BUSINESS SERVICES SECTOR IN LATVIA 2024

In Cooperation with
Riga Investment and Tourism Agency (LIVE RIGA)

Report prepared by the Association of Business Service Leaders in Latvia (ABSL Latvia) in cooperation with the Riga Investment and Tourism Agency (LIVE RIGA), Deloitte, Colliers, Figure Baltic Advisory

Interested in cooperating with ABSL Latvia?

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Chapter 1 – **ABSL Latvia** (Business Services Sector in Latvia, 2024)

Chapter 2 – **Deloitte** (When People Thrive, Business Thrives)

Chapter 3 – **Figure Baltic Advisory** (Special Analysis for Global Business Services Sector)

Chapter 4 – **Colliers** (Office Market – Latvia)

Chapter 5 – **Roche Services (Europe) Ltd.** (Interview with Martin Kikstein)

Chapter 6 – **Deloitte** (Maturing Latvian GBSS Underlines Good Investment Potential In The Sector)

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€ 21,424

GDP per capita (2023)

1.883 million

Population as of 1 January 2023

One of the **largest cities in Northern Europe**

Riga

74 thousand students

Were attending 52 higher education institutions 2023

Students

95%

Exhibit proficiency in a minimum of two foreign languages, marking the highest attainment. Additionally, 13% are adept in at least three foreign languages. Furthermore, 44% of respondents acknowledge utilizing a foreign language in their daily routines – be it at work or in personal settings.

Multilingual talent pool

56%

The largest share of women in management in EU

Women in Managerial Roles

Access to the largest talent pool in Baltics **(1.1m in the region)** – multilingual, educated workforce with strong work ethics

Talent Availability

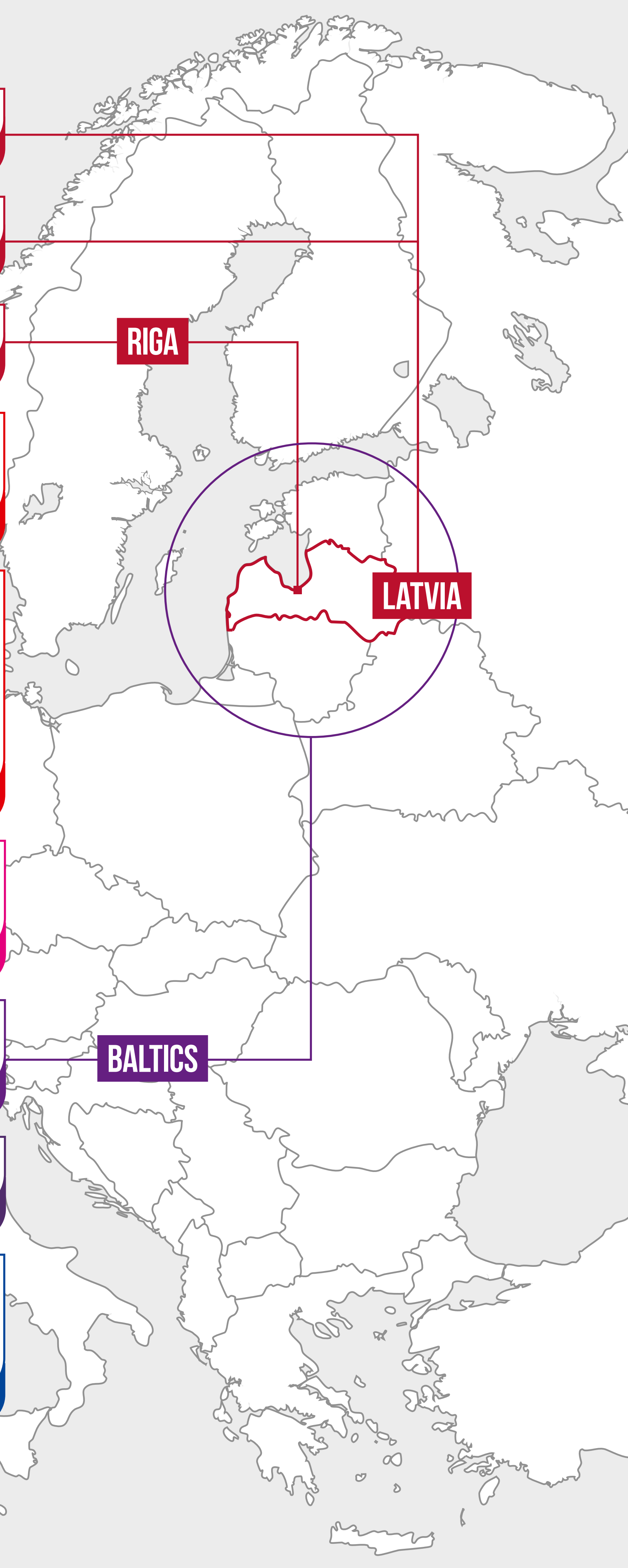
Superior connectivity in the Baltics with **100+ direct flights from Riga**

Excellent Connectivity

4th in the world

Latvia is 4th in the world according to the share of female tertiary graduates (Education at a Glance, 2023)

Talent Availability



FOREWORD

ALESJA KIRCENKO
Deputy Head at SEB Global Services Riga and Chairperson of the Board at ABSL Latvia

On behalf of ABSL Latvia, we are delighted to present the newly released report which offers summarized conclusions about Latvia's Business Services Sector in 2023. This edition marks a significant milestone – five years of tracking industry data and providing valuable and concise information to enable existing market players and potential investors to make more data-based decisions and understand where they stand in terms of growth and development in the realm of the entire industry.

I wish to thank the Riga Investment and Tourism Agency for their invaluable support in releasing the 5th Latvian Business Services Report. Without their consistent support, this milestone would not have been possible. We also express our gratitude to all organizations that participated in the annual survey, enabling us to produce a precise and trustworthy snapshot of our industry's trends and growth trajectories over the last year.

