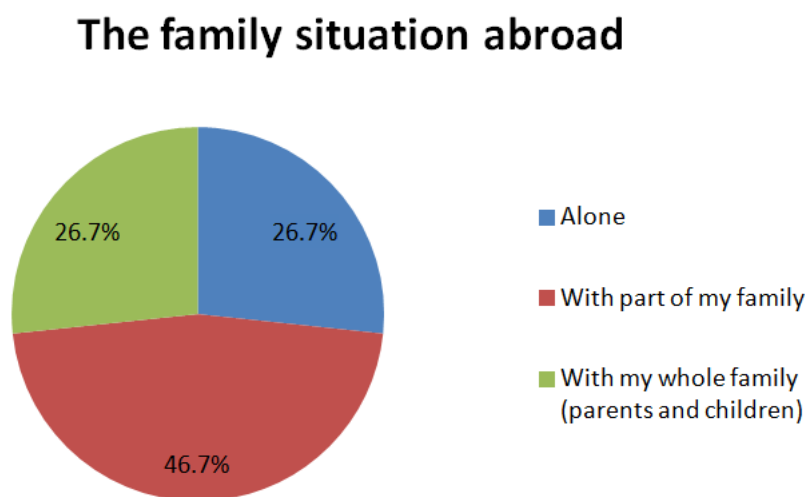
The first question of this part of the survey aims to realize for how long the respondents have already been working abroad. As can be seen from Figure 9, most of the respondents have been working abroad for 0 to 5 years. These results are positive for Latvia, as it is believed that the shorter the time abroad the higher the possibility that these people might return home, because they have not rooted themselves in the new country yet. Positive is also the fact that none of the respondents have spent abroad 16 or more years.



**Figure 9.** The time respondents have spent working abroad

When asked about their family situation abroad - whether the respondents abroad are alone, with part of their family or even the whole family, the majority of respondents (46,7 %) answered that in the destination country they are accompanied with part of their family. An equal amount of respondents revealed that they have gone abroad alone or with their whole family, meaning their spouse and children

(both 26,7 %). The results of respondents family situation abroad are visualized in Figure 10.

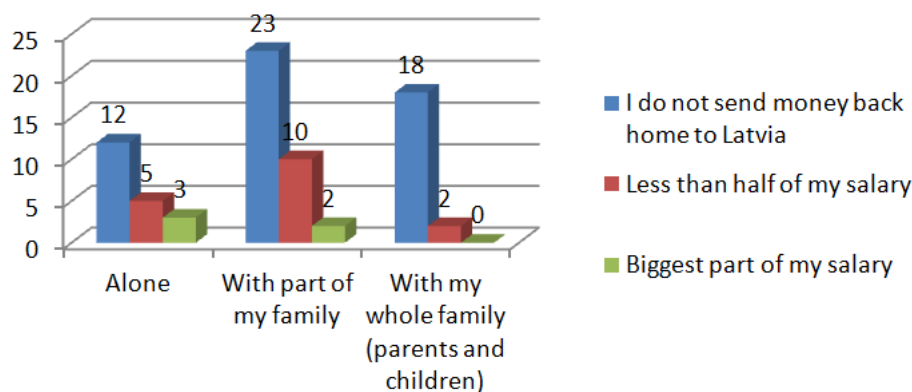


**Figure 10.** Respondents' family situation abroad

As it was suggested in the theoretical study of the thesis, Latvian emigrants who leave to work abroad usually send remittances back home, thus revitalizing the Latvian economy. When asked how much of their salary they send back home to Latvia, the majority of respondents (70,7 %) replied, that they do not send money back to Latvia. 22,7 % of respondents replied that they send less than half of their salary, 6,7 % send the biggest part of their salary, while none of the respondents send half of their salary back to the homeland. As can be seen from Figure 11, the respondents who are abroad with part of their family or whole family are mostly the ones who do not send remittances back home. This phenomenon can be explained with the fact that as the whole or part of the family is together with them in the foreign country, there is no need to send any money back home to Latvia. As Latvia has lost these people for now, the country is not receiving anything from them.



## Family situation vs. sending money back home

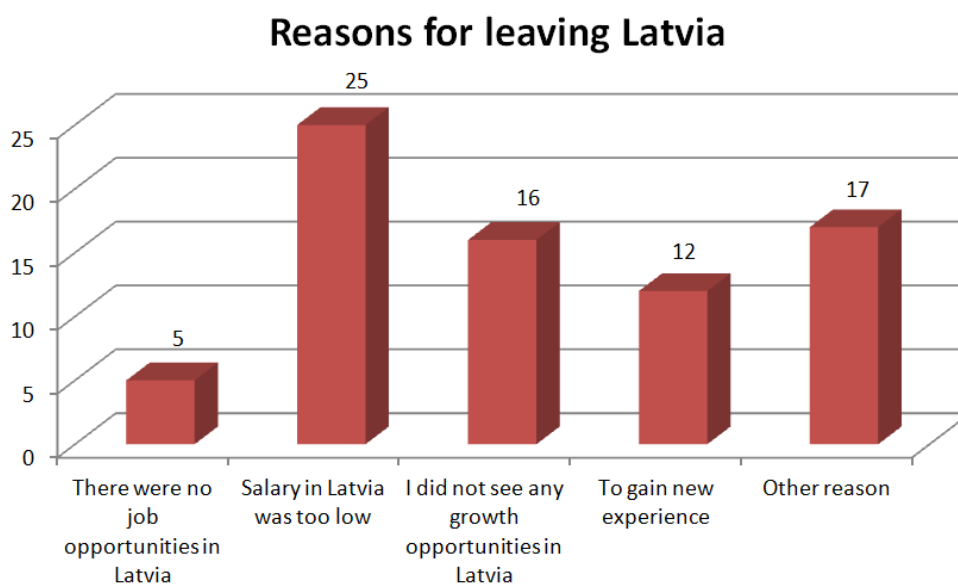


**Figure 11.** The family situation of respondents vs. sending money back home

The respondents of the survey were asked about the amount of their monthly salary before leaving Latvia, as well as the new salary in the destination country. The results reveal that majority of respondents (50,7 %) earned salary that was under 400 EUR a month before leaving Latvia to work abroad. As the minimum monthly salary in Latvia in 2015 was 360 EUR, the results were not surprising. Even though majority of respondents were earning a monthly salary under 400 EUR, there are also respondents who left their previous salary of 801-1000 EUR and more than 1000 EUR per month (both 1,3% of respondents) to work abroad. From the data of the next question which aims to find out the amount of monthly earnings of the respondents now in the destination country, it can be seen that the situation has improved and the majority (56 %) is now receiving a salary of 1001 to 2000 EUR a month. As these emigrants are able to receive higher salary and achieve higher standard of living abroad, it proves to be very hard to attract these people to return to Latvia. (Ministry of Welfare of the Republic of Latvia)

When asked what was their reason behind leaving Latvia to work abroad, the biggest share of the respondents (33,3 %) replied that the salary in Latvia was too low. As Figure 12 shows, 17 respondents (22,7 %) replied that they had other reasons for leaving Latvia, while 16 (21,3 %) did not see any growth opportunities in Latvia, so they chose to look for them abroad and develop themselves there. It

can also be seen from the figure, that a significant share of the respondents who chose to work abroad did so because they wanted to gain new experience (16 %), thus were not lead abroad solely by economical reasons.



