1. Introduction

Lithuanian trends of dynamics in employment and macroeconomics have many things in common comparing to the situation in Finland. The common features for our economies are as follows:

- population ageing;
- export-driven development of companies;
- vocational training in line with economic needs;
- impact of information technologies on employment and economic structure;
- necessity for growing productivity and use of new advanced technologies;
- efficient use of existing human resources.

Yet, there also are many differences that bring extremely negative affect on the Lithuanian labour market and employment development:

- high employment rate in agriculture (~15%);
- low working efficiency compared to the EU–15;
- big number of economically inactive individuals (~35%);
- low employment rate in elder population (55+);
- low mobility of domestic labour force;
- insufficient number of future skilled workers (the number of individuals trying for universities is nearly three times as big as the number of individuals trying for vocational training schools);
- high external migration of skilled labour force (about 50,000 per year).

Rapid economic growth which started in Lithuania in 2002 made employment and labour market problems more pointed for the national economy. We can say that in 2004 Lithuania turned from a country with surplus labour force into a country with deficient labour force. Under such a situation, forecasting skills and labour market needs become more than necessary for Lithuania in order to satisfy the need for labour force in regularly growing economy.

In Lithuania forecasting skills and labour market needs are used for:
- planning expenses on labour market policy measures;
- planning vocational training needs;
- vocational counselling system;
- establishing economy development strategies.

Since 1991, labour market forecasting in Lithuania has been carried out by the Institute of Labour and Social Research, and since 1995 – by the Lithuanian Labour Exchange. In addition, some employment projecting is done by Lithuanian banks, but they are quite fragmentary. Since 1998, the Institute of Labour and Social Research, acting in co-operation with the Ministry of Education and Science, has been carrying out a research
on the situation of university graduates on the labour market. Such research serves as a basis for forecasting training needs of future university graduates by syllabi.

2. Lithuanian economy and trends of its development

Lithuanian economy has been rapidly growing over the latter years. The economic growth was promoted by invigorated domestic demand and export. In its turn, the national economic growth facilitated employment increase. GDP growth is forecasted to remain one of the highest in Europe. Post-EU-accession increase of the need for labour force, growing working efficiency and price convergence will keep having a positive influence on the wage growth. Average monthly wage will grow at an accelerating pace in the country. Annual forecasts are based on an assumption that economic development will gradually become more rapid in Europe. Lithuanian business will compete both in domestic and external markets.

Post-EU-accession increase of the need for labour force, growing working efficiency and price convergence will have a positive effect on the wage growth. Average monthly wage is forecasted to grow at an accelerating pace in the country. The prevailing demographic situation in the country gives grounds to forecast that the number of economically active individuals will be dropping down. The recently increased number of the employed confirms that companies have used up the existing resources of labour force and future expansion of production volumes will be possible by hiring extra workers.

Furthermore, it is still characteristic in Lithuania that economic growth is insufficiently reflected in the indicators of the labour market and social sphere, i.e. employment and wages are growing considerably slower compared to overall economic growth in the country. EU resolutions and decisions emphasise the necessity of direct correlation between economic growth and employment of the population. It is also necessary to ensure the creation of more and better job opportunities.

In 2005, GDP (at constant prices of 2000) increased by 7.5% (in 2003 by 10.5%, in 2004 by 7%). Unemployment rate has recently dropped down from 11.4% and amounted to 8.3% in 2004. Employment rate increased from 61.1% to 62.6%, but it should be noted that unemployment decrease exceeded the employment increase. In 2004 – 2005, the total number of unemployed individuals (LFS data) dropped down by 52.7 thousand, while employment increased by 37.6 thousand. Unemployment decrease in Lithuania is being greatly influenced by external migration of the population. Lithuanian people emigrate to the United Kingdom, Ireland, Germany, Spain; as for Scandinavian countries, Lithuanian people usually leave for Denmark and Sweden.

Though over the analysed period export increase was the highest throughout a period of 15 years (more than LTL 7 billion (EUR 2 billion), total export-import balance did not decrease and amounted to LTL 10.2 million (EUR 2.9 million). This trend shows that the influence of foreign consumers on Lithuanian economic development and structure thereof is increasing. Compared to 2004, direct foreign investment increased by 15.4% and average gross wage increased by 10.8%.