This report contains valuable insights, including the latest updates from Colliers, Deloitte, Figure Baltic Advisory, and an interview with one of our newcomers – Roche Services & Solutions in Riga. We are confident that this comprehensive material will be beneficial for the entire industry and beyond.

Looking at 2023 data, we are proud to register the lowest employee voluntary turnover rate in our industry so far – 16%. Besides, we remain as one of the top employers among young and educated professionals, offering competitive salaries, A-class offices, personal development and growth opportunities, as well as many other benefits. In 2023, the number of employees in Latvia's GBS sector grew by 5%, which directly correlates with the tendencies in other countries. For example, the Czech Republic also experienced a steady growth of 5% in 2023 and expects a 7% growth in industry employment in 2024. Our company managers are even more optimistic, forecasting a 10% increase in the number of employees in 2024.

The positive impact of GBS sector on the local economy is becoming stronger every year, with 279 million euros from the industry paid in employment taxes to the government budget. If there are any lingering doubts, I am sure that this report will convince you that the growth vector of the GBS industry in Latvia remains aimed upwards. Our companies are focussed on broadening their horizons, expanding their range of services and markets, and raising the added value to the next level. For potential investors looking to enter Latvia's GBS sector, the business case is as attractive as ever: availability of a young, motivated and skilled workforce, well developed infrastructure and convenient connections with most European capitals. Latvia's GBS industry has the potential to double and, perhaps, even triple in its size, and our task at ABSL is to help those who are turning this vision into reality.

INTERVIEW WITH DIRECTOR OF RIGA INVESTMENT AND TOURISM AGENCY

FREDIS BIKOVS
Director of Riga Investment and Tourism Agency

RIGA – A PIVOTAL HUB FOR GLOBAL BUSINESS SERVICES EXPANSION

Riga, strategically positioned in the heart of Europe, emerges as a pivotal hub for Global Business Services (GBS) expansion. Boasting a highly educated and multilingual workforce and extensive connectivity facilitated by projects like Rail Baltica and national airline airBaltic, Riga presents unparalleled growth opportunities.

Meanwhile, Riga maintains one of the lowest saturation rates in the region, a key advantage for fostering the growth of the GBS sector. It is not just experiencing a rise; 65% of this sector plans to expand operations. This stability and potential for growth in Riga's GBS sector instill confidence and security in businesses looking to expand.

Riga's infrastructure, connectivity, and sustainable offices make it a preferred destination for GBS expansion. It has a well-developed transport infrastructure in the city center and certified sustainable construction standards in new projects and class-A offices. This is underscored by the recent entry of industry giants like Roche, GoCardless, and Techmahindra, demonstrating their trust in Riga as a strategic business hub.

Apart from serving the Scandinavian markets, GBS centers in Riga cater to various clientele across Europe, the United States, and the Asia-Pacific region. This diverse profile establishes Riga as a gateway to global markets, providing opportunities for businesses to broaden their horizons. Riga's recent acknowledgment as the most dynamically developing city in the Central and Eastern European (CEE) region, awarded at a prestigious event in Warsaw, highlights its increasing influence and prominence on the global platform. This recognition at the CEE Business Service Awards 2024 reflects our city's commitment to nurturing innovation and collaboration, driving businesses to tremendous international success.

Riga offers ample opportunities for companies to thrive and innovate, and a skilled workforce and diverse educational offerings back it. Riga is an inviting destination for businesses seeking to contribute to innovation and sustainability, providing a good infrastructure ecosystem and avenues for collaboration.

We encourage expanding your business horizons. We're here to support and assist you every step of the way. Let's grow together and shape a more sustainable future and innovative environment.

An old saying states that 'Riga will never be ready,' symbolizing our unwavering commitment to constant **improvement and innovation.** This reflects our dedication to ensuring a safer, **more sustainable, and resilient environment** for all who live, visit, or invest in Riga. To support the city's expansion, it is currently experiencing the **highest levels of investment in public infrastructure** in its history.

At the heart of Riga lies **connectivity,** acting as the central point that links the region to the world through water, air, road, and soon, the upcoming Rail Baltica project. With a **vibrant culture and surrounded by nature,** Riga stands as a preferred destination for those seeking a **work-life balance,** contributing to an enhanced **quality of living** and **continuous progress.** Experience a constantly evolving city, **where heritage meets innovation –** 2 to 3 hours away from anywhere in Europe.

RIGA

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Why Invest in Riga?

Unsaturated GBS market

Good quality of life and favourable and progressive business environment

Available and well-educated workforce

Largest and most connected city in the Baltics

Cost competitive GBS market

~15 000 students graduating every year

95% of inhabitants of Latvia speak at least one foreign language

1st among OECD countries on the percentage of women in science, technology and innovation

86% of business services centres' employees hold Bachelor's, Master's or Doctor's degree, the remaining 13% being in their final year

ABSL LATVIA CELEBRATES 5 YEARS – A LOT ACHIEVED, MANY MORE TO COME

This year marks the 5th anniversary of ABSL Latvia since its establishment and the commencement of our journey to support the growth of the Global Business Services industry in Latvia. These past 5 years have been challenging, exciting, and fruitful, bringing forth numerous new partnerships with government institutions and initiatives carried out by the association. While we have navigated the market for 5 years already, we have learned to surf, but now it’s time to have real fun and achieve true milestones. Each year, we take our time to analyse successes and failures, and define new ways to achieve our goals more efficiently and effectively. Every year brings something new and ambitious.

In 2023, we organized the industry volleyball tournament for the first time, which has now become an annual tradition, bringing together employees from the entire industry, uniting us in spirit and energy to play volleyball and simply have a great time together. In 2024, we have an outstandingly ambitious plan to organize the ABSL Latvia Summit for the first time. Even if we struggle to find sponsors, we will still fulfil our goals, even if for the first year, we are forced to hold it under more limited conditions.