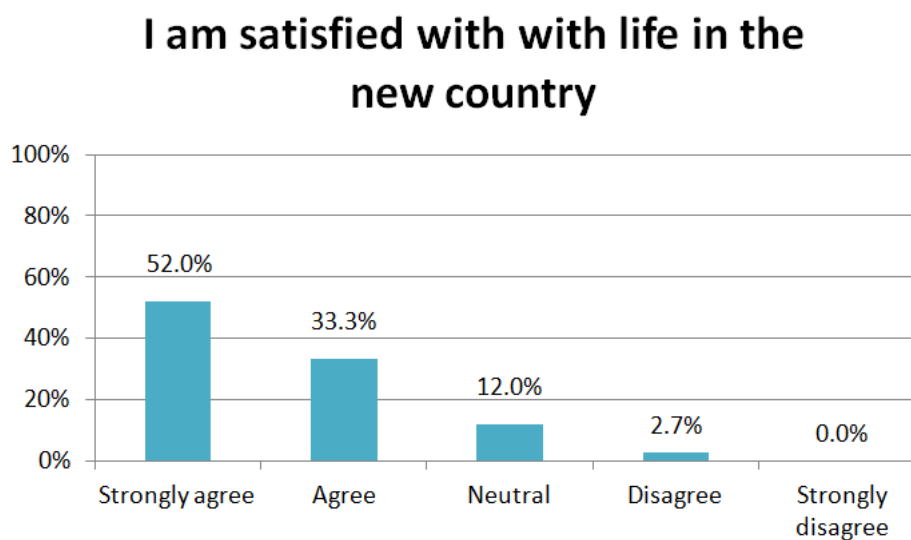
**Figure 12.** The reasons why respondents left Latvia to work abroad

### 5.1.3 Behaviors of Respondents Abroad

To understand who are the people who leave Latvia to work abroad and why they do it, it is crucial to realize their behaviors abroad that are related to their leaving and to Latvia in general. The third section of the survey is designed to do just that. The questions in this section ask the respondents how they feel about different statements regarding their life abroad and connections with Latvia. They could express their opinions by choosing from 5 options: 0-neutral, 1-strongly disagree, 2-disagree, 3-agree, 4-strongly agree.

In the first question of this section of the survey, the respondents were asked if they are satisfied with life in the new host country. The results to this question can be seen from Figure 13. Most of the respondents (52 %) revealed that they strongly agree with this notion, thus approving their strong satisfaction with their life abroad. 33,3 % of the respondents also expressed their satisfaction with life

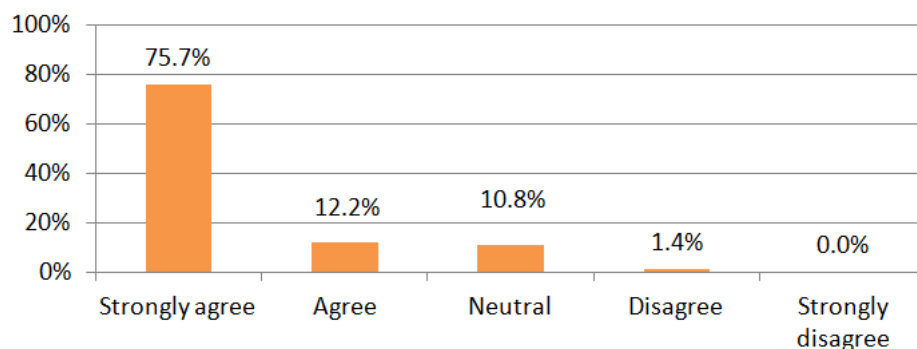
abroad by agreeing to the notion, while only 2,7 % disagreed and stated that they are not satisfied with the life abroad. 12 % did not have an opinion in this matter.



**Figure 13.** Respondents' satisfaction with life in the new host country

After understanding the respondents' satisfaction with their life in the new host country, they were asked whether they were more satisfied with the salary they earned in the new host country rather than in Latvia. The opinions of respondents towards this statement can be seen from Figure 14. Not surprisingly 75,7 % replied that they strongly agree with this statement, making up the majority of the votes. As can be seen, 12,2 % of the respondents agree that they are more satisfied with their new salary, while 10,8 % of the respondents felt neutral towards this statement.

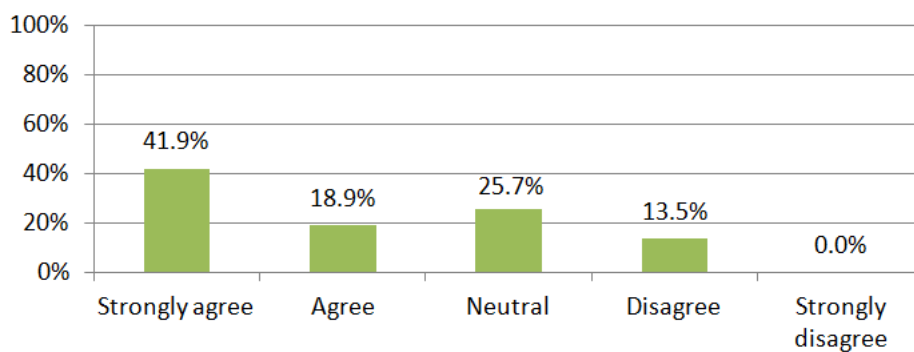
### I am more satisfied with salary in the new host country than the one I earned in Latvia



**Figure 14.** Respondents' satisfaction with their salary in the new host country

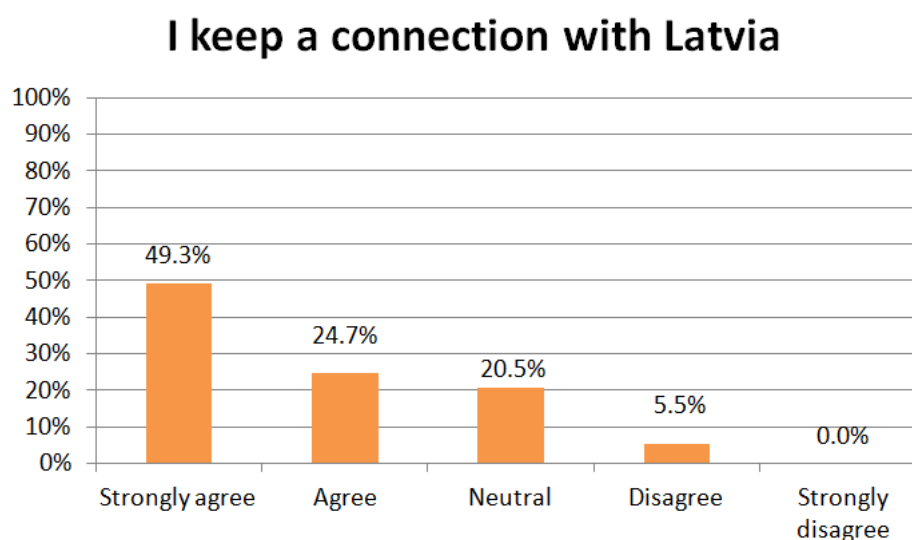
Further the respondents were asked to reveal whether they are more satisfied with their job in the new host country rather than in Latvia. Figure 15 shows that 41,9 % strongly agree with the notion, followed by 25,7 % who have a neutral opinion, 18,9 % who agree with the statement, and 13,5 % of the respondents who disagree. The results could be related to the fact that a high number of economical emigrants who leave Latvia work lower level jobs when compared to the ones they had in Latvia.