The above indicators show that changes in Lithuania are slightly more rapid compared to Finland. This is demonstrated by more rapid GDP growth, unemployment decrease, average wage increase. The said indicators are ahead average changes of analogue data in Finland. It should be noted, however, that overall development in Finland is far ahead Lithuania, e.g. GDP per capita, aggregated employment rates, average earning, etc. Therefore, it is natural that in order to attain average living standards and economic development in the EU-15, Lithuania as well as other EU-10 countries must develop their economies at a more rapid pace. Taking into consideration provisions of the Lithuanian Government Programme, Lithuania needs to approximate the 70% employment rate and maintain 6-7% unemployment rate within the nearest 10-12 years. It is also very important to follow the EU employment guidelines and to fulfil the requirements imposed on
labour conditions, labour relations, work pay, safety and health at work. We believe that after ten years Lithuania’s results should equal the common average in the European Union.

3. Forecasting Skills and Labour Market Needs in Lithuania

The Lithuanian Labour Exchange, in co-operation with scientists from the Institute of Labour and Social Research, is the most targeted and consistent in forecasting changes in, and needs of, the labour market. From 1995, in order to disclose and project labour market changes, the Lithuanian Labour Exchange has been making labour market forecasts for the next year on an annual basis. In addition, from 2001 there have been regularly made barometers of employment opportunities (on national level and in ten county sections).

The key objective of forecasting labour force employment is to project changes in the structure of labour force (employed and unemployed) to take place on the labour market, taking into consideration the impact of demographic and economic factors on employment and unemployment. Polling of employers serves as a basis for labour force employment forecasts. Basic tasks in forecasting labour force employment include planning of activities of labour markets, striving for the balance of supply and demand of labour force in the national economy and assessing the need for vocational training. Data of the labour force employment forecasts enables evaluation of employment needs and the balance of supply and demand by individual professions and this, in its turn, creates conditions for forecasting vocational training needs. As regards employment forecasting in territorial labour exchanges, it is recommended to create a work group which members would regularly analyse the situation on the labour market and directly work with employers and co-operate in development of vocational training programmes.

Analysis of dynamics in the process of forecasting labour force employment is divided into analyses of demographic indicators and macroeconomic indicators (see Annex No. 1). The objective of the analysis of demographic indicators is to assess the supply of labour force at a certain moment and to forecast future trends. The analysis of demographic indicators starts from the singling out general demographic trends characterised by such demographic processes as birth rates, death rates and migration, gradually proceeding to the analysis of the structure of labour force.

The analysis of macroeconomic indicators enables forecasting of general economic trends having direct effect on employment. It contributes to ensuring control of the quality of labour force employment forecasts. It is important to analyse key economic indicators, such as GDP growth, inflation, average monthly wage, unemployment rate, growth of foreign trade (import and export) and investments, individual consumption, etc. It’s worth noting that a sound forecast must have an implication of rationale, and final results must be correlated to the labour force employment forecast and projected economic trends.

For the polling of employers, respondents are selected using the method of stratified random selection. Standardised questionnaire forms are used for the polling. In the process of forecasting labour force employment, key attention is paid to the forecasts of unemployment, employment, creation and liquidation of job opportunities as well as professions. In addition, a quantitative forecast of persons to participate in labour market policy programmes next year is made (see Annex No. 2).

Employment dynamics in economic branches is forecasted by the types of economic activities and professions or groups of professions. The analysis of labour market supply and demand is made for particular professions or groups of professions. The analysis of labour market supply and demand as well as employers’ polling make it possible to forecast future creation and liquidation of jobs by professions, to project employment. The mentioned analysis also enables the evaluation of the supply-demand balance.
Generalisation of problems is a particularly important component of forecasts. It must reflect the most sensitive groups of the labour market, i.e., target groups, groups of the unemployed. Furthermore, it is also important to identify areas, where it is difficult to find a job, in geographic and occupational terms. In addition, further systematic work with previous forecasts is of high importance, because they make up the basis of new forecasts. Feedback is aimed at getting a better idea of, and finding out the reasons, of the forecasts to come (or not to come) true. The reasons why forecasts turn to be realistic or unrealistic are of utmost importance. Good feedback helps to improve the quality of future forecasts.

