

# Migration of workforce – risks and opportunities

*SIA Ernst & Young Baltic (EY)*

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Building a better  
working world

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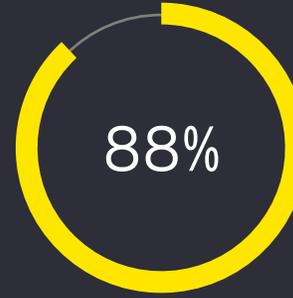
1. Workforce mobility – current trends
2. Labour supply – shortage of workforce
3. Talent attraction and retention
4. Attraction of investments and workforce costs



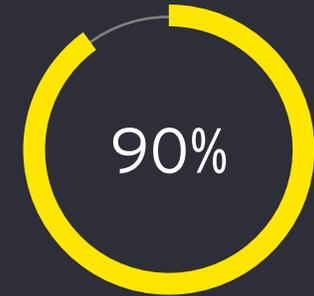
# 1. Workforce mobility – current trends

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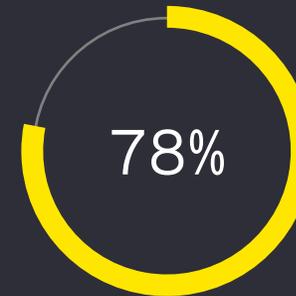
- ▶ The EY 2023 Mobility Reimagined Survey \* shows the growth of demand for the **workforce mobility**.
- ▶ Complex economic, geopolitical and social factors fundamentally impacts the global labour supply.
- ▶ The demand for mobility is increasing to solve country-specific talent issues.
- ▶ New ways of working — across borders and jurisdictions — have brought greater expectations for **workforce flexibility, talent strategy**, and technological investment.



*Respondents consider mobility as a way to address **global talent shortages**.*



*Employers believe aligning their mobility strategy to organizational goals **drives business growth**.*



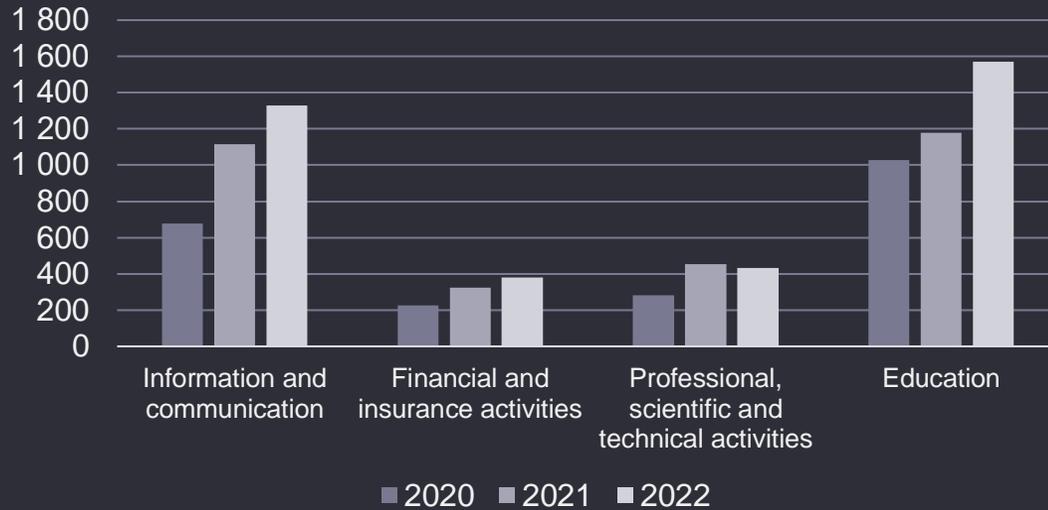
*Employers see a **positive return on investment** from their mobility program.*

Source: EY 2023 Mobility Reimagined Survey

An anonymous online survey was conducted of 17,050 employees and 1,575 employers across 25 different sectors and over 20 geographies covering the Americas, Asia-Pacific, and EMEIA (Europe, the Middle East, India and Africa).