Aside from the new initiatives that every year brings, we remain steadfast with our core five responsibility pillars:

COOPERATION WITH UNIVERSITIES

In the academic year 2023/2024, we scheduled over 70 guest lectures in Latvian Universities. Additionally, we launched the first-ever ABSL program called “Introduction to Global Business Services,” successfully incorporating it into one of the bachelor-level study programs at the Transport and Telecommunication Institute. This allows students to receive credit points for passing our course and receiving ABSL-issued certificates proving their knowledge in the industry. Moreover, we have started participating in the largest Career Days at Universities with an ABSL booth, allowing organizations to join our booth if they have decided to skip participating with their own booths.

KNOWLEDGE-EXCHANGE EVENTS

Every month, ABSL Latvia organizes 1-2 physical or online events, allowing industry experts to come together and learn from each other, exchange experiences. ABSL Latvia has created a wonderful platform for the industry to come together, make acquaintances, and even friends within the industry, which is especially important considering the specific knowledge and expertise held exclusively by our industry and which cannot be found elsewhere.

BUILDING AWARENESS OF THE INDUSTRY

ABSL Latvia consistently seeks and takes opportunities to participate in public discussions as experts, raising the voice of the industry, thus enabling a growing number of societies to understand what the industry is all about and what opportunities it brings to new talent in Latvia.

RELEASING ANNUAL BUSINESS SERVICES REPORT

This is the only way we can keep the industry informed about how the industry is growing in Latvia, what challenges are being faced, etc. It helps organizations understand where they stand compared to the entire industry, where they are lagging behind, and where they are steps ahead, facilitating easy understanding of areas that need improvement.

LOBBYING

ABSL Latvia is a strong lobbying partner, maintaining strong ties with ministries and, if necessary, communicating inefficiencies or potential improvements that should be made to decision-makers in the government.

These five activity pillars have been set since the beginning of our journey, and throughout these five years, we have done wonderful work to improve all aspects of our activities within each pillar. We will remain strong in the upcoming years, ready to seize every opportunity that comes our way and view challenges only as opportunities.

Thank you for your trust, and let's continue this wonderful journey together! Undoubtedly, it will be promising, dynamic, and full of new adventures. We will do our best to ensure it stays that way.

ABSL Latvia Members and Strategic Partners:

accenture allnex ATEA CABOT CIRCLE K BUSINESS CENTRE CMA CGM

cognizant Colliers Deloitte. DNB <epam> if...

intrum msc NORIT ACTIVATED CARBON Roche SEB tietoevry

BUSINESS SERVICES INDUSTRY IN A NUTSHELL

54	Number of Business Service Centers Based in Latvia
19,030	Jobs (Jan, 2024)
5%	Average growth in people employed by the sector in 2023 (7% in 2022)
IT **CUSTOMER OPERATIONS** **FINANCE & ACCOUNTING**	Most popular business support functions in 2023
61%	Planning to expand operations in 2024
52%	Providing their services globally; the remaining part serves specific regions or countries
340	Average number of employees per company in 2022, 212 FTEs if we take out extremes
8%	Of Employees are expats working in industry
91%	Business Service Centers are operating in Latvia already more than 7 years
	TOP 3 countries of origin of foreign individuals employed by the industry in 2023
64%	Organizations plan to recruit talent from any part of Latvia without requiring relocation to Riga (in the next 12 months)
58%	Operations carried out in Latvian GBS centers are knowledge-intensive work (the rest is considered to be more like transactional activities)
	The most common foreign language used by Latvian GBS centers to serve customers
67%	Of all Robotic Process Automation (RPA) capabilities developed by industry organizations are performed in-house
16%	The average employee voluntary turnover rate reported by the industry in 2023 (18% in 2022)

SECTOR CONTRIBUTION TO ECONOMIC GROWTH OF LATVIA IN 2023

1,537 EURO

Average Salary in Latvia (2023) before taxes

2,400 EURO

Average Salary in GBS Sector in 2023 before taxes

279 MILLION EURO

Total payments made by the industry to the state budget through taxes and social contributions in 2023

The largest tenants of A-class, modern office space in Riga

Industry long-term growth has positively affected the development of A-class offices in Riga

Well-paid individuals working in the industry are more likely to buy apartments in new residential buildings rather than living in post-Soviet Union heritage buildings

The industry indirectly fosters the renewal of new and modern residential building stock in Riga

REPORT CONCEPT AND METHODOLOGY

This year, 23 industry organizations out of 54 operating in the industry participated in the survey carried out in January 2024. The survey primarily reviewed all data, achievements, and main challenges faced by the industry in 2023, while also proposing some predictions for 2024. The 23 companies participating in the survey this year employ 6,667 individuals, which amounts to 35% of the whole industry. ABSL Latvia strives every year to increase the number of responding organizations, and we are thankful to every single industry player who devotes time and energy to participate in the survey, thereby making all the results and outcomes more reliable and trustworthy. Six out of the 23 organizations participating in the survey this year are pure IT shared service centers or IT outsourcing organizations. A growing number of our industry representatives are pure IT centers providing IT-related services to their group companies or unrelated entities worldwide. The IT presence in the industry is becoming more dominant.

Although the definition and actual meaning of the Global Business Services (GBS) industry may slightly differ in each country, we count into the industry organizations that meet the following three criteria:

» Global Organization (its affiliates, subsidiaries) are located in at least 2 countries

» Foreign capital (the industry is primarily about foreign investments)

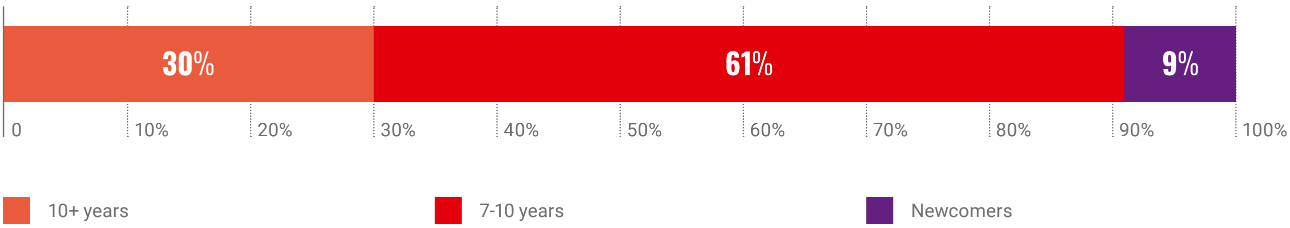
» Business / IT services are mainly exported (either to group companies or to external clients in other countries).

