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STATUS OF REGIONAL LABOR MARKETS IN THE LATVIA AND THE PATTERNS OF REGULATING THEM

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The modern labor market has undergone significant changes in recent decades and this reflects its dynamism and the need to constantly update skills and adapt to change. With the development of technology and international connectivity, many companies have become more global in their operations. This opens up new opportunities for workers and creates competition on a global level.

The relevance of the research is that digital transformation has changed many industries and created new opportunities and challenges in information technology and digital economy. Technological change is leading to the automation of many work processes. This may reduce the demand for some types of labor, but also create new jobs related to technology development and maintenance.

The goal of this paper is to analyze the condition of regional labor markets in Latvia and to identify and systematize the main elements that influence the state of the labor market.

The analysis of labor markets in the world is an ongoing process and has a long history. The activities on monitoring and analysis of labor markets are carried out both at the state level and by private research organizations.

It is interesting to see how the definition of "regional labor market" changes over time.

One author who has made significant contributions to the study of regional labor markets is David E. Bloom, professor of economics and a specialist in regional economics and labor markets. He explores the relationships between macroeconomic factors such as gross regional product, investment, and unemployment and their impact on regional labor markets.

Another researcher, John P. Shapiro (2013), argues that the regional labor market is not just a segment of the labor market, but an economic system in

which employers and employees interact in a particular region to shape the supply and demand for labor.

Having analyzed the works of such researchers and organizations as Hirsch-Kreinsen, Eichhorst and International Labor Organization (ILO), the author of the paper offers her vision of what exactly can be called a "regional labor market" today. The regional labor market today is a dynamic interaction between local employers and potential employees in a particular geographic space, where the supply and demand for labor force is formed, influencing the conditions of employment, wages and employment structure in a given location.

The Covid-19 crisis has had a marked impact on the labor market. The number of employed persons and the employment rate are still significantly lower than in 2019. The crisis has also affected the economic activity of the population, which together with demographic processes narrows the supply of labor on the labor market and increases the risks of labor shortages. As the crisis drags on, the share of long-term job seekers is increasing, which, combined with regional imbalances in the labor market, may create risks of structural unemployment in the coming years, as well as exacerbate the labor availability problem.

The drop in economic activity caused by the Covid-19 crisis has had the effect of reducing labor demand. Namely, 3.2% less than in 2020, which was the largest decline in the employed population since 2010. In 2021, the total number of employed persons will be 864,000. The population is aged 15–74. In contrast, the number of employed persons increased by only 0.4% [3, p. 9]. With such results, it is also interesting to note that while the number of the unemployed is high compared to the economically active population, the gap between the employed and unoccupied vacancies remains significant (Figure 1). This is explained by the decentralization of the Latvian labor market.

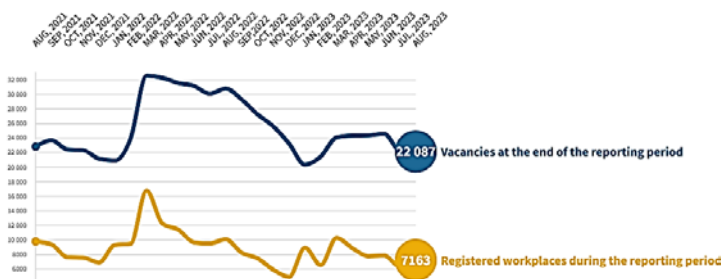


Figure 1. State employment agency registered vacancies [2]

The peculiarities of the modern Latvian labor market, which are primarily manifested in the uneven distribution of both the labor force and the need for it, reflect its dynamism and the need for constant updating of skills and adaptation to changes. Figure 2 shows the current situation with the unemployment rate in different regions of Latvia as of August 2023. Certainly, the gap between the situation in Riga, where the unemployment rate is 4.4%, and the Latgale region, where this indicator reached 10.9% in the summer of 2023, attracts attention [1].