Barometer of employment opportunities is a short-term professional forecast based on expert evaluation mainly encompassing the analysis of labour force supply and demand as well as data of labour force employment forecast based on employers' polling. It is an instrument which could be used for the planning of vocational training needs on the labour market. Barometer's data about professional needs is divided into white-colour and blue-colour professions in order to single out professions of high, medium and low demand. This information is presented on national and county levels.

According to the developed forecasts, the shortage of skilled labour force is increasingly felt in Lithuania. This phenomenon is particularly manifesting in the biggest cities and regions, where the shortage of engineers, managers, lawyers, medical professionals and doctors is getting more and more tangible in addition to the shortage of skilled workers.

From 2000, research of national economic sectors is in progress in order to identify the demand of training needs. Such research is carried out by the Methodological Centre of Vocational Training together with representatives of employers of the economic sector concerned by the initiative of the Ministry of Education and Science. Results of the research serve as a basis in formation of the system of training programmes, planning of the number of students to be admitted to vocational schools, adjustment of the contents of vocational training in the existing syllabi as well as development of new training programmes.

4. Potential transferability of the Finnish experience of forecasting skills and labour market needs

The presented Discussion Paper lacks information as to the extent the Finnish Forecasting Skills and Labour Market Needs prove to come true and how realistic is the influence of the developed forecasts on the policy of labour market and vocational training. Yet, the fact that forecasts of such a type have been made in Finland since 1970 leads to a conclusion that they are useful and contribute to more efficient regulation of the labour market.

To summarise the Finnish forecasting experience, we should note that there are certain similarities and differences in the methods used in Lithuania and Finland. In our opinion, one of the main advantages of the forecasting methods used in Lithuania is questionnaire polling of employers. This method is useful for direct assessment of the actual needs of employers, specific and territorial distribution thereof. On the other hand, Lithuanian experience shows that employers may deliver reasonable forecasts of employment dynamics in their company only in short-term perspectives (actually, max. in two years’ perspective). The Finnish model is more advantaged for using more consistent macroeconomic information about the factors conditioning labour market (working time, labour input, labour productivity, etc.).

One of shortages of the Lithuanian forecasts is a short time horizon thereof, i.e. making forecasts in one year's perspectives. Such short forecasts are of little help in formation of the vocational training system and strategic implementation of economic policy, including regional policy. Therefore, it would be very useful for Lithuania to get better knowledge of methodologies used in development of long-term perspectives, particular for 5-10
years. It should be noted however, that application of the Finnish model in Lithuania might face a problem of information reliability, because about 18% of GDP is created by shadow economy in our country.

We find it very positive that administration of forecasting in Finland is implemented through interdepartmental work groups, including representatives from research institutes and Statistics. It should be noted that cooperation of ministries in tackling interdepartmental problems is not very close in Lithuania. In planning their activities, individual ministries pay little attention to the assessment of employment dynamics. Therefore, only the Ministry of Social Security and Labour is consistently involved in employment-related issues. Neither the Ministry of Finance, nor the Ministry of Economy, nor the Ministry of Agriculture, nor the Ministry of Education and Science has special structural units to deal with employment-related issues. Characteristics of the labour market required for their operations are in most cases received from the Ministry of Social Security and Labour. Such an attitude towards employment problems reduces the possibility of effective evaluation of the existing changes and producing well-founded forecasts of their development.

It would be very useful for Lithuania to use the Finnish model of forecasting skills and labour market needs. So far, Lithuania has been focusing on professional needs and actually forecasting only dimension of professions. However, there is an increasing request from employers and training institutions for forecasting skills, what is very important for the improvement of the vocational training process.

In addition, Lithuanian forecasts (by the Lithuanian Labour Exchange and other forecasting authorities) pay little attention to the projection of job opportunities and mainly manipulate with employment forecasting. Therefore, there hardly are any forecasts by different forms of employment, e.g. part-time employment. Obligations of the Government in relation to increasing the number of job opportunities are not well defined either.