### I am more satisfied with my job in the new host country rather than in Latvia



**Figure 15.** Respondents' satisfaction with their job abroad

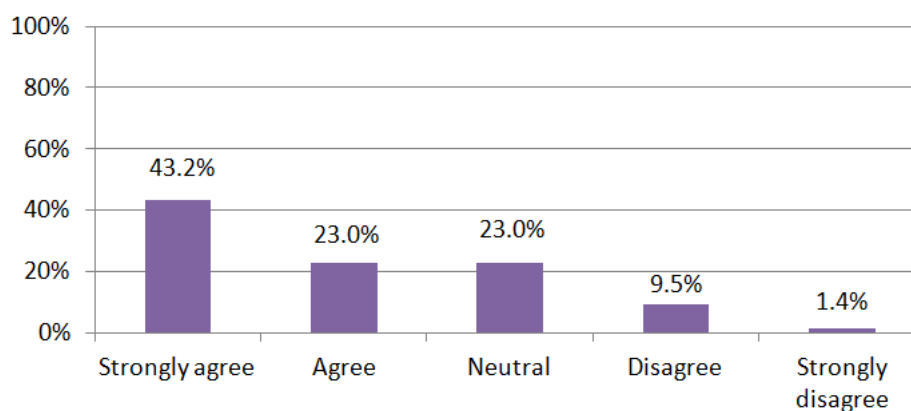
As it is crucial to realize whether economical emigrants still keep a connection with Latvia, the next question asked the respondents to express their agreement on this matter. From Figure 16 it can be seen that the majority of the respondents (49,3 %) strongly agree to the notion, thus meaning they keep a connection with Latvia. The figure also shows that 24,7 % agree to keeping a connection with their home country, while 20,5 % have a neutral opinion. Even though the percentage of the respondents who revealed that they disagree to the statement was low (5,5 %), it is still unpleasant to see that they do not keep this connection. For Latvia and its economy it means that these people are lost, at least for now.



**Figure 16.** Respondents' connection with Latvia

After realizing that most of the respondents do keep a connection with Latvia, it is important to realize why they remain abroad. The next statement that was presented to the respondents suggested that they see more growth opportunities in their new jobs abroad than in Latvia. Figure 17 shows that most respondents (43,2 %) strongly agree with this statement, while 23 % of the respondents agree or have no opinion about the statement. As some of the respondents might not be employed in a job that satisfies them, 9,5% disagree that their new job has more growth opportunities than in Latvia. Moreover, 1,4 % of respondents strongly disagree with this statement.

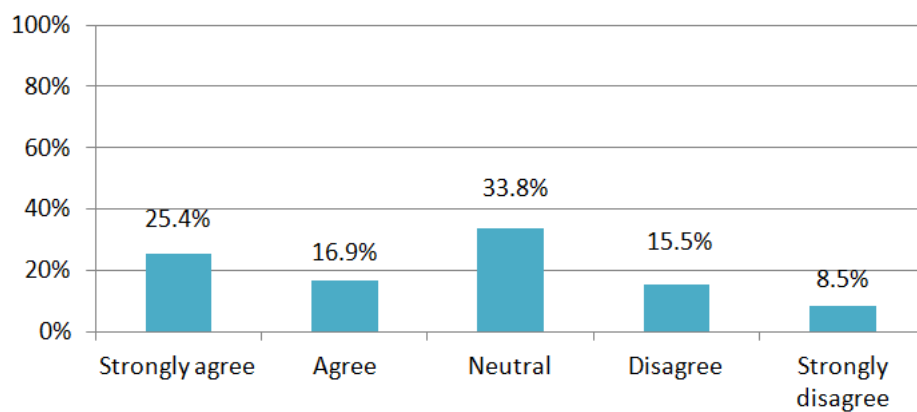
### I see more growth opportunities in my new job abroad than in Latvia



**Figure 17.** Respondents see more growth opportunities abroad

As the majority of respondents see better growth opportunities abroad, the next question of the survey asked to express their agreement with the statement that they are overqualified for the job that they are doing abroad. In the case of overqualification, it means that the person is doing a job that they are too qualified for, this could be when a person with higher education would be employed to do lower level jobs, for example, cleaning. Most of the respondents (33,8 %) have no opinion on the matter, while 25,4 % strongly agree and 16,9 % agree that they are working at a position they are too qualified for. On the other hand, 15,5 % disagree and 8,5 % strongly disagree with the statement, thus feeling that the work that they do abroad matches their qualification. The results of the statement are visualized in Figure 18.

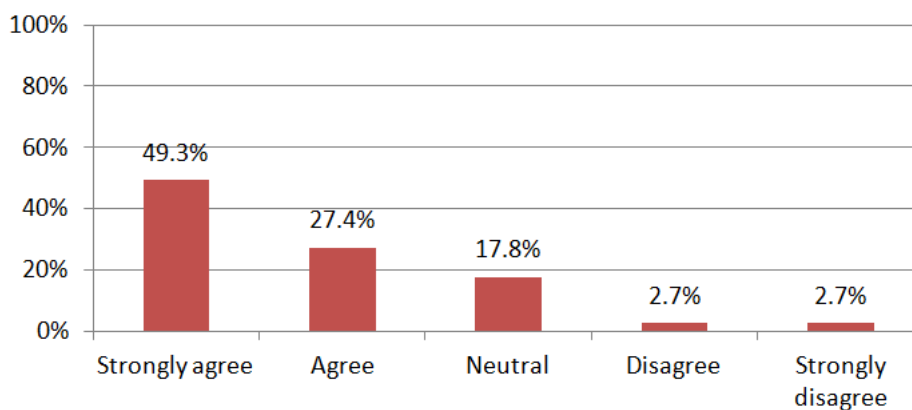
## I am overqualified for the job I have abroad



**Figure 18.** Respondents who feel overqualified for the work they do abroad

To understand whether the economical emigrants try to gain as much as possible from their working experience abroad, the respondents were presented a statement suggesting that they are trying to develop themselves while living abroad. Figure 19 shows that 49,3 % of the respondents strongly agree with the statement, 27,4 % agree, 17,8 % have neutral feelings towards the statement, while 2,7 % disagree and strongly disagree. From the results it can be seen that the majority of the respondents try to develop themselves while living abroad to gain new skills and knowledge that could help them in the future and could also improve Latvia's economy, if these people were to return.

### I try to develop myself while I am abroad

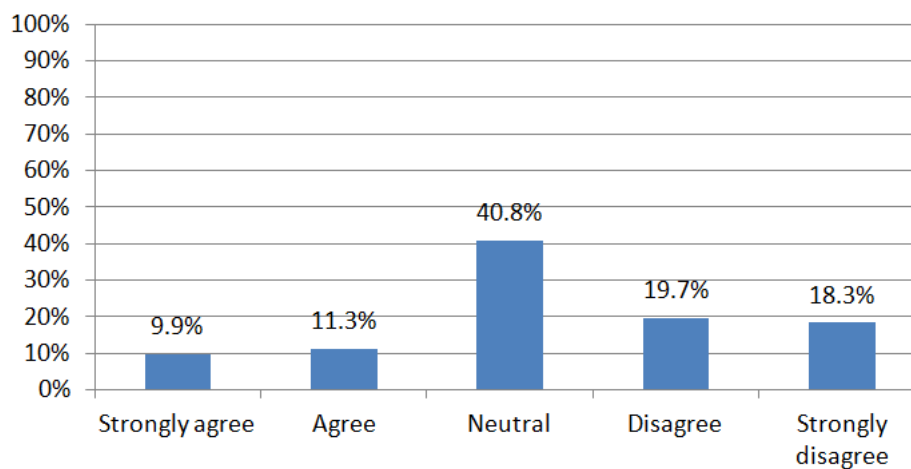


**Figure 19.** Respondents try to develop themselves while abroad

The next question of the survey is very crucial for Latvia and its competitiveness and it aims to understand whether economical migrants who have gone abroad are planning to return back to Latvia. From Figure 20 it can be seen that the results to this question are not that positive. The majority of the respondents (40,8 %) feels neutral towards the fact that they could return back home, while 19,7 % disagree and 18,3 % strongly disagree to such statement. The results show that only a minority of the respondents agree (11,3 %) and strongly agree (9,9 %) that they plan to return to Latvia.