## 2. Labour supply – shortage of workforce

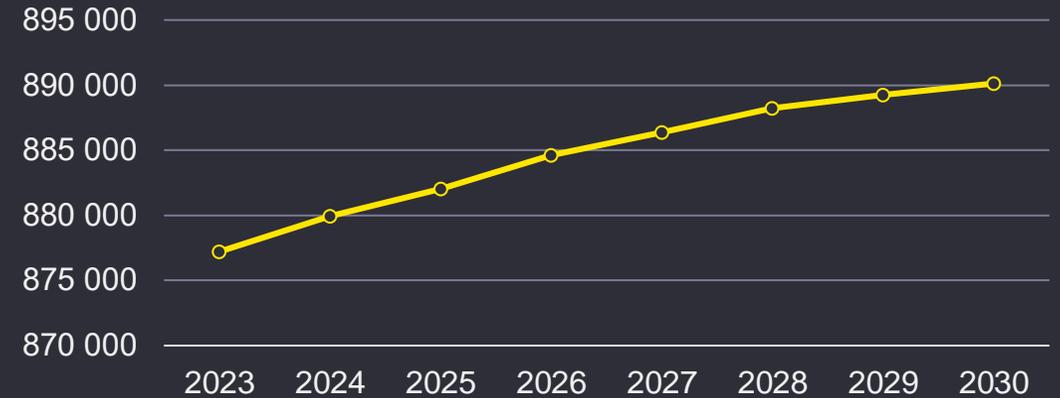
Open job vacancies in Latvia (by type of economic activity) <sup>1</sup>



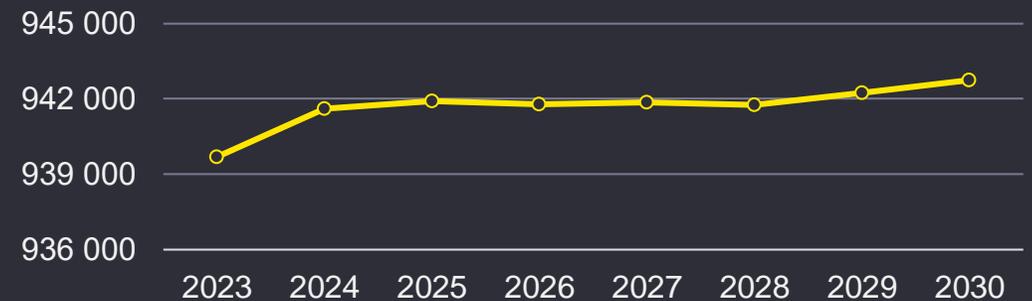
There are indicators of the following issues in many industries:

- ▶ the growth of demand in highly qualified staff;
- ▶ risks related to brain retention;
- ▶ limited potential for growth (also due to lack of staff).

Labour demand forecast for Latvia (NVA) <sup>2</sup>



Labour supply forecast for Latvia (NVA) <sup>2</sup>



Source: <sup>1</sup> Latvian official statistics portal (stat.gov.lv) – statistics for Latvia

<sup>2</sup> Latvian State Employment Agency (nva.gov.lv) - forecast for Latvia

# 3. Talent attraction and retention

## Countries are competing for attraction of new employees:

- ▶ Countries, which implemented **special regimes** to attract highly qualified foreign specialists, find them to be **effective**.
- ▶ Nordic countries have **simplified their immigration processes** for foreign specialists.
- ▶ **Incentives for business and individuals** may be effective in attraction of talents:
  - ▶ Special tax incentive regime for reduction of social security contributions for companies working on R&D projects in Sweden.
  - ▶ R&D relief available for companies in Poland for involving employees in R&D activities, decrease of corporate income tax.
  - ▶ Expatriate tax reliefs for Individuals, who changed residence to Polish.
  - ▶ Companies employing highly skilled specialists attracted from abroad receive lump-sum allowances in Lithuania.
- ▶ Some countries also have **remuneration related incentives**:
  - ▶ In Lithuania financial incentives are available for re-emigrants - citizens of Lithuania, representatives of specific professions.
  - ▶ Reduction of taxes for individuals working in creative industries in Poland, widely used in IT, R&D projects.

	Simplified immigration regime	Tax regimes to attract qualified specialists	R&D tax incentives	Remuneration incentives	Incentives for business
Poland	✓	✓	✓	✓	✓
Sweden	✓	✓	✓		
Lithuania	✓			✓	✓
Denmark	✓				
Estonia	✓				
Norway		✓			
Finland		✓			
Latvia					