The organizations can be identified as captives (providing services only to group companies, more operating as cost centers) or external service providers, operating as a center providing services to external clients worldwide or to several regions from Latvia, and thus also serving as profit centers or hubs directly generating the profit of the organization. In much rarer cases, there are also hybrid models (internal unit and external service providers at the same time).

1 OVERVIEW OF THE BUSINESS SERVICES SECTOR IN LATVIA

FIGURE 1.1

LENGTH OF TIME THAT BUSINESS SERVICES CENTRES[1] HAVE HAD THEIR OPERATIONS IN LATVIA



The bar chart presented above elucidates the maturity, measured in years of operation, of organizations that participated in the research. It is noteworthy that a significant majority of BPO, SSC/GBS, and ITO centers based in Latvia have been in operation for more than 7 years, constituting 91%, with 30% of that figure having surpassed the 10-year mark. This implies a profound understanding of the market, with many companies having successfully transitioned from SSC to GBS Centers becoming an exclusive strategic partner to the Global Organization. Such a high proportion of mature organizations participating in the research this year enhances the value of this report, underscoring that respondents engaged in the survey are recognized as seasoned players, having garnered invaluable experiences throughout many years on their journey.

Examining recent years, 2020 stands out as a period during which a noteworthy number of industry organizations entered the Latvian market. Historically, 2014-2015 also emerges as an active period, marked by the influx of new entrants.

[1] The data presented herein encompasses exclusively those organizations that actively participated in this survey, accounting for 23 out of 54 entities, thereby representing 43% of the entire industry.

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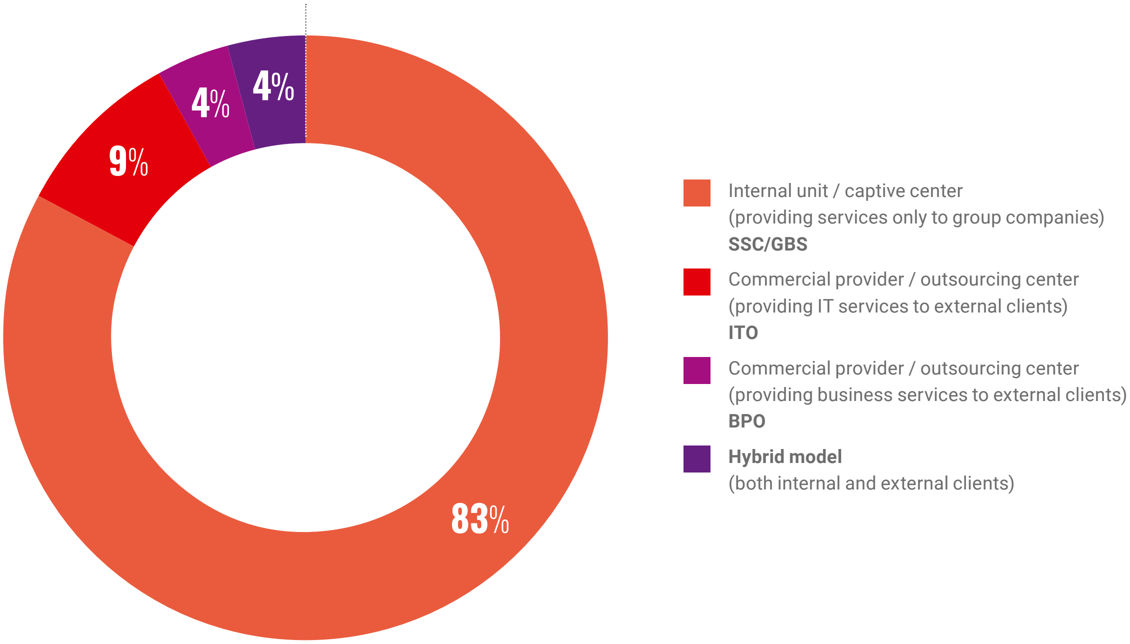
FIGURE 1.2