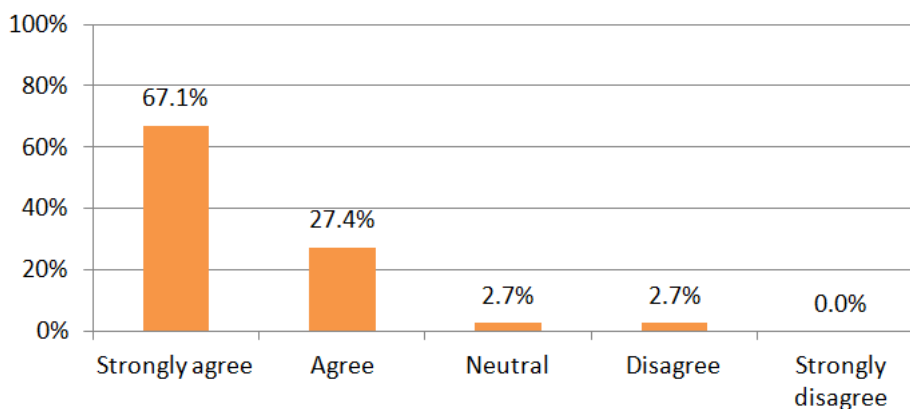
## I plan to return to Latvia



**Figure 20.** Respondents who plan to return to Latvia

As Latvia's competitiveness might be affected by the so called 'brain drain', it was necessary to ask the respondents whether they gain new skills and knowledge in the new host country. Figure 21 shows that the biggest share of respondents (67,1%) strongly agree and 27,4% agree with this statement, thus meaning that most of the people who leave Latvia to work abroad gain new knowledge and skills that might be lost for Latvia if they do not return. It can also be seen from the figure that 2,7% of the respondents are neutral to this statement or disagree with it. The results to this question are positive in a way that the people develop themselves while living abroad, however, if they do not return back to Latvia - these skills and knowledge is lost and brings value to another country. It is important to understand whether the respondents want to use these skills and knowledge in Latvia as well and the next question aims to do that.

## While working abroad I have gained new knowledge and skills

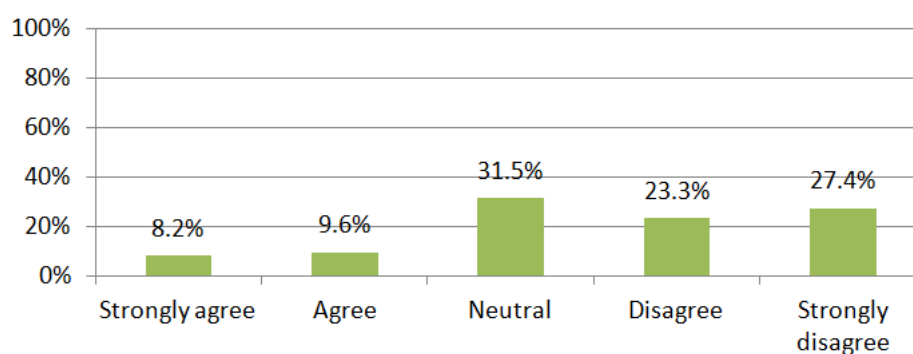


**Figure 21.** Respondents development abroad

As the data collected shows, the majority of the respondents or 34,2 % have neutral feelings towards a statement that they want to use their new knowledge and skills when they return to Latvia. An equal number of respondents replied that they disagree or strongly disagree with such a notion. Only 12,3 % of the respondents agree and 9,6 % strongly agree that they want to use their newly gained skills and knowledge in their home country. As mentioned previously, this is very unpleasant for Latvia, as these skills and knowledge of Latvian people will bring benefit to other countries.

The last statement that the respondents were asked to respond to stated that they believe their work experience abroad will help them to get a job in Latvia and to prove themselves better in the job. As can be seen from Figure 22, majority of respondents 31,5 % feel neutral about this statement. 27,4 % strongly disagree while 13,3 % disagree, thus expressing their disbelief to gain a better job in Latvia with their working experience gained abroad. Only 9,6 % agree and 8,2 % strongly agree with the belief stated. The results to the last question show that people do not believe that Latvia can provide them with jobs that they desire even when they have improved themselves and gained valuable experience abroad.

### I think that my work experience abroad will help me to get a job in Latvia and to prove myself better



**Figure 22.** Respondents believe that their work experience abroad will help them to get a job in Latvia and prove themselves

As the results of the internet survey have been revealed and analysed, it is necessary to look at the opinions of the experts who have a strong knowledge base from the field. Further, the results of structured interviews conducted will be revealed and analysed and common conclusions for both parts will be made.

## 5.2 Results and Analysis of the Interviews With Experts

The second section of the empirical research of this thesis consists of structured interviews conducted with three experts from a project called *The Emigrant Communities of Latvia: National Identity, Transnational Relations, and Diaspora Politics* conducted by the researchers of Institute of Philosophy and Sociology in the University of Latvia. In their project they have thoroughly studied the emigration of Latvian people, thus it is very valuable for Latvia. In this chapter, the introduction of their project as well as results and analysis of the interviews conducted for the research of this thesis is provided. (Institute of Philosophy and Sociology, University of Latvia 2015)

### **5.2.1 About the Project**

The experts that were interviewed for this research participated in a project that aimed to study emigration of Latvian people in the past decades and Latvian diaspora in general. The project is the biggest of its kind in Latvia and is very valuable as high quality data have been collected from emigrants themselves. The project has used both: qualitative and quantitative methods to gain information and understand who are the people who emigrate from Latvia and different aspects of their life abroad as well as emigration trends. Participants of the project have conducted a large scale survey with Latvians living abroad and altogether 14,068 respondents from 118 countries all over the world have participated in the survey. The project was conducted by researchers from the Institute of Philosophy and Sociology as well as the Faculty of Economics and Management at the University of Latvia. The researchers worked together with experts from different fields and by the help of a large scale survey, in-depth interviews and focus group discussions collected valuable data that helped to better understand different aspects of emigration. As the project was conducted from January 2014 until August 2015, the full results of the project have not yet been published, however, small amounts of carefully prepared results are already available for the public. A book will also be published in relation to the project in the near future. (Institute of Philosophy and Sociology, University of Latvia 2015)

### **5.2.2 Interview Results and Analysis**

Due to the busy schedules of the experts and the lack of time, three interviews were conducted for this thesis with researchers from the previously mentioned project conducted by Institute of Philosophy and Sociology of the University of Latvia, where altogether, 11 researchers and 5 experts from different fields participated. This section is divided into five parts and shows the results of the three conducted interviews.

