



eu Talent

Business in Europe Hosting Apprenticeships for Youth

National Policy

Recommendation Report

Identification and removal of policy obstacles to engage SMEs



- **Introduction explaining the importance in your national economy of SMEs**

The small business in 2017 turnover was EUR 23.90 billion and earned/profit EUR 962.49 million. It accounts for 42.18% of the total amount traded by companies registered in Latvia last year and 32.80% of the total profit of all Latvian companies. These indicators only reaffirm the importance of a small business in Latvian business. Lursoft estimates that in the end of 2017, fewer than 110,000 companies were registered in Latvia employing fewer than 50 employees and having less than 10 million euro turnover in the last year or having had a total balance of less than 10 million euro. According to the definition of the European Commission regulation, these companies are classified as micro and small enterprises.

Slightly more than a half or 53% of micro and small enterprises are registered in Riga, and another 19% - in the municipalities of Pierīga (Riga region). In other regions of Latvia there is a relatively similar number of micro and small enterprises registered in Kurzeme: 7.92% of Latvia's total number of micro and small enterprises, 7.24% in Zemgale, 6.64% in Vidzeme, and 6.05% in Latgale.

Taking into account the small share of small business among Latvian companies, it is natural that these companies also show the most popular business enterprises among companies registered in Latvia. One tenth of all micro and small businesses have chosen to have their business within retail industry, while 8.70% - with the real estate sector. Just a little less, namely 8,18%, have chosen wholesale business for their business.

Analyzing how much SMEs earned in 2017, it turns out that over the year, the profit of micro and small businesses increased by 36.92% to reach 962.49 million euro, while the total profit of companies registered in the country increased by 48.91%, increasing from 1.97 billion euros in 2016 to 2.93 billion euros last year.

Lursoft estimates that last year, not only the total turnover of micro and small enterprises, but also the amount of taxes paid, continued to grow. In the taxes administered by the State revenue service, the small business in 2017 paid 2.56 billion euros, which is 4.92% more than in the previous year. Assessing the small business contribution to the total tax burden shows that it plays an important role - from the total tax amount paid by the state budget in 2017, 38.96% is made up of small business. True, in previous years their share was higher: in 2016 they were 39.80%, and in 2015 - 42.28%.

The great importance of small business is most clearly reflected in the data on employment. Lursoft has estimated that the small business with jobs provides 64.96%

of the total number of employees employed in 2017 in companies registered in Latvia. In absolute terms, there are 360.53 thousand employees employed in micro enterprises and another 96.45 thousand employees in enterprises classified as small enterprises. [1]

- **Presenting some data on the number of SMEs and apprenticeships**

According to investigative journalism centre Re:Baltica Latvia will lack 35 000 employees in industries like mechanical engineering, metalworkers, drivers of self-propelled machinery and equipment, crane operators, skilled market agricultural workers, employees of electrical and electronic equipment, food products and processing and co-workers, apparel and other craftsmen. Ministry of Economy prognoses states that in 2021 in Latvia will be 10 000 young humanitarian and social science graduates, but will lack around 16 000 specialists with higher education is mathematics and engineering as well 30 000 with vocational training education. To fill the gap there are possibilities to re-qualify existing 12 000 employees by business, motivate re-emigrate Latvian citizens – 22 800, come back to work in Latvia, return in work space 66 000 long term unemployed people or get in order education system to guide youth for better choices of their carrier (around 1/3 of young people don't continue to study after high school, 20% drop out from VAT schools) using tools like internships, apprenticeships, communication campaigns about VAT education opportunities and benefits. [2]

In 2017, the proportion of companies interested in providing practice placements in the near future has increased: in 2014 it was 33%, but in 2017 already 39%. Among the companies that have never provided training placements in the past, interest in doing so has increased from 13% to 20%. According to the survey data of 2017, employers have provided less practice space in the last three years than before. In the 2014 survey, 42% of entrepreneurs claimed that there were trainees within their companies over the last five years, but in the 2017 poll, the proportion of such entrepreneurs has dropped to 35%. The main reasons why companies did not create places of practice were: the lack of time to educate trainees, the lack of practice vacancies, did not consider too much the potential, etc. reasons. The preconditions for creating practices: organizational, methodological, financial support; motivated and responsible trainees; reduced labor tax for trainee recruitment; the legal possibilities to pay scholarships for trainees, the compliance of vocational education programs with labor market requirements. The largest interest in the attraction of trainees is shown by the companies in their sectors where the provision of placements has been widespread to date: companies in the construction and services sectors, those working in Kurzeme and Latgale, medium-sized and especially large enterprises, exporters and those with foreign capital. On the other hand, practice places are rarely encountered in trade, in Pieriga (Riga region), as well as in small enterprises [3].