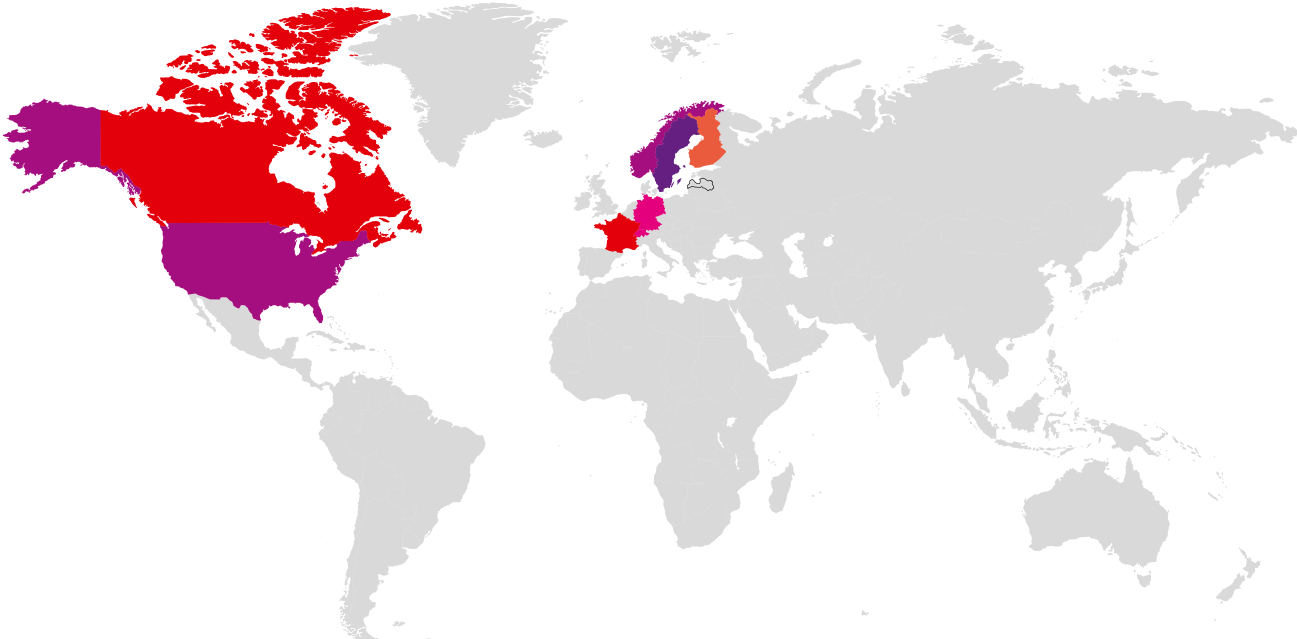
OPERATING MODELS OF INDUSTRY ORGANIZATIONS PARTICIPATING IN THE SURVEY



Most of the organizations participating in the survey are captives, providing either one or several business support services to their group companies. While many respondents defined themselves as IT companies, in this report, we categorize such organizations into the SSC definition due to the nature of operations when IT services are being provided only to group companies. If we were to examine the whole sector in Latvia, the situation would be quite similar, with a slightly higher proportion of organizations dedicated to ITOs.

FIGURE 1.3

COUNTRIES OF ORIGIN OF BUSINESS SERVICES CENTERS BASED IN LATVIA, 2023[2]



18% Sweden	17% USA	17% Norway	13% Switzerland
13% Germany	9% France	9% Canada	4% Finland

Latvia, particularly Riga, has quite frequently been chosen as a location for business by global organizations headquartered in the Nordics. Investors highly appreciate the geographical proximity, similar time zones, frequent and quick flights to Riga, availability of individuals with Scandinavian language skills, as well as similarities in cultural characteristics that facilitate cooperation and mutual understanding.

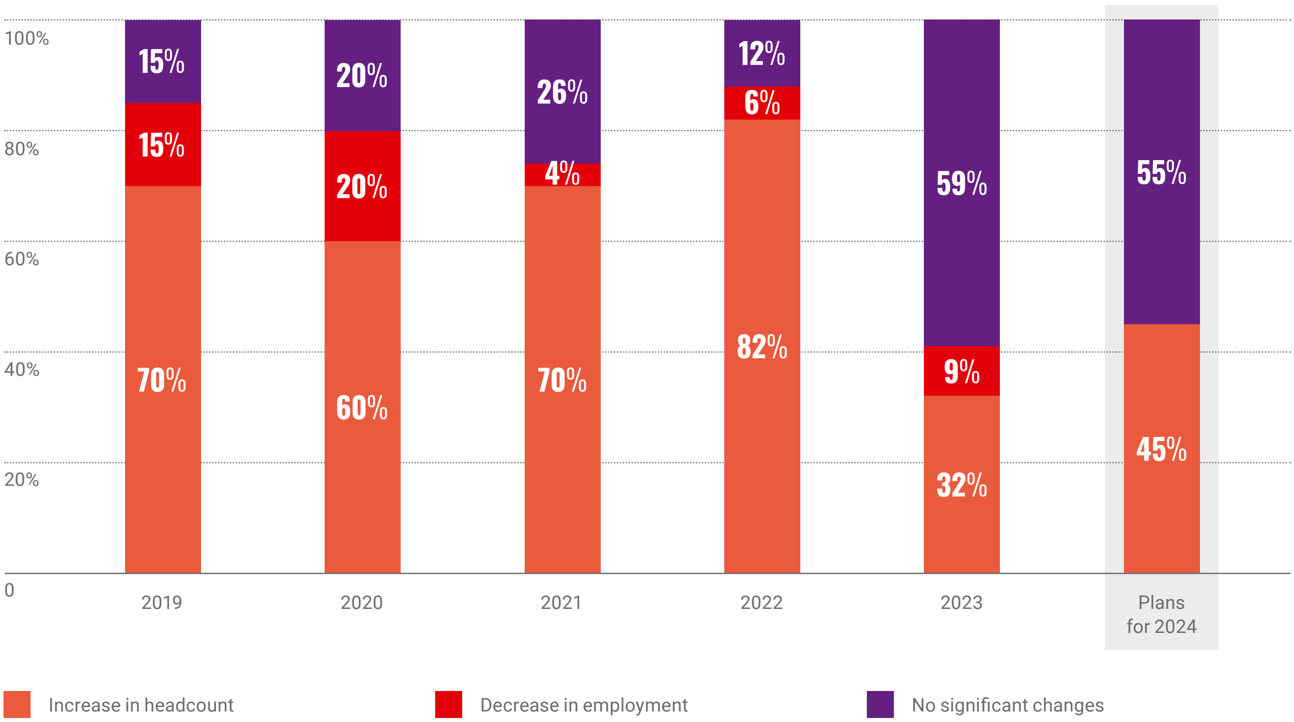
According to survey respondents, 39% of all organizations originate from the Nordics. Within Latvian society and the labor market, there is a high interest in such companies as potential employers, as the organizational culture they offer typically aligns with the values that people cherish in their workplaces. Nevertheless, recently, there has been a slight increase in the number of organizations entering from Switzerland and the USA.

If we were to examine the industry from a broader perspective, not only looking at respondents participating in the research, the overall picture would remain consistent, with a slight increase in percentage points for Sweden and the USA.

[2] The data presented herein encompasses exclusively those organizations that actively participated in this survey, accounting for 23 out of 54 entities, thereby representing 43% of the entire industry.