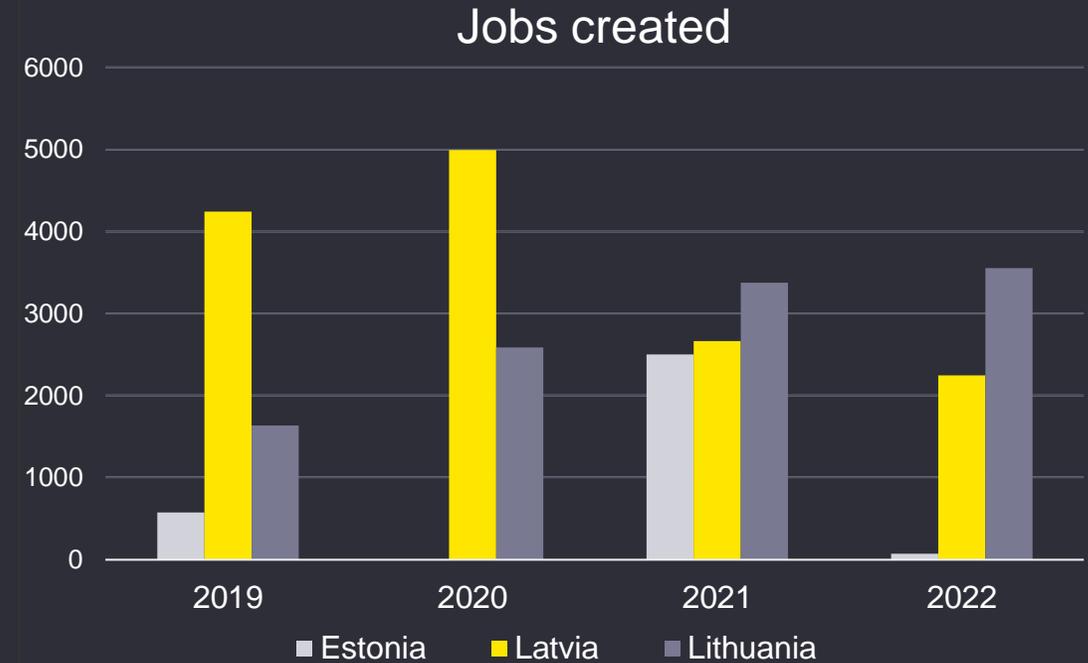
## 4. Attraction of investments and workforce costs (I)

### Investors activity is impacted by several factors:

- ▶ Availability of finances;
- ▶ The economic and political situation in the country;
- ▶ Infrastructure;
- ▶ Availability of **human resources**;
- ▶ **Labour costs**;
- ▶ Other factors.

### Investment Attraction Leaders in 2022

Rank	Country	2021	2022	Change 21/22	Market share 2022
1	France	1222	1259	3%	21,1%
2	UK	993	929	-6%	15,6%
3	Germany	841	832	-1%	14%
4	Spain	361	324	-10%	5,4%
5	Turkey	264	321	22%	5,4%
6	Portugal	200	248	24%	4,2%
7	Italy	207	243	17%	4,1%
8	Poland	193	237	23%	4,0%
9	Belgium	247	234	-4%	3,9%
10	Ireland	152	184	21%	3,1%
23	Latvia	32	32	0%	<1%



The number of new investment projects in Latvia is at an equivalent level compared to the previous year, but fewer jobs have been created within the framework of these projects.

Investors indicates the lack of human resources and high labour costs.