CSR Latvia as member of CSR Europe are partner of project “EU Talent – Business in Europe hosting apprenticeship for youth”. Due to project activities CSR Latvia have consolidated information about the status of youth employment issues, support for business that are interested to support youth employment, challenges of VAT school to connect with businesses. Experts have defined gaps and potential solutions that might be delivered by member organizations and responsible businesses in Latvia. Also, due to the project CSR Latvia brought together main stakeholders and collected

all best practices and projects that are available for businesses to improve their involvement in apprenticeship organization. In cooperation stakeholders have shared the information about the support what is available for companies to engage young professionals in work place:

1. AC4SME: 1.10.16.-30.09.18. Project goal: To increase the number of SMEs willing to host trainees in setting up a network of TCA consultants for practitioners in enterprises. Partners: 13 countries, 20 partners, www.ac4sme.eu
2. ECVET - Enterprise: 1.10.16.-30.09.18. Project goal: To increase the knowledge of school and business managers about the ECVET system used in learning outcomes, developing methodologies and working materials, organizing pilot practices, local seminars, training of employees. Partners: 4 countries, 7 partners, <http://qualityplacements.eu>
3. EAPPREN -1.10.16.-30.09.18 The aim of the project: to increase the competence of SMEs and ICTs in the management of practice in enterprises by developing an e-learning system. Partners: 7 countries, 10 partners, www.eappren.eu
4. TTT4WBL - 1.02.2017.-30.01.2020. Project objective: To promote the development of work environment-based training in the Baltic States through the Tandem Training training program. Partners: 3 countries, 9 partners, www.ttt4wbl-project.eu
5. Prakse.lv - Prakse.lv is the largest career and educational portal in Latvia. In 2014 they had about 65 000 users (students) and about 2900 companies that offer traineeship. Target audience is 1) Students (universities) – they help them to find traineeship and jobs, and to build relationships with employers; 2) High school students – they help them to understand what to learn and how to choose a profession, as well as give opportunity to find summer job. www.prakse.lv
6. Virtualaprakse.lv - Virtualaprakse.lv is a project, where young people are able to virtually explore their dream profession and gain a working knowledge in various companies. In 2014 more than 230 companies participated. www.virtualaprakse.lv
7. VETnet project - Project owner is Latvian-German Centre for Vocational Education and this project has been implemented in several countries. The aim of the project is to support the implementation of dual system in vocational education. Within the project there was practical implementation of work based learning in different enterprises. In Riga (enterprises and number of trainees): Rewico – 1; Goellner Spedition – 1; Kuehne+Nagel – 3; ACE Logistics – 1; DHL – 4; RIMI Baltic – 2; Freeway Logistics – 2; Kreiss – 5; Schenker – 2; RIX Logistics - 1, ACR Transports - 1. In Valmiera: Valmieras stiklašķiedra + VALPRO + Valmieras Piens in total 19 (rotation). In Liepāja: LSEZ SIA Terrabalt – 1; AE Partner – 2; LSEZ SIA Ekers Stivdors LP – 2; LSEZ SIA Trelleborg WS – 1; SIA Expedit Baltic – 1; LSEZ SIA Duna – 1; LSEZ SIA Jensen Metal – 1. <http://www.ahk-balt.org/lv/projekti/vetnet-arodizglitiba-eksports/>
8. **“Dots devējam atdodas”** - This project was organised by Forum of Small and Medium enterprises of Latvia in 2014 with the support of Embassy of USA in Riga. Within this project SMEs were invited to participate in campaign in order to get practical and useful knowledge about organising practice. There were

webinars provided and experts from Latvia and USA shared their experience.
<http://www.mvuforums.lv/Site/SAKUMS.html>