In future, it will be possible to use the analysis of job dynamics on a broader scale in Lithuania, as Lithuanian Statistics started research of job dynamics in 2005.

5. Conclusions

Similarly to Finland, negative affect of the situation in the labour market on economic development is more and more felt in Lithuania. In contrast to Finland, shortage of labour force is more determined by emigration of labour force than ageing of the population. Yet, the trend of population ageing is also highly relevant in Lithuania being even more facilitated not only by decreasing birth rates, but by the emigration of young individuals as well.

Like in Finland, key factor likely to ensure settlement of labour market and economic problems in Lithuania is application of new technologies and growth of labour productivity. For this purpose it is necessary to effectively modernise vocational training (university training including) by increasing conformity thereof with the economic needs. According to researches carried out by the Institute of Labour and Social Research, practical availability and support for first employment of young individuals in the national labour market should be improved in Lithuania first of all.

An issue of increasing the time of participation of elder population on the labour market is also quite relevant. For this purpose it is necessary to apply flexible schemes of retirement on a wide scale and to increase considerably the participation of elder population in the continued education skills.

It is necessary to improve the attractiveness of Lithuanian economy by developing the employment friendly tax-system. Performed researches show that growing investments (including direct foreign investment) in fact are of little importance on employment growth. The same applies to GDP growth. For example, in 2001 GDP
grew by 6.4%, and employment dropped down by 3.3% in Lithuania. In 2003 GDP grew by 9.7%, but employment grew by as few as 2.3%.

In Lithuania isn’t proper migration impact for labour market changes. Therefore labour market forecasts for 2004 and 2005 was more optimistic than real situation in Lithuania. Especially employment rate forecasts, which were lower in fact.

It is necessary to develop the time horizon of forecasting skills and labour market needs in Lithuania, because short forecasts for one year’s perspectives are not enough for drawing up well-founded recommendations for the vocational training system. Therefore, it would be reasonable to analyse experience of the Finnish Government in drawing up long-term forecasts in more details. Particular attention should be paid to the evaluation of reliability of such forecasts and application thereof in formation and implementation of employment, labour market and vocational training policy. With that end in view, it would be extremely beneficial for Lithuanian professionals to co-operate with Finnish experts directly and to take over their experience.

Considering at Finland, Netherlands, France and other EU members experience, Lithuanian labour market forecasting should be administer by specialized institution/department. That will be assuring higher quality of forecasting and more effective use specialists human capital.

References


LITHUANIA

Follow-up of earlier forecasts

LITHUANIAN SCHEME OF LABOUR MARKET FORECASTS

Evaluation of changes → Demographic information → Macroeconomic data

Employer’s survey

- Random sampling
- Representative sampling

Reporting of forecasts

- Assessment of future recruitment needs by occupation
- Filling of vacancies
- Balance of supply - demand

Occupation title

- Qualification requirements
- Skills

Labour force supply - demand

Training needs
LABOUR FORCE SUPPLY – DEMAND ANALYSIS

Labour force supply forecasting

1) Unemployed analysis:
   • Availability for labour market
   • Education
   • Previous employment, kind of economic activity
   • Duration of unemployment, etc.

2) Individual placement strategy analysis
3) Information about collective discharges
4) Labour force input

Labour force demand forecasting

1) Assessment of free vacancies
2) Employer’s survey:
   • New vacancies and work dissolution forecasting
   • Staff fluctuation
3) Manufacturing and services development projects
4) Regional development projects
5) Purposive agreements with employers
6) New vacancies analysis

Yearlong forecasts of labour force balance of supply - demand
3 Annex

Assessment of demographic information

Population
Live Births
Deaths
Migration

Population by areas:
- By gender
- By age groups

Population aged 15 – 64 by areas:
- By gender
- By age groups

Labour force

Employed population:
- By gender
- By age groups
- By economic activity

Unemployed population:
- By gender, age groups
- By education, previous occupation
- Availability for labour market
- Unemployed by duration of unemployment

Labour force supply forecasting