FIGURE 1.4

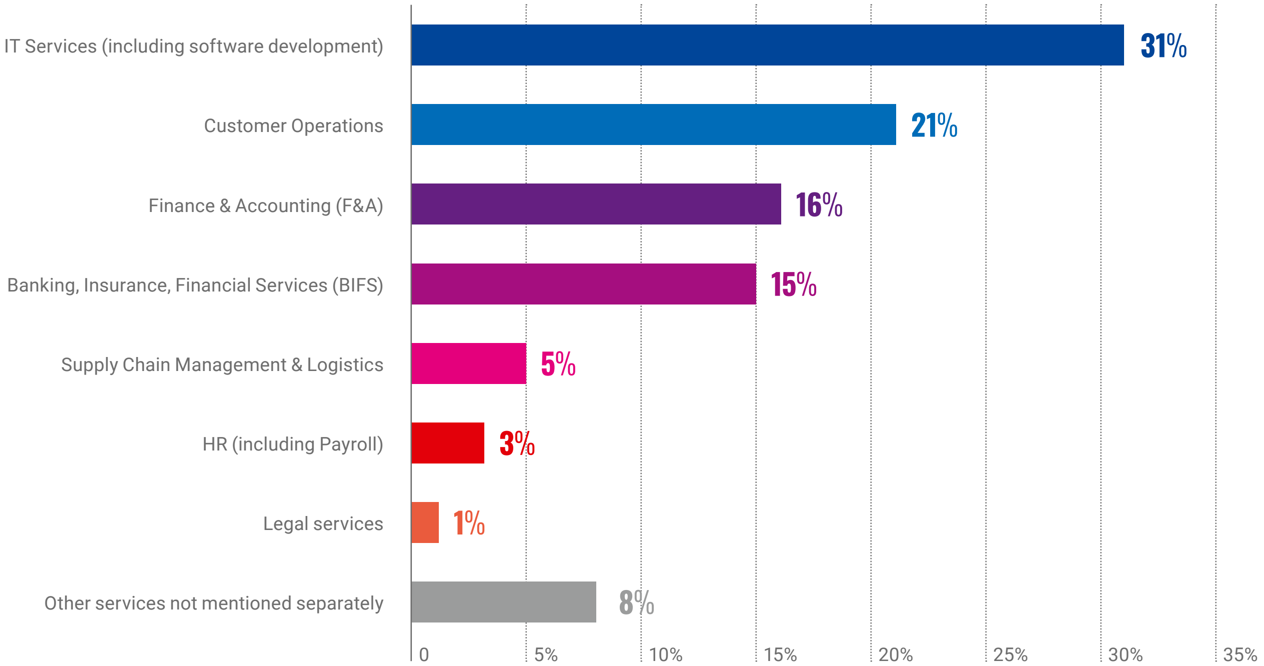
HEADCOUNT CHANGE DYNAMICS FROM 2019 TO 2024



Although the expectations set by the respondents regarding plans to increase headcount at the beginning of 2023 were high, with 65% anticipating an increase in headcount, the actual situation reveals that fewer than half of that percentage actually managed to achieve the desired growth. Nevertheless, a positive aspect emerges, as those respondent organizations that increased their headcount experienced noticeable growth – an average of 9% in 2023. This mirrors the typical and desirable level of annual industry headcount growth not only in Latvia but also in other popular Global Business Services (GBS) locations across Europe. However, realistically, looking at the actual headcount growth across all Latvian Global Business Services sector, including all 54 organizations, the actual employment increase percentage barely reaches 5%.

Looking ahead to employment growth projections for 2024, the industry appears to be exercising greater caution in predicting substantial increases in headcount compared to a year ago. This year, only 45% of respondent organizations anticipate employment increase in 2024, averaging around 10%.

FIGURE 1.5
EMPLOYMENT STRUCTURE BY BUSINESS FUNCTIONS IN 2023[3]