### 5.2.2.1 Latvia's emigrant profile

To better understand what Latvia is losing because of this emigration abroad, the interview started with the education of the economical emigrants of Latvia. As Dr. Mieriņa, who is the scientific director of the project made by Institute of Philosophy and Sociology of the University of Latvia, explained, the education level of emigrants have been different depending on the emigration wave. During the crisis, the emigration of more educated Latvian people has been more active. She also stated that in recent years emigration of relatively younger people has been more popular, thus approving of the suggested theory that emigrants who leave Latvia are young and well educated people (see chapter 3, page 39). The fact that people who leave Latvia are young is also confirmed by the data of Central Statistical Bureau of Latvia, where it can be seen that, for example, in 2014 the majority of emigrants were between the ages from 25 to 29. The phenomenon is also approved in the article written for the book of the project by researcher M. Hazans, which states that Latvian emigrants are doing well in their new host countries. (Mieriņa 2015; Centrālās Statistikas Pārvaldes Datubāze)

It is believed that the majority of people who leave Latvia to work abroad are employed at lower level jobs, thus experiencing professional recession in their careers. Even though Dr. Kaprāns, one of the researchers in the project conducted by Institute of Philosophy and Sociology of the University of Latvia, stated that many emigrants do work lower level jobs abroad, the results of their project prove that it is not always the case - people with higher qualification also emigrate. Hazans (2015), who was also part of the project conducted by the University of Latvia, in the book that contains the results of the project, reveals that the emigrants who have obtained higher level of education also attain better job positions abroad. The interviewees stated that from the results of the project it can be seen that the majority of the people who are overqualified for the job they do abroad were already overqualified in Latvia, meaning they did not work in the profession they obtained education for or were employed at a job that did not require higher education. The project also revealed that brain waste happens more among emigrant women than men. The project showed that brain waste and professional re-

cession has happened more in the United Kingdom and Ireland and less in countries outside the EU. Dr. Kaprāns also reveals that people who have higher qualification are more socially mobile and have the desire to prove themselves and not to settle with lower level jobs. (Mieriņa 2015)

#### **5.2.2.2 Return of the migrants and attraction of their abilities while abroad**

As Latvia has lost young and educated people, it is crucial to understand whether they are willing to return to Latvia in the future. All three researchers explained that only a small share of the emigrants who have left Latvia are willing to return and only under certain conditions - the results that have been published show that these people amount to 41 % of 14 048 respondents who participated in the project's survey. As the results of the project reveal, only a small number is willing to return within the next six months (4 % of respondents) and 12 % are willing to return within next five years. As the results reveal, more people are willing to return in their old age. It has also been proven that 27 % of the respondents do not plan to return to Latvia. This loss of human capital will surely affect Latvia's competitiveness. As it can be seen from sub-chapter 5.1.3 (page 72), the results of the internet survey conducted for this thesis also support these findings. (Mieriņa 2015)

When asked if Latvia needs that these economical emigrants return to the country, Dr. Mieriņa reveals that it would certainly improve the demographic situation of Latvia, as well as its competitiveness. Dr. Kaprāns also expresses that Latvia needs the emigrants who have left the country to return. However, he explains, that if all of the emigrants were to return, Latvian economy would have to face a hard time, because the unemployment rate would surely rise. He also states that it would not be beneficial for the country if the emigrants who would struggle economically would return to Latvia. Dr. Šūpule expresses belief that these emigrants can also help and support Latvia while remaining abroad. On this matter, Dr. Kaprāns states that there are many emigrants who return back to Latvia with a business idea and want to start up their own business and become entrepreneurs. He even gave an example of one of his interviews with a Latvian emigrant woman

who was working as a waitress abroad, but after returning to Latvia she became an entrepreneur and opened her own cafe. (Mieriņa 2015; Kaprāns 2015; Šūpule 2015)

When thinking about how to attract the ability of economical emigrants abroad without them returning to Latvia, researchers also suggest entrepreneurship. Dr. Mieriņa continues that it is important to stimulate collaboration with Latvians who have remained in the country and the ones who work abroad. This collaboration could exist in a form of different projects, joint enterprises and economical cooperation. She also adds that another way of using the abilities of Latvian economical emigrants abroad would be them sharing their ideas, knowledge and experience in different ways with the people who have remained in Latvia. Emigrants could also identify the most competitive and in-demand Latvian products abroad and could stimulate export of these products or start their own business in Latvia. Dr. Kaprāns continues that it is important for Latvia to attract Latvian people abroad who would like to invest in Latvia, not only with financial help but free time and other investments. (Mieriņa 2015, Kaprāns 2015)

### **5.2.2.3 Vitalizing Latvian economy**

As suggested in the sub-chapter 3.1.4 (page 48), when people leave, the labour market in the country as well as the standard of living for the remaining people should increase. When asked if this is the case for Latvia, Dr. Mieriņa revealed that during the crisis this emigration of Latvian people really helped Latvian economy as it decreased the unemployment rate and let the people find job opportunities in other countries. Dr. Kaprāns also expressed his belief that the significant emigration level of Latvian labour force helped the country to survive the economical crisis. Dr. Šūpule reveals that, even though she believes that the situation has improved because of the increase of the vacancies in the labor market, she does not think that it is reasonable to suggest that the situation of the labor market as a whole has improved because of emigration. (Mieriņa 2015; Kaprāns 2015; Šūpule 2015)

As regarding the long term impact of Latvian labour force emigration on the labour market, Dr. Mieriņa reveals that it will affect the situation negatively as the consumer market and motivation to invest in Latvia will decrease, labour shortage as well as loss of human capital will occur, and entrepreneurship will decline. She adds that the standard of living of the Latvian people will also be affected by this emigration because of the previously mentioned problems and increased demographic pressures. (Austers 2015, 30; Mieriņa 2015; Kaprāns 2015)

When considering how the workforce emigration is affecting Latvian competitiveness, it is crucial to take into consideration the remittances that these emigrants send home. As International Monetary Fund (2015) states in their report, the remittances that have been sent home to Latvia by economical emigrants amounts to 2,5% of GDP and have increased significantly over the last decades. However, the level of Latvian economy's dependence on these remittances is considered low by international standards. It is also suggested that these money transfers to Latvia have helped many families, especially during the years of financial crisis. When considering economical effect for Latvia, these remittances are stable inflows of private capital that strengthens Latvia's balance of payments. These remittances have proven to be less volatile than other investment types, especially since the economical crisis of 2007. The remittances sent back home increase the consumption and investment power of the remaining Latvian people and decrease the level of dependency on foreign capital as well as foreign direct investment. International Monetary Fund (2015) also adds that these money transfers have been of great support to many Latvian families and have helped to raise their standard of living and decrease poverty. The report also expresses concern on the motivation to work for the recipients of remittances as well as formation of unattractive investment environment in the country and Dutch disease effects that could arise because of these remittances. (International Monetary Fund 2015, 31-34)



#### **5.2.2.4 Emigration's effects on Latvia's competitiveness**

When asked about how this emigration of Latvian workforce will affect Latvia's competitiveness, Dr. Mieriņa revealed that this emigration marks a significant loss of human capital for the country, thus affecting its competitiveness significantly. She also stated that the results of their project revealed that among those who are less likely to return are people with specific and necessary occupations for the country, for example health care specialists. Moreover, emigration will affect and is already affecting many industries and might cause labour shortages in some professions. The researcher also expressed that this emigration will increase the demographic risks, because Latvia's birth rate is low and the population is getting older, thus increasing the demographic load for the working age part of the population. She reveals that it will be harder for the country to provide the old age citizens in the future, and it might need to increase the retirement age or taxes. Regarding these problems, it might be that in the future the number of working age population in Latvia will decrease. Dr. Mieriņa also revealed that as the majority of emigrants who leave Latvia are young people in their working age, it will really affect the demographic situation of Latvia. She explains that many of these young emigrants have children or plan to have children, thus increasing the loss of human capital even more. The researcher also stated that the amount of time that emigrants plan to be away has changed over the recent years and today this time has increased. These people also tend to move their whole families abroad, thus increasing the possibility of not returning back to Latvia. (Mieriņa 2015)

#### **5.2.2.5 Future forecasts on Latvia's emigration**

As Latvia has lost significant amounts of its human capital because of emigration, it is important to realise how the emigration will evolve in the future. Dr. Mieriņa forecasts that re-emigration will increase in the years to come and there will be more people moving back to Latvia, as Latvia's economical situation gets better. However, the scope will still not be large enough. She also reveals that the emigration level in Latvia has decreased in recent years, nevertheless it is still higher than before the crisis. She suggests that the level of emigration will continue to

decrease as long as there are no more crisis affecting Latvia. Dr. Mieriņa also stated that for the next ten years the level of emigration will still be higher than re-emigration, thus Latvia needs to understand that it will continue to lose working age citizens. Dr. Kaprāns continued the topic and revealed that he believes that the factors why people are leaving Latvia are changing from purely economical to wanting to gain new experience and see the world, thus also the profile of people who leave Latvia changes. Because of these changes, he forecasts that people who will leave Latvia in the future will be younger. (Mieriņa 2015; Kaprāns 2015)

### **5.3 Discussion**

As the analysis of interviews with the experts has been done, a discussion about the common results from the internet survey and the interviews with the experts will be summarized and discussed to clearly answer the previously proposed research questions (page 10).