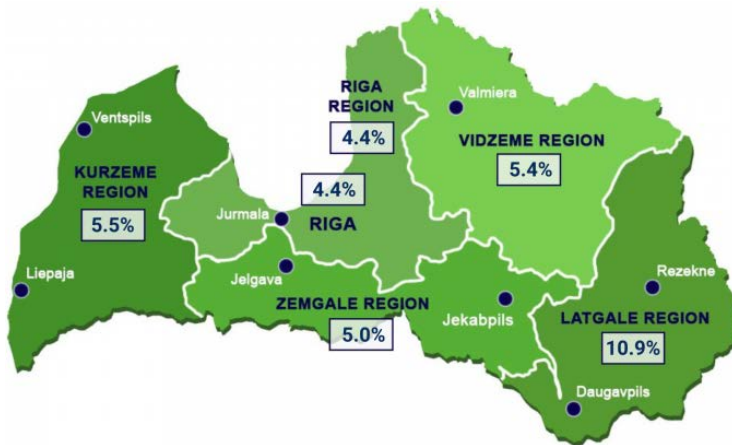


Figure 2. Registered unemployment rate in the country on 31 August 2023 [2]

The development of the region depends to a large extent on the state and development of the regional labor market. In the course of its formation, the regional labor market is exposed to various factors that need to be systematized in order to study their impact on the development of this market. In the process of research, the author of the paper analyzed the groups of factors that particularly affect the formation of the labor market of the Baltic region depending on the level of factor formation (macro-level and meso-level) and depending on the basic elements. This allowed to compile a model of the modern labor market cerularity (Figure 3).

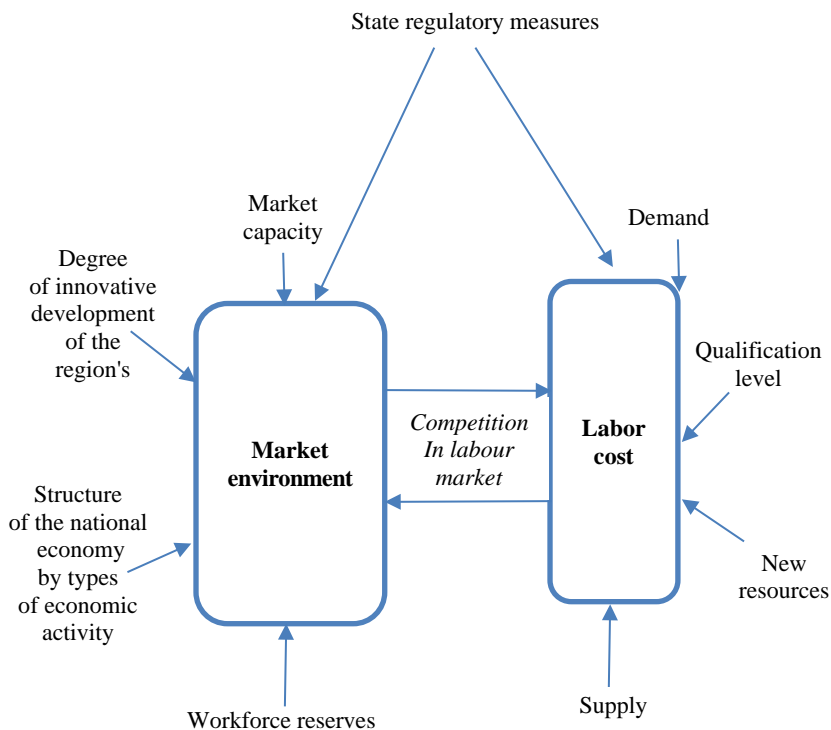


Figure 3. The circularity of the modern labor market

Source: created by the author

As can be seen from the model, the fundamental elements are the following: market environment and influencing it, first of all, the market capacity and reserves of labor force; the price of labor force, which, today, is influenced not only by traditional supply and demand, but also by the level of qualification (quality of preparation for the performance of labor duties), as well as the emergence of new resources that shape its dynamics and structure. It will also be correct to note that these resources both create new opportunities in the labor market and present challenges that require adaptation and requalification. One thing that is common to both elements of the model is the presence of state regulation measures. This model, due to the mutual influence

of elements on each other, which generates competition in the labor market, can be designated as cerulean, because for the balanced development of the modern regional labor market it is necessary to move away from the traditional linear view of economic processes.

Research and analysis of labor markets are important for identifying trends, forecasting changes in employment and unemployment, designing employment policies and creating conditions for sustainable economic development.

Factors such as: geographical localization, specialization of industries, migration and unemployment rates, and others, jointly determine the dynamics and nature of regional labour markets, and they can vary widely from one area to another. Understanding the characteristics of the regional labor market is important for both workers and employers when making decisions about employment, hiring or looking for promising ideas for developing activities.

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