9. **VET for Employment** - The aim of the project is to create and to develop systemic tools for traineeships effectively involving employers and thus facilitating VET compliance with the labour market needs and ensuring qualitative traineeships process for all the parties involved therein.
<http://en.iddk.lv/projekts/vet-for-employment/>
10. **Developing Apprenticeship: In-Company Trainer Training and Apprenticeship Promotion.** Public organisation Vilnius Jeruzalem Labour Market Training centre in co-operation with the Employers' Confederation of Latvia, as well as with Lithuanian, Belgium, Finland and Estonian cooperation partners are implementing the Erasmus+ programme project „Developing Apprenticeship: In-Company Trainer Training and Apprenticeship Promotion”, No.2015-1-LT01-KA202-013415-946170011.
<http://en.iddk.lv/projekts/developing-apprenticeship-in-company-trainer-training-and-apprenticeship-promotion/>
11. **2nd chance vocational education programs/Youth Guarantee Scheme.** The aim is to provide support for those young people who have left school or training without achieving basic or secondary education and who have not succeeded on the labour market. Vocational education programmes (length 1 or 1,5 years) will be provided (2nd and 3rd level vocational qualifications).
<http://en.iddk.lv/projekts/implementing-work-based-learning-in-latvia-lithuania-and-estonia/>

Since 2013 young people (age 15 -24) unemployment are decreasing from 9,5% (8873) to 5.8% (3315) from overall unemployment statistics. For the past 2 years around 1400 companies have provided a apprenticeships (3016 students) and training based in work place (725 students) for 3741 students in cooperation with 34 education institutions. Companies that provide the most of apprenticeships are based in Riga, capital of Latvia and Vidzeme region. 22 234 young people (age 15 – 29) who does not work and do not study has joined the employment state agency youth guaranty program. The most popular support among the young people where events related to competition rising events (6677), informal education programs (2075), support for regional mobility (837) and professional life-long learning programs (837) support to work in NGO sector (411). [3]

- **Presenting the key points of the legislation/policy framework regarding apprenticeships in SMEs**

In general, from 2010 to 2013, there was a 13% decrease of VET students (excluding higher education). The decrease is in line with demographic changes in the country. Basic education graduates usually choose general secondary education (general 61%, 34% vocational). Attractiveness of vocational education has been set as one of the policy priorities for education (Cabinet of Ministers, 2009; Cabinet of Ministers, 2010a; Saeima, 2014). As you can see from the table above – funding for

Table 5. Sources of vocational education funding

Schools	Teacher salary	Fixed expenses (*)	Non-fixed expenses (**)
State	SB	SB	SB
Local government	SB	LGB or SB	LGB or SB (except teacher salary)
Private	PF/SB	PF	PF

SB: State budget; LGB: local government budget; PF: private funding.

* Missions, services, energy and water, learning aid, equipment.

** Scholarships, maintenance of dormitories, rehabilitation, catering, practice placements, insurance, culture education and sports, salary (except teacher salary).

Source: ReferNet Latvia.

traineeship as a part of non-fixed expenses depends on owners of the school: for state school funding is from state budget, for local government schools – local government budget or state budget; for private schools – private funding. [4]

<p>The law (Saeima, 1999a) defines three levels of vocational education:</p> <ul style="list-style-type: none"> • basic vocational education; • secondary vocational education; • professional higher education: <ul style="list-style-type: none"> ○ first-level professional higher (college) education; ○ second-level professional higher (university) education. <p>Source (Information used in this column):</p> <p>http://www.cedefop.europa.eu/en/publications-and-resources/publications/4134</p>	<p>Education programme</p>	<p>Qualification</p>	<p>LQF (Latvian Qualifications Framework) level</p> <p>The NQF was linked to the EQF in 2011. It consists of eight levels; The framework comprises formal basic, secondary and higher education (general/academic and vocational/professional) (Academic Information Centre and Ministry of Education and Science, 2012).</p> <p>Source:</p> <p>http://www.nki-latvija.lv/content/files/LQF-level-descriptors.pdf</p>	<p>Levels of professional qualification</p>
<p>BASIC EDUCATION</p>				
<ul style="list-style-type: none"> • Basic vocational education schools (<i>profesionālā pamatskola</i>) • Young people (at least 15 years old) can enrol in such programmes (ISCED-P 254) • They lead to a certificate of basic vocational education (<i>apliecība par profesionālo pamatizglītību</i>) <p>Proportion of practice in study process: 65%</p>	<p>Vocational basic education</p>	<p>Certificate of vocational basic education</p>	<p>3</p>	<p>1</p>
<p>Continuing vocational education programmes enable adults with previous education/work experience to acquire a professional qualification</p>	<p>Vocational continuing education</p>	<p>Certificate of professional qualification</p>	<p>3</p>	<p>1</p>
<ul style="list-style-type: none"> • <u>vocational education (<i>arodizglītība</i>)</u> and <u>vocational secondary education (<i>profesionālā vidējā izglītība</i>)</u> programmes are available for students with a certificate of basic education • <u>Vocational education programmes (<i>arodizglītība</i>)</u> (ISCED-P 353) are provided by arodskola and lead to a certificate of vocational education (<i>atestāts par arodizglītību</i>) and professional qualification at EQF level 4 (such as cook) • <u>Vocational secondary education programmes</u> (ISCED-P 354) are provided by profesionālā vidusskola and tehnikums, and lead to both a diploma of vocational secondary education (<i>diploms par profesionālo vidējo</i>) 	<p>Vocational secondary education</p>	<p>Diploma par vocational secondary education</p>	<p>4</p>	<p>2 (vocational education) and 3 (vocational secondary education)</p>