#### **5.3.1 Who are the people who emigrate from Latvia and what are their experiences?**

From the results of the internet survey as well as from the responses of conducted interviews with experts it can be seen that the theory suggested correctly, and it is true that those who leave Latvia to work abroad are mostly young and well educated people. The empirical part of the research also reveals that the main destination country for respondents of the internet survey used in this research was the United Kingdom. The same was also previously suggested to be true for A8 EU nationals by Galgoczi et. al (2011).

As the results of the internet survey show, most of the respondents have been working abroad for 0-5 years, which is a positive result for Latvia, because these people have not rooted themselves abroad yet. Even though the majority of the people have not been away for too long, most of them are accompanied with part of their family, thus increasing the chances that they will stay there and move the whole family to the new host country.

The data from the internet survey clearly shows that most of the respondents who have gone to work abroad are satisfied with their lives, salary and jobs in the new host country. Even though, the respondents are pleased with their working experience abroad, from the results it can be seen that they still keep ties with Latvia. The results of the Internet survey also showed that people who have gone abroad see more growth opportunities in their work there, rather than in Latvia. These results are unpleasant for Latvia, as it means that the country is not able to provide its people with sufficient opportunities for their growth and expression.

### **5.3.2 What are the consequences that Latvia might have to face regarding the emigration of its labor force?**

Firstly, as it was suggested in the theoretical section in sub-chapter 3.1.4 (page 48), Latvian emigrants are sending remittances back home, thus helping to raise the standard of living of their families that have remained back home. Even though these remittances are vitalizing the families of these emigrants, there is no big contribution to the Latvian economy. Moreover, in sub-chapter 5.2.2.3 (page 78) it was suggested that the remittances sent home by Latvian emigrants have helped to vitalize their household economies, especially during the crisis. However, the results of the Internet survey for this thesis show that emigrants who have left Latvia, are mostly accompanied with the whole or part of their families, thus the majority of respondents do not send any money back to Latvia. As the times are changing, it can be seen that the findings of this research do not confirm the theory and the trends have changed since. Today, more people have moved a part or the whole of their families abroad, and are not sending as much money back to Latvia.

As can be seen from the results of the internet survey that was conducted for this research, most of the respondents did not have opinion about whether they feel overqualified for the work they do abroad, or agreed to it. This shows that as it was suggested in the theoretical study in sub-chapter 3.1.6 (page 49) the majority of Latvian emigrants are working at lower lever jobs and are not using their obtained qualifications, thus increasing brain waste of the Latvian people abroad.

The answers collected from the structured interviews in the empirical study of this thesis also supports the findings, but suggests that the majority of people who are overqualified for their job abroad were already overqualified in their previous position in Latvia, meaning that they already worked lower level jobs in Latvia that did not meet their qualifications.

As theory in sub-chapter 3.1.7 (page 51) suggests - the emigrants have gained valuable experience and have improved themselves. This notion is supported by the results of the internet survey made for this thesis and shows that the majority of the respondents try to develop themselves while living abroad and have gained new skills and knowledge. Even though the respondents agree that they have improved themselves personally and professionally, they do not feel like using these new skills back in Latvia. Moreover, most of the respondents do not believe that these new skills and knowledge will help them to get a job they desire if they return to Latvia. These findings are unpromising for Latvia and show the high level of brain drain that the country most likely will have to suffer regarding this emigration.

Another consequence of Latvian workforce emigration, as suggested by the theory in sub-chapter 3.1.5 (page 49), is the alleviation of Latvian economy. The theory suggested that as Latvian economy was going through recession it could be relieved by a part of its labor force moving to work in other countries. The results from the interviews conducted for this thesis also prove this fact, as the interviewees agree that the emigration of part of Latvian working age people has relieved the economy by decreasing the unemployment rate as well as allowing the people find working opportunities, even if it is abroad. Even though they agreed on the fact that Latvian economy has been relived during the recession period, one of the interviewees thought it is unreasonable to consider the state of Latvian labor market to be improved by emigration.

Lastly, theory in sub-chapter 3.1.3 (page 45) stated that as Latvia's labor force is moving away, it could face decline in innovation and entrepreneurship in the country. It was also suggested that Latvia is not innovative enough and is lacking

behind other European countries, thus if Latvian people are moving away, this problem could become even more significant. The theory also suggested that emigrants who return back to their country after they have spent time working abroad are more likely to become entrepreneurs when compared to people without overseas work experience. As the results of the interviews for this thesis show - this is also partly true for Latvia. As Dr. Kaprāns expressed in the interview for this thesis - there are people who return back to Latvia with a business idea and want to become entrepreneurs.

### **5.3.3 How these consequences might affect Latvia's competitiveness among other countries?**

As was revealed in sub-chapter 5.3.1 (page 81) that the people who leave Latvia are young and well educated and it will certainly affect Latvia's economy negatively. As the results of the empirical study show these people are satisfied with their lives abroad, thus they do not want to return to Latvia. As it was revealed previously, Latvia's demography is experiencing difficult times and this loss of human capital will further enlarge this problem. As skillful people are moving abroad, Latvia will have to face labor shortages, thus diminish the motivation to invest in Latvia. All these factors are set to affect Latvia negatively, thus decreasing its ability to compete with other economies.

The findings of this research show that the level of remittances sent back to Latvia decreases, because people tend to move the whole or a part of their families with them to the foreign country. This decrease of remittances can be seen to negatively affect Latvia's economy, as the money sent to Latvia decreases. Moreover, the loss of human capital increases as these emigrants take their family members with them. With losing people and decreased level of money sent to support Latvian families, the economy's competitiveness can be diminished.

As the research for this thesis revealed, people tend to improve their skills and knowledge while being away. However, it can be seen that they do not believe that these skills will help them to find a job they desire in Latvia. As major number of emigrants do not plan to return to Latvia, this brain drain will affect Latvian

competitiveness in a negative light, as other countries will enjoy the skills and knowledge of Latvian workers. As the results also show - there is a high level of brain waste, which is not bringing any value to Latvia.

Another consequence that Latvia is facing due to the emigration is the alleviation of Latvian economy. Sub-chapter 5.3.2 (page 83) reveals that the emigration did relieve Latvian economy as the unemployment rate could be decreased and people could find jobs abroad. This fact can be seen to improve Latvia's economy, as the number of unemployed people decreased, and the vacancies in the labor market increased thus improving the competitiveness of Latvia.

The final consequence that was considered to affect Latvia's competitiveness was affected innovation and entrepreneurship in the country caused by emigration of Latvian working age people. As sub-chapter 5.3.2 (page 83) shows - there are people who return to Latvia and start up their businesses. This consequence will surely affect Latvian economy positively, as the level of entrepreneurship and innovation in the country will rise. If enough people returns to Latvia and start successful businesses, Latvia's competitiveness will surely rise.

