



ASSOCIATION OF LITHUANIAN
CHAMBERS OF COMMERCE,
INDUSTRY AND CRAFTS



ESTONIAN
CHAMBER OF COMMERCE
AND INDUSTRY

THE BALTIC STATES: RECOVERY, LABOUR MARKETS, IMMIGRATION. THE VIEW OF CHAMBERS OF COMMERCE AND INDUSTRY, AND POLICY PROPOSALS

The European Union and its Member States, including the Baltic States are facing general economic recovery after turbulent two years. Eurochambres economic survey for 2022 with total 52000 enterprises participated shows positive sentiment for the next year. Employment levels are expected to remain stable in the coming year. Nonetheless, a closer examination of labour markets reveals a pressing need for skilled labour, the shortages of which are a major source of concern for business. The concern is even higher in the Baltic States. Lack of skilled workers pointed out 70% of LTU, 75% LVA and 64% EST businesses.

Wages are expected to increase at high levels as a result of supporting mechanisms introduced by the national governments in response to COVID-19 pandemic and overall recovery of the economy. Additionally, growing skill mismatches are an unavoidable consequence of the labour market's changing structure due to technological innovation (e.g. digital advancement or the green economy). Given the long-standing skills shortages in ICT and digital skills in general, as well as the fluctuating demand in certain sectors such as hospitality, construction, manufacturing or transport, the Baltic States labour markets will continue to struggle to fill the skills gaps over the next year. Because of the pressure in the labour market, labour costs associated to that businesses ranked as a problem also very high.

The three Baltic States Chambers (further – Chambers) assessed the current situation. Labour force as a production factor could be considered as a bottleneck to deploy other production factors, or simply speaking, not resolving the issue of mismatch of labour supply and demand could hamper the overall development of our economies.

General remarks

According to the EU 2019 Ageing Report, almost one fifth of the population living in the EU-28 at the start of 2018 was aged 65 years or more. The report forecasts that, during the next three decades, the number of older people in the European Union (EU) is projected to follow an upward path; their relative share of the total population will also gradually increase and is projected to reach 28.5 % in 2050. Similar if not worse paths projected for the Baltic States. With this in mind, coupled with the gaps identified in the labour market, a new legal migration policy is one of the four pillars of a balanced EU migration management. The European Commission acknowledges the benefit that legal migration brings to society and the economy. While Member States retain the right to determine volumes of admission of third country nationals coming from third

countries to their territory for employment purposes, there is an opportunity to address the gaps in the labour market whilst offering those workers the right opportunities and working conditions that are so often denied.

Indeed, the EU labour market as well the Baltic States labour markets face specific skills shortages in different sectors, be it low, medium and high level sectors. In the recently



ASSOCIATION OF LITHUANIAN
CHAMBERS OF COMMERCE,
INDUSTRY AND CRAFTS



ESTONIAN
CHAMBER OF COMMERCE
AND INDUSTRY

published Skills Agenda for Europe, the European Commission said it would work with Member States on modern and comprehensive national skills strategies and join forces with national public employment agencies to realise them. Here, it also suggests that this can be coupled with a more strategic approach to legal migration, oriented towards better attracting and keeping talent.

The decline of fertility in a number of European countries, including the Baltic States has led and continues to lead to much smaller cohorts of new labour-market entrants.

The Chambers believe in the principle that migration is normal and that people are constantly on the move; acknowledge the contribution that Third Countries Nationals (TCN) make to our societies, economies and cultures and stresses that migration needs to be managed in an orderly, safe and regular manner; believes that to establish new avenues for legal labour migration, both in the EU and the Baltic States should set ambitious and future-proof goals, while simultaneously making effective use of and improving the existing legal and policy framework. Takes the view that, if well-designed and well-managed, legal labour migration can be a source of prosperity, innovation and growth.

The Chambers admit that majority of current employees from TCN in our states are « economic » immigrants, not asylum seekers, ready to work and impose low external costs for the societies and public budgets.

Already today in the majority of EU countries 13 % of key workers are immigrants on average, while in the Baltics that figure is around 3%.

Policy proposals

- The **EU legal labour migration *acquis*** regulates the conditions of entry and residence and the rights of third country national workers, which includes the Blue Card Directive, the Single Permit Directive, the Seasonal Workers Directive, the framework of an intra-corporate transfer (the ICT Directive), etc. There is no legal basis in the current Treaties and frameworks for a common migration or labour policy. Member States have the sovereign right to determine volumes of migration. That competence must be fully respected. However, EU legal labour migration *acquis* is under the review. **Chambers encourage national governments of the Baltic States to actively participate in the regulations reviewing processes.**

- legislation on legal migration is highly fragmented in different EU countries. The patchwork of different rules and regulations makes the EU's framework unclear and unattractive for both TCNs and Member States employers organisations. Whilst it

remains the competence of Member States to decide what their market needs are and how many work permits should be granted, increased coordination and cooperation is highly welcome. **Three Baltic States must therefore forge closer cooperation between themselves** to ensure the regulations in each country are comparable and even unified as much as it is possible that the benefits of better regulation would benefit business, especially crossborder business.

- Development of an EU and the Baltic States **talent pool initiative**. It could be matching platform to serve as a one-stop shop for TCN workers, Baltic states employers and national administrations. ; We note the Commission's plan to explore the development of such a talent pool; We recommend that this should cover all sectors of employment for low-



ASSOCIATION OF LITHUANIAN
CHAMBERS OF COMMERCE,
INDUSTRY AND CRAFTS



ESTONIAN
CHAMBER OF COMMERCE
AND INDUSTRY

medium- and highly skilled workers. Moreover, we encourage to consider developing an EU-wide scheme to attract selfemployed people and entrepreneurs.

- **Posted workers.** The number of third-country nationals that are posted from one Member State to another has increased significantly over the past years; whereas a third-country national worker who obtained a work and residence permit in one Member State can be posted by their employers to any other. We consider some posted workers are result of different procedures, different time needed to fulfill the requirements in different countries. That is why **unification of procedures in the Baltic States** would be beneficial both for job seekers, as well as for the employers.
- **Qualifications and practical experience.** We are drawing attention to that problem in our countries. We emphasise the need to **improve the existing regulatory system of recognition** of professional qualifications and recognition of practical experience among the Baltic States, as difficulties in recognition of foreign qualifications and practical experience remain a substantial obstacle for employment matching, which hampers mobility and employability.
- **Flexibility of labour relations regulations.** The current economies are facing huge changes: sustainability requirements, digitalisation, remote workplaces, digital platform jobs, etc. Such dynamic changes make impossible to timely update Labour Code and related legal acts regulations. The governments should allow and encourage employees and employers to agree upon the working aspects more freely.

President of the Association of Lithuanian Chambers of Commerce, Industry and Crafts
Rimas Varkulevicius

President of the Latvian Chamber of Commerce and Industry
Aigars Rostovskis

Director General of the Estonian Chamber of Commerce and Industry
Mait Palts