<p><i>izglītību</i>) and professional qualification at EQF level 4 (such as car mechanic).</p> <p><u>Institutions that provide vocational secondary education programmes and additionally act as regional methodological and further education centres and carry out validation of professional competences acquired outside formal education can obtain a title of 'vocational education competence centre'</u> according to criteria established by the Cabinet of Ministers (2013b). <u>Institutions with more than 500 students in regional centres (more than 800 in Riga) are gradually transformed into competence centres</u></p> <p><i>Proportion of practice in study process: 50-65%</i></p>				
<p><i>Continuing vocational education programmes enable adults with previous education/work experience to acquire a professional qualification</i></p>	Vocational continuing education	Certificate of professional qualification	4	3.
HIGHER EDUCATION				
<ul style="list-style-type: none"> • More than <u>two thirds of all higher education students study in professional programmes.</u> • Professional higher education programmes allow continuous progression from EQF levels 5 to 7 • While universities provide a full range of professional programmes, colleges only offer first-level professional higher education programmes leading to EQF level 5. 	<p>1st level of professional higher education (college)</p> <p><i>Proportion of practice in study process: 30%</i></p>	<p>First level professional higher education diploma</p>	5	4
	<p>2nd level professional higher education (professional Bachelor, professional higher education)</p> <p><i>Proportion of practice in study process: 30-65%</i></p>	<p>Professional Bachelor's diploma Professional higher education diploma</p>	6	5
	<p>2nd level professional higher education (professional Master, professional higher education)</p> <p><i>Proportion of practice in study process: 65%</i></p>	<p>Professional Master's diploma Professional higher education diploma</p>	7	5

[5]



1. SMEs **lack of information on the benefits** for providing apprenticeships
2. SMEs **lack the resources, network and structures to provide and access apprenticeships;**
3. SMEs **little experience with providing quality apprenticeships.**

1. Around 1000 SMEs were invited to evaluate existing practice placements and their compliance with best practices – 100 companies participated in survey;
2. Companies received information on the extent to which they are in line with best practice 60 companies received the results on demand **after having a test;**
3. We **expand the scope of SMEs involvement** in the implementation of internship programs in the SME sector as we created space with help of stakeholders dialogue and found out how much support there actually is available.
4. We used social media to promote 4 webinars and 10 best practice cases of SMEs internships to **create the learning network.**
5. We engaged stakeholders and found out that Latvia has engaged for the past 2 years 1400 companies to provide a apprenticeships, involving 3016 students in cooperation with 34 education institutions. It was possible due to EU project "VAT system improvement by "Work environment placed education"" that is a support system for Latvia VAT students and in apprenticeship involved companies. CSR Latvia developed tools in EU Talent project will help them to improve the quality of apprenticeships provided in Latvia.