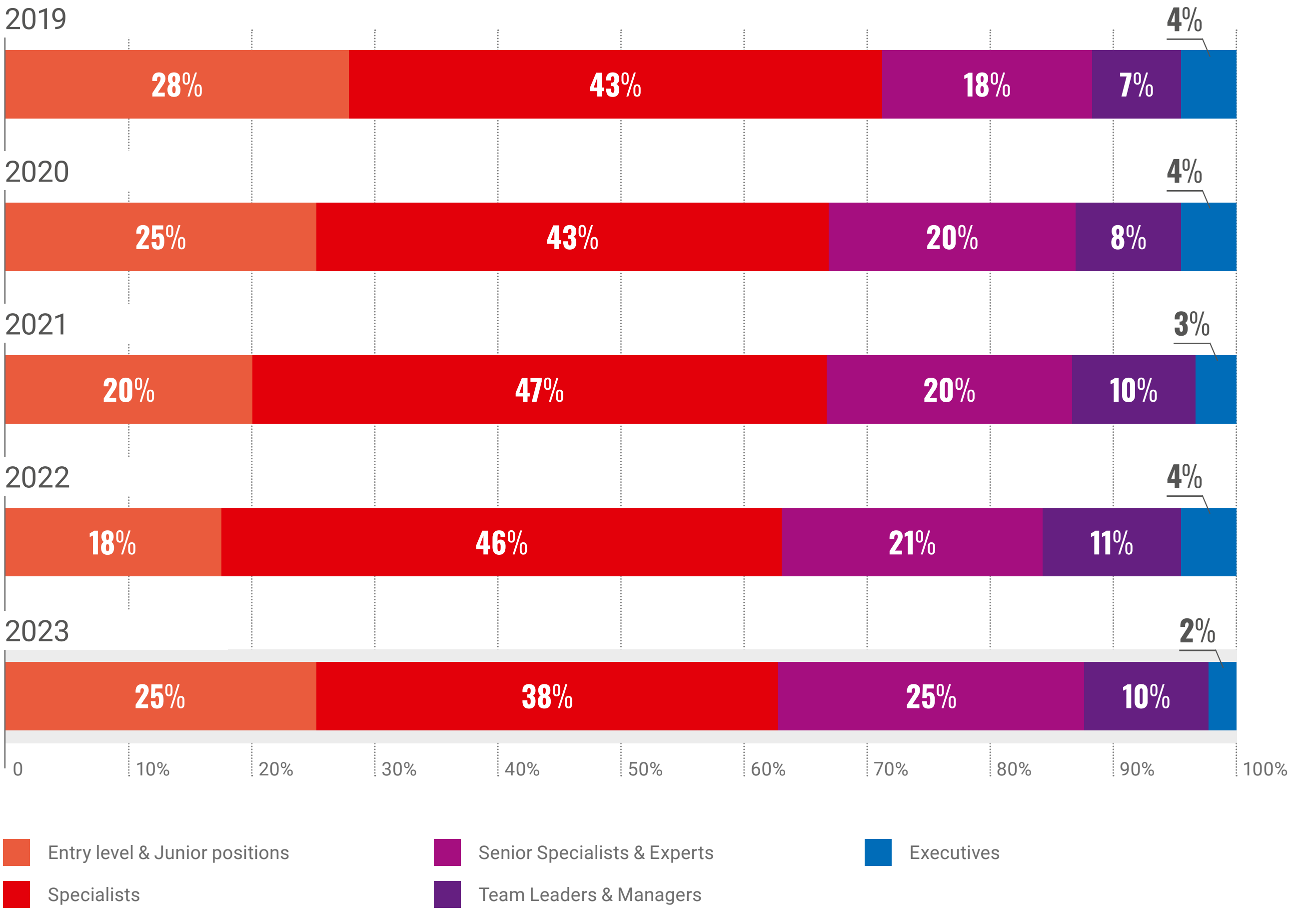


According to data collected from respondent organizations, the majority of industry professionals are employed in IT services. In Latvia, there is a list of organizations operating as pure IT shared service centers, and some of the largest industry players function as IT outsourcing (ITO) companies on a global scale. If we were to add large organizations and a list of small ones operating in the IT industry and based on the nature of their operations being associated with the Business Service sector but not included in those surveyed, the actual share of employment in IT services within the industry would be close to 50%, indicating a strong dominance of IT operations in the business services industry in Latvia.

Customer operations represent another significant share of the top three business functions carried out by the industry. In Latvia, almost every multifunctional SSC/GBS center includes customer operations in their service offerings. Furthermore, several comparably large call centers that did not participate in this survey, potentially would elevate the representation of employment in customer service operations to 25%. Finance & Accounting, and Banking, Insurance, and Financial Services theoretically could be grouped together, constituting 31% of the industry's employment. However, by splitting them into two separate groups, we chose to highlight the substantial employment in banking and insurance-related business centers. Other business support services, like HR, Procurement, Logistics, Legal, etc., are lightly represented in the industry, suggesting that shared service centers may sustain these functions or have separate departments devoted to performing those functions, but in any case, such functions will be represented to a significantly lower extent. For instance, an organization might maintain a relatively small legal services or HR department, with a team of 10-15 employees or even less, whereas Finance departments may have hundreds of employees.

[3] The data presented herein encompasses exclusively those organizations that actively participated in this survey, accounting for 23 out of 54 entities, thereby representing 43% of the entire industry.

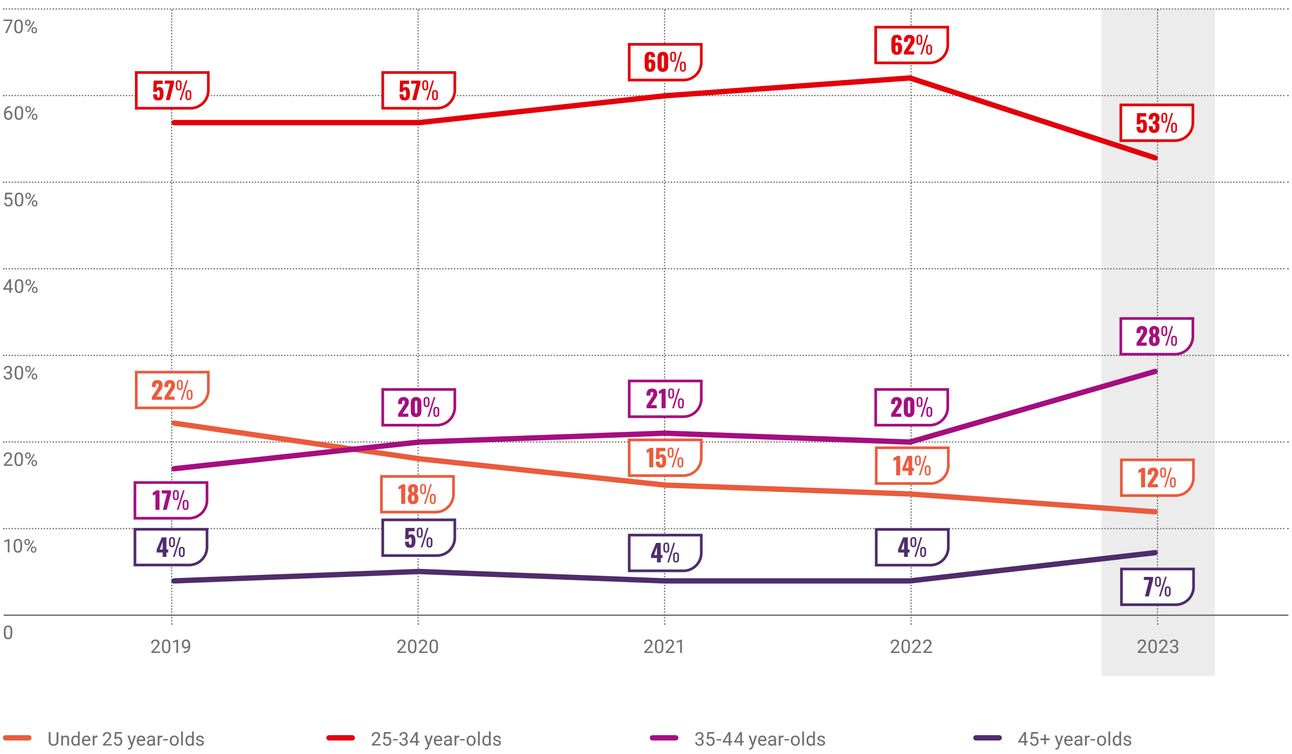
FIGURE 1.6
EMPLOYMENT STRUCTURE BY SENIORITY FROM 2019-2023