## 4. Attraction of investments and workforce costs (II)

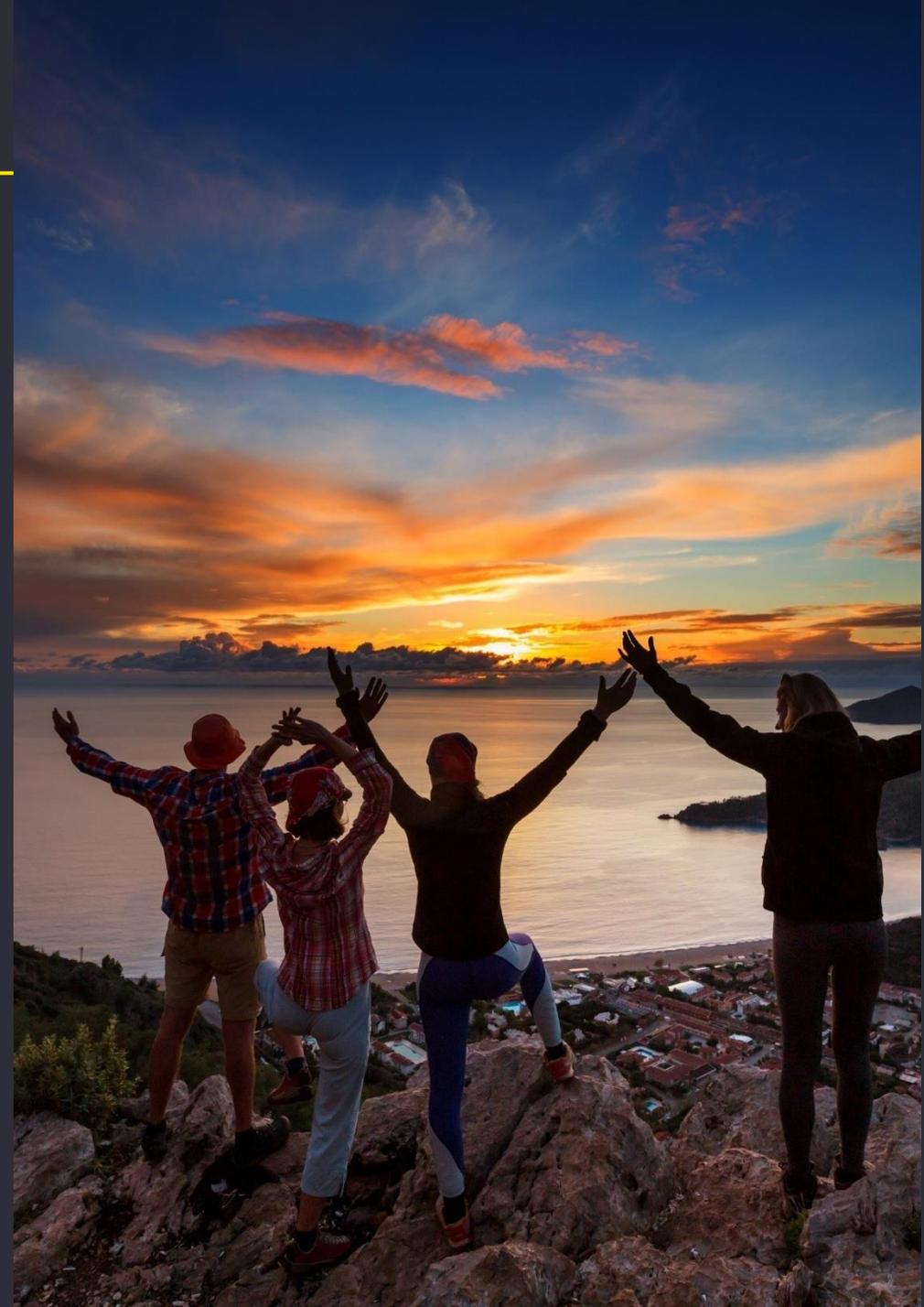
	Income tax withholding incentives	Reduced social security contributions	Reduced tax rates	Tax allowance	Tax credit	Tax exemptions	Tax holidays
Denmark				✓	✓		
Finland				✓			
France		✓	✓		✓		✓
Hungary		✓	✓	✓	✓	✓	✓
Lithuania			✓				
Netherlands	✓	✓	✓		✓		
Norway		✓			✓		
Poland			✓	✓	✓	✓	
Spain		✓			✓		✓
Sweden		✓				✓	

- ▶ Many countries have expanded their **R&D projects support** programs to promote economic growth, including support focused on reduction of labour costs through reduction of payroll taxes.
- ▶ **R&D support mechanisms**, especially in the field of labour taxation, are one of the more **successful tools** for attracting high value-added **investments**, as well as **highly qualified specialists – new taxpayers**.
- ▶ Other countries that proactively attract high value-added investments offer the following tax incentives:
  - ▶ Sweden - **reduced employer's social security contributions** for employees who were involved in R&D projects in the company.
  - ▶ Sweden - **special tax regime for foreign employees**: 25% tax relief is available to highly qualified foreign workers for up to five years from the first day of work in Sweden.
  - ▶ The Netherlands - offers companies an **R&D tax rebate** according to various certain criteria, which allows you to reduce the tax burden on payroll.
  - ▶ In other countries different **tax instruments** are used for **R&D** measures to stimulate domestic entrepreneurship and development (see table).

# Conclusions

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- ▶ Demand for highly qualified staff is growing in many industries;
- ▶ Mobility is one of the solutions to address global talent shortages;
- ▶ Latvia has highly educated population, but success in retention and attraction of talents might be improved.
- ▶ Other countries implements special tax, immigration regimes and other incentives to attract highly qualified foreign specialists.
- ▶ **Improved immigration process, R&D incentives, tax incentives to reduce labour costs** may positively impact not only attraction of highly qualified staff, but also foreign investments.



An aerial photograph of a port and an airplane. The left side shows a large stack of colorful shipping containers in shades of red, blue, and green. The right side shows a white airplane with two engines flying over a green body of water. A large, semi-transparent question mark is overlaid on the left side of the image.

Thank you!  
Questions?