#### **5.4 Conclusions**

The theoretical study as well as the empirical findings of this thesis show that emigration of Latvian workforce is affecting the country's economy in different ways, thus changing many aspects of Latvia's competitiveness.

The theory stated that Latvia's economy could be affected by such consequences of Latvian working age people emigrating abroad as: leave of young and educated people, remittances sent back to Latvia, possible brain drain and brain waste, relief of Latvian economy as well as the changing level of entrepreneurship and innovation in the country. However, the findings of the empirical study did not fully support the theory.

Despite the theory, the results of the empirical study show that as majority of the emigrants who participated in the research for this thesis have moved their family members to live with them in the foreign country, the level of remittances sent

back to Latvia has decreased. Moreover, from the results it can also be seen that younger and well educated people are mostly the ones who leave Latvia to work abroad. These factors are seen to affect Latvia's competitiveness in a negative light.

As the theory suggested, because of the emigration of capable working age people, Latvia might face brain drain and brain waste. These theories were proven by the research of this thesis and showed that the emigrants who participated in this research tend to improve their skills abroad, but do not think that the newly gained skills and knowledge will help in finding a job in Latvia. It can also be seen that a major share of the respondents are working lower lever jobs abroad that do not suit their qualifications. The approved brain drain and brain waste of Latvian emigrants is seen to diminish the level of Latvia's competitiveness.

As the research shows, not all aspects of emigration tend to affect Latvia in a negative way. All three interviewees for this thesis expressed their belief that emigration helped to relieve Latvian economy, as it decreased the level of unemployment. As there are less unemployed people in the country, this relieve can be seen as a positive factor affecting Latvia's competitiveness.

Another consequence of Latvian workforce emigration influencing the competitiveness of the country is the changing level of entrepreneurship and innovation. The interviews conducted for this thesis show that there are people who return to Latvia to become entrepreneurs. To more significantly improve the competitiveness of Latvia, more emigrants with entrepreneurial ideas should be returned back home.

To sum up, it can be seen that emigration is affecting Latvian economy, thus changing its competitiveness among other countries. As emigration is affecting Latvia both positively and negatively, the positive effects should be noticed and reinforced.

## **5.5 Recommendations for Latvia**

As emigration has influenced Latvian economy negatively as well as positively it could be suggested for Latvia to focus on positive effects and diminish the negative ones. As for the positive influences, Latvia would benefit if the people who have obtained valuable skills and knowledge abroad would return to Latvia and start up businesses, thus increasing the level of entrepreneurship and innovation in the country. This could be attained by providing competitive compensation. Targeted should be people from the industries and occupations that are facing or are at high risk of facing labor shortages. Even if the people do not want to return to Latvia, they should be attracted to share their obtained skills with the remaining people in the home country. One good way for attracting emigrant knowledge and skills while they are still abroad could be through cooperation with Latvian emigrants and remaining specialists. Different projects could be executed with the help of emigrants and the remaining people in Latvia.

On the other hand, to diminish the negative effects that the consequences of this emigration are leaving on Latvia's competitiveness, Latvia should try to keep the skilled specialists from leaving the country to work abroad in the first place. This could be done by increasing salaries, as it is seen as one of the main reasons for emigration. Latvia should also educate people according to the needed occupations in the labor market, to avoid labor shortages and overproduction of some specialists. More scholarships should be given for students who choose to study those majors that are needed for Latvia. These students should also be provided with competitive work opportunities after their studies.

## **5.6 Suggestions for Further Research**

As this thesis only focuses on labour force influence on country's competitiveness there is plenty of room for further research. Even though the level of emigration has decreased in the past few years, it is still a popular and important topic for Latvia. The topic of competitiveness is broad and there are many things affecting it. This thesis concentrates on how the leave of human capital can affect the country and its competitiveness. It certainly would be very valuable to research all as-



pects that affect Latvia's competitiveness and how it can be improved. As every nation strives to improve the standard of living for its people, Latvia would only benefit from such research.

As the thesis only briefly touched the topic of how the emigrants who have returned to Latvia might affect the level of entrepreneurship and innovation in the country, further research could concentrate on whether Latvian return emigrants are more likely to start their own business rather than the people who have no emigration experience. Different aspects that stimulate or discourage return emigrants from becoming entrepreneurs back home could also be discovered in the future.

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## Survey in Latvian

### Darbs Ārzemēs

Sveiki. Es studēju VAMK, Somijā un šobrīd rakstu bakalaura darbu par to "Kā Latvijas darbspējīgo iedzīvotāju došanās darba meklējumos uz ārzemēm ietekmēs Latvijas konkurētspēju". Būšu ļoti pateicīga, ja aizpildīsi šo anketu un palīdzēsi man darba rakstīšanā! Liels paldies. Aptauja neaizņems daudz laika un ir anonīma.

**1. Jūsu dzimums?**

- Vīrietis
- Sieviete

**2. Jūsu vecums?**

- 15-18
- 19-25
- 26-30
- 31-40
- 41-50
- 51-62
- 63 vai vairāk

**3. Jūsu izglītība?**

- Pamatskolas izglītība
- Vidusskolas izglītība
- Profesionālā vidējā izglītība
- Arodizglītība
- Augstākā izglītība
- Cits variants

**4. Kurā valstī Jūs šobrīd dzīvojat un strādājat?**

**5. Cik ilgi jau atrodaties ārzemēs?**

- 0-5 gadus
- 6-10 gadus

- 11-15 gadus
- 16 un vairāk gadus

**6. Ārzemēs esmu:**

- Viens/a
- Ar daļu no ģimenes
- Ar visu ģimeni (vecāki un bērni)

**7. Aptuveni cik lielu daļu no savas algas Jūs sūtiet uz mājām Latvijā?**

- Lielāko daļu savas algas
- Pusi no savas algas
- Mazāk par pusi no savas algas
- Naudu uz Latviju nesātu

**8. Cik liela bija Jūsu alga mēnesī Latvijā pirms došanās prom?**

- Zem 400 EUR
- 400-600 EUR
- 601-800 EUR
- 801-1000 EUR
- Vairāk par 1000 EUR
- Mana pirmā darba pieredze ir ārzemēs

**9. Cik liela ir Jūsu alga mēnesī tagad?**

- Zem 500 EUR
- 501-800 EUR
- 801-1000 EUR
- 1001-2000 EUR
- Virs 2000 EUR

**10. Lūdzu izvēlieties atbilstošāko iemeslu, kādēļ devāties strādāt uz ārzemēm!**

- Darba trūkuma dēļ
- Alga Latvijā bija pārāk zema
- Latvijā neredzēju nekādas izaugsmes iespējas
- Lai iegūtu jaunu pieredzi
- Cits iemesls



**11. Kāda ir Jūsu attieksme par dotajiem apgalvojumiem?**

**0**-neitrāli, **1**-pilnīgi nepiekrītu, **2**-nepiekrītu, **3**-piekrītu, **4**-pilnīgi piekrītu

	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
• Esmu apmierināts/a ar dzīvi jaunajā mītnes valstī	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
• Esmu vairāk apmierināts/a ar jaunās mītnes valsts algu, nekā ar algu, ko saņēmu Latvijā	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
• Esmu vairāk apmierināts/a ar savu darbu jaunajā mītnes valstī nekā Latvijā	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
• Es uzturu saikni ar Latviju	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
• Es redzu lielākas izaugsmes iespējas savā jaunajā darbā ārzemēs nekā Latvijā	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
• Esmu pārāk kvalificēts/a priekš darba ko daru ārzemēs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
• Es cenšos sevi attīstīt kamēr esmu ārzemēs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
• Es plānoju atgriezties Latvijā	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
• Strādājot ārzemēs esmu ieguvis/usi jaunas zināšanas un prasmes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
• Es gribu savas iegūtās zināšanas un prasmes izmantot, kad atgriezīšos Latvijā	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
• Domāju, ka mana darba pieredze ārzemēs palīdzēs man iegūt darbu Latvijā un labāk pierādīt sevi	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Survey in English

### Work Abroad

Hello. I am studying at VAMK in Finland, and now I am writing my bachelor's thesis about "How Latvian labour force emigration abroad will influence Latvia's competitiveness". I would be very thankful, if you could fill in this survey and help me in writing my thesis! Thank you. The survey will not take a lot of time and is anonymous.