- a) Business Community**
 (1) We recommend to continue sharing business best practice and show the business case when apprenticeships are provided. (2) Use existing tools and support from different stakeholders – CSR Latvia, LDDK, LTRK, Prakse.lv, etc. to provide high quality internships and apprenticeships.
- b) Education world:** (1) Improve **Culture** of internship and apprenticeship: • Youth attitude towards internship / apprenticeship; • Relationships between employer and intern/ apprentice; • Youth responsibility about the duties in time of internship/ apprenticeship. (2) Engage in **Content** development of internship and apprenticeship: • Internship/ apprenticeship content and time table alignment among VAT education institution requirements and companies internal processes; • Goal oriented internships/ apprenticeships; • Feedback from all involved parties after internship/ apprenticeship. (3) Strengthen **Cooperation** in internships and apprenticeships implementation: • Actively participate as large company in benchmark activities to educate SMEs about best practices of internships and apprenticeships; • Engagement in internships and apprenticeships program development together with VAT education institutions; • Take co-responsibility - company and VAT education institution, to implement internship and apprenticeship programs; • Educate VAT education institution teachers about tendencies in an industry and new technologies. (4) Active **Communication:** • Information exchange among company and education institutions involved; • Decision making according to feedbacks, etc.; • Inform SMEs about benefits to be involved in internship or apprenticeship programs.
- c) Policy makers - Public sector support for businesses (focus – public institutions)** • Tax reduction for investment in education of apprenticeships provided by company, to motivate companies invest in industry and countries sustainable welfare.

Conclusions

Key learnings, challenges, and solutions proposed

The key challenges are still there:

1. There is not enough quality apprenticeship places – companies to practice skills learned theoretically in VAT system;
2. Even with support of EU funding, the redistribution of funding can be a challenge to ensure that the apprenticeship places does not give an advantage to a particular company but contributes to the growth of human capital in general;
3. Greater engagement of entrepreneurs in the development of practice programs is the key to the second challenge;
4. The interest of young people in a particular profession, changing attitudes towards VAT education and STEM related professions.

Key learnings and solutions:

To change companies culture, especially in SMEs, from pure business interest to learning culture among peers, is difficult. The reasons are pure economical -their daily work are oriented on results in short term and long term investments they say they can't afford. Solution would be to continue working on business model case studies to demonstrate both impacts – on short term and long term company goals.

Brain drain is a real threat to long term investments and companies are aware of the fact that many young people after receiving a quality training will leave the company not only to a better company, but also to a better country where average salaries for STEM related professions are more competitive. That's also one reason for SMEs to be resistant to invest in students their knowledge and time. The EU funding at present covers some expenses and it is crucial to support SMEs also in future. Capacity to grow young professionals and keep them in Latvia is crucial to economy of Latvia state in long term.

Young people still has a perception of STEM related education and VAT system that it is not very prestige and they don't even consider VAT as option to invest their time learning different professions. Also in Latvia there is stigma around those who are learning in VAT schools – they are high school dropouts. But in reality the VAT students have to learn more. So to change that the communication managed by business community and policy makers might be a solution. It also might reduce VAT and STEP profession dropout rate as carrier orientation would start in early age.

Other recommendations you can find in previous page.

Sources:

1. Lursoft press release and blog: <http://blog.lursoft.lv/2018/11/01/mazais-bizness-veido-4218-no-latvijas-uznemumu-kopeja-apgrozijuma/> (2018.11.07)
2. Re:Baltica research: <https://rebaltica.lv/2017/10/kur-nemsim-vismaz-35-000-darbinieku/> (2018.11.07)
3. Latvia Employers' of Confederation conference presentations: <http://www.iddk.lv/notikums/atbildiga-biznesa-konference-ka-piesaistit-un-noturet-uznemuma-jaunos-talantus/>
4. Employers' survey was carried out by Excolo Latvia Ltd in March 2017 in April, attracting the research center SKDS, the LDDK Erasmus + project "Qualitative Practice for the Labor Market": <https://www.prakse.lv/article/463/pieaugusi-uznemumu-interese-nodrosinat-prakses-vietas>
5. Source: <http://www.cedefop.europa.eu/en/publications-and-resources/publications/4134>)
6. CSR Latvia research about VET and Apprenticeship issues in Latvia according to Erasmus project "EU Talent" project activities: www.ksalattija.lv
7. Latvia Employers' of Confederation conference presentations: <http://www.iddk.lv/notikums/atbildiga-biznesa-konference-ka-piesaistit-un-noturet-uznemuma-jaunos-talantus/>



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