#### 12. Your gender?

- Male
- Female

#### 13. Your age?

- 15-18
- 19-25
- 26-30
- 31-40
- 41-50
- 51-62
- 63 or more

#### 14. Your education?

- Primary school education
- Secondary school education
- Professional secondary education
- Vocational education
- Higher education
- Other

#### 15. In which country are you currently living and working in?

#### 16. For how long are you abroad already?

- 0-5 years
- 6-10 years
- 11-15 years

- 16 and more years

**17. Abroad I am:**

- Alone
- With part of my family
- With my whole family (parents and children)

**18. Which part of your salary you send back home to Latvia?**

- Biggest part of my salary
- Half of my salary
- Less than half of my salary
- I do not send money back home to Latvia

**19. How big was your monthly salary in Latvia before going abroad?**

- Under 400 EUR
- 400-600 EUR
- 601-800 EUR
- 801-1000 EUR
- More than 1000 EUR
- My first working experience is abroad

**20. How big is your salary now?**

- Under 500 EUR
- 501-800 EUR
- 801-1000 EUR
- 1001-2000 EUR
- More than 2000 EUR

**21. Please choose the most appropriate reason why you chose to go work abroad!**

- There were no job opportunities in Latvia
- Salary in Latvia was too low
- I did not see any growth opportunities in Latvia
- To gain new experience
- Other reason

**22. What is your opinion on the notions given?**

0-neutral, 1-strongly disagree, 2-disagree, 3-agree, 4-strongly agree

- |   | <b>0</b>              | <b>1</b>              | <b>2</b>              | <b>3</b>              | <b>4</b>              |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| • I am satisfied with life in the new country   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| • I am more satisfied with salary in the new host country than the one I earned in Latvia               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| • I am more satisfied with my job in the new host country rather than in Latvia                         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| • I keep a connection with Latvia   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| • I see more growth opportunities in my new job abroad than in Latvia                                   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| • I am overqualified for the job I have abroad  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| • I try to develop myself while I am abroad   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| • I plan to return to Latvia  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| • While working abroad I have gained new knowledge and skills   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| • I want to use my new knowledge and skills when I return to Latvia                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| • I think that my work experience abroad will help me to get a job in Latvia and to prove myself better | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

## Interview in Latvian

### **Kā Latvijas darbspējīgo iedzīvotāju emigrācija uz ārzemēm iespaidos Latvijas konkurētspēju nākotnē**

Labdien! Esmu pēdējā kursa studente Vaasa University of Applied Sciences, Somijā un pašlaik rakstu bakalaura darbu par to, kā Latvijas darbspējīgo iedzīvotāju izceļošana darba meklējumos uz ārzemēm ietekmēs Latvijas konkurētspēju nākotnē. Būšu ļoti pateicīga, ja Jūs atbildēsiet uz jautājumiem par šo tēmu un palīdzēsiet man šajā pētījumā. Liels paldies!

1. Dažādi pētījumi rāda, ka, meklējot labākas darba iespējas ārzemēs, Latviju pamet jauni un labi izglītoti cilvēki, vai to apstiprina arī Jūsu pētījuma rezultāti? Vai emigranti vidēji ir labāk izglītoti par Latvijā palikušajiem cilvēkiem?
2. Tiek uzskatīts, ka vairākums Latvijas iedzīvotāju, kuri devušies darba meklējumos uz ārzemēm tur strādā darbu, kam viņi ir pārāk kvalificēti. Vai šo uzskatu apstiprina Jūsu pētījuma rezultāti?
3. Vai Jūsprāt šie emigrējušie cilvēki atgriezīsies Latvijā? Kā iespējams to veicināt?
4. Vai Latvijai vispār ir nepieciešams, lai ekonomiskie emigranti atgrieztos?
5. Kā Latvija varētu piesaistīt un izmantot emigrējušo darbspējīgo cilvēku spējas un zināšanas kamēr viņi ir prom?
6. Kā zināms, Latvijā valda bēdīga demogrāfiskā situācija, kuru stipri iespaido ekonomiskie emigranti. Kāds būtu labākais risinājums, lai uzlabotu Latvijas demogrāfisko situāciju?
7. Kādas ir Jūsu prognozes par Latvijas iedzīvotāju darbaspējas vecumā emigrāciju nākotnē? Vai emigrācija mazināsies, palielināsies, vai gaidāma reemigrācija?

8. Emigrējušo cilvēku dēļ Latvijas iedzīvotāju skaits ir krities, vai tas ir uzlabojis darba tirgus situāciju Latvijā? Vai palikušo Latvijas iedzīvotāju dzīves līmenis ir uzlabojies?
9. Dati liecina, ka Latvijas emigrējušie darbspējīgie iedzīvotāji daļu no saviem iegūtajiem ienākumiem ārvalstīs sūta uz mājām Latvijā. Cik liels Jūsaprāt ir šis ieguldījums mājsaimniecību ekonomikā Latvijā?
10. 2015. gadā Latvija ieņem 44. vietu valstu globālās konkurētspējas aptaujā (140 valstu konkurencē). Kā Jūsaprāt šie emigrējušie Latvijas darbspējīgie iedzīvotāji ietekmē Latvijas konkurētspēju citu valstu vidū? Kādas pozitīvas un negatīvas sekas ekonomiskā emigrācija atstāj uz Latvijas ekonomiku?

## **Interview in English**

### **How Latvian labour force emigration abroad will influence Latvia's competitiveness**

Hello! I am a final year student in Vaasa University of Applied Sciences in Finland and currently I am writing my bachelor's thesis on how Latvian labour force emigration abroad will influence Latvia's competitiveness. I will be very thankful if you could reply to questions regarding this topic and help me in this research. Thank you very much!

1. Different researches show that young and well educated people are leaving Latvia to search for better work opportunities abroad. Does the results of your research also approves this notion? Are emigrants relatively better educated than the people who have remained in Latvia?
2. It is believed that majority of the economical emigrants who have left the country to search for a better job are working at a position they are over-qualified for. Does the results of your research approve this fact?
3. Do you believe that these emigrants will return to Latvia? How it could be promoted?
4. Is it necessary for Latvia that these economical emigrants return?
5. How could Latvia attract and make use of the skills and knowledge of the emigrants while they are away?
6. As it is known there is a poor demographical situation in Latvia, which is significantly affected by economical emigrants. What would be the best solution to improve the demographical situation of Latvia?
7. What are your forecasts on the emigration of Latvian working age citizens in the future? Is the emigration going to decrease, increase, is re-emigration expected?
8. Due to the economical emigrants the amount of population in Latvia has decreased. Has it improved the situation of labour market in Latvia? Has

the standard of living improved for the people who have remained in Latvia?

9. Data shows that the economical emigrants of Latvia send part of their salary earned abroad back home to Latvia. How big do you think is this investment in household economies of Latvia?
10. In 2015 Latvia is considered to be 44. most competitive country (in 140 country competition). How in your opinion will this economical emigration of Latvian working age citizens affect Latvia's competitiveness among other countries? What positive and negative consequences economical emigration leaves on the economy of Latvia?