The only consistent factor throughout the five years of conducting the survey is that the highest number of employees are at the proficiency level of specialists, while executives and team leaders/managers represent the category requiring the fewest personnel, aligning with normal expectations of how it should be. An interesting trend observed in 2023 is that, despite the gradual decrease in the proportion of juniors over the last four years, with the expectation for this decline to continue, in 2023, it has suddenly jumped up to 25%, marking an impressive 7-percentage point increase compared to the previous year.

Another intriguing aspect of the charts reveals that the surge in junior positions might be attributed to a substantial fall in the percentage of specialists, which had consistently fluctuated around 45% since 2019 but suddenly dropped to 38% in 2023. This drop is accompanied by a moderate increase in the proportion of Senior Specialists & Experts. In summary, 2023 witnessed a substantial decline in industry-employed specialists, coupled with a notable increase in juniors and a moderate rise in seniors and experts.

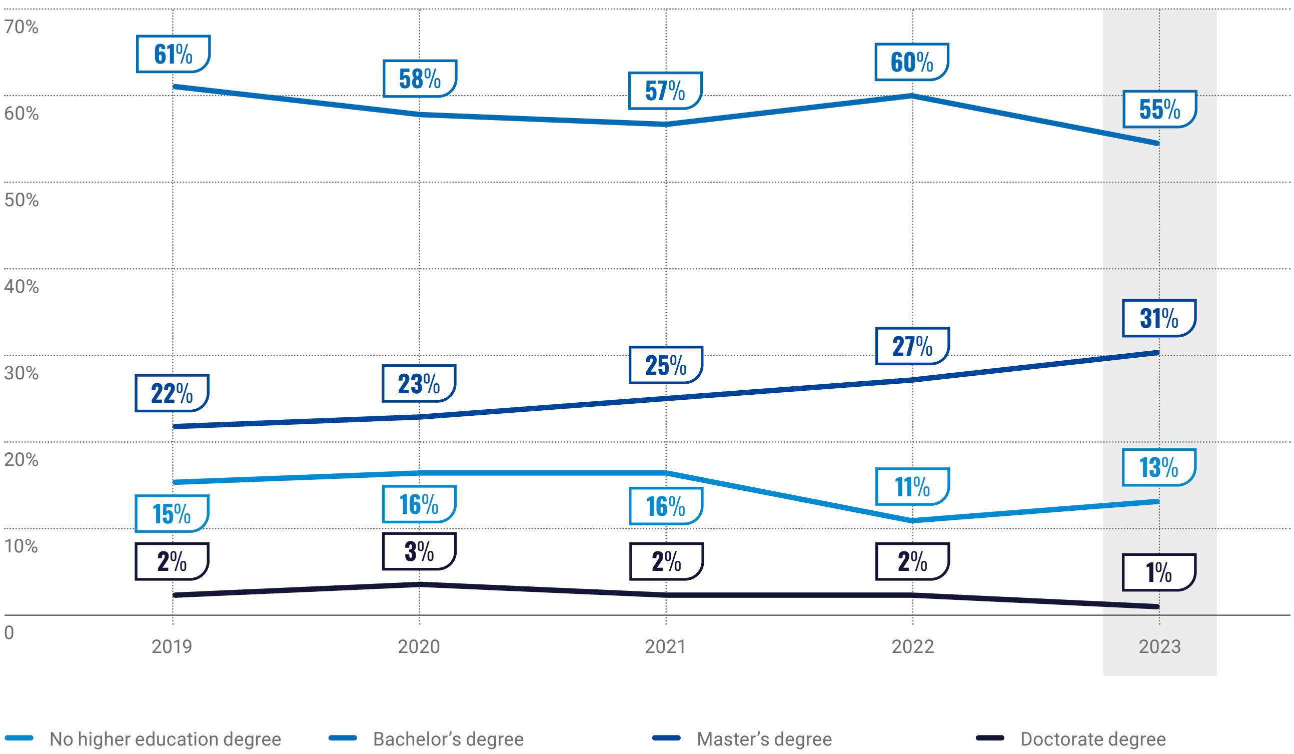
FIGURE 1.7
EMPLOYMENT STRUCTURE BY AGE GROUPS



The Global Business Services industry has consistently been dominated by individuals aged 25-34, many of whom are university graduates who have progressed from entry-level to middle and senior positions in their careers. However, in 2023, the proportion of this particular age group dropped significantly to 53%, marking a notable decline of 9 percentage points. This change appears to be correlated with a simultaneous increase of 8% in the 35-44 age group. Undoubtedly, individuals who chose the GBS industry as their career path many years ago are aging, yet they remain within the industry, having become accustomed to the benefits and career growth opportunities the industry provides to its employees.

Moreover, analysing the employment structure by age groups together with employment structure by seniority levels, the only conclusion is that apparently the industry has been heard, and people from other industries have made decisions to join the GBS sector even if they are above 35 years old and might be willing to join in junior positions, knowing that the industry offers career growth opportunities. This is one of the ways how we can explain the increase in junior positions and the significant increase in 35–44-year-olds working in the industry. Another explanation could be that specialists (usually aged from 25-34) are simply getting older and more experienced, thus jumping to the 35+ years old group and senior specialists' group.

FIGURE 1.8
EMPLOYMENT STRUCTURE BY LEVEL OF EDUCATION (2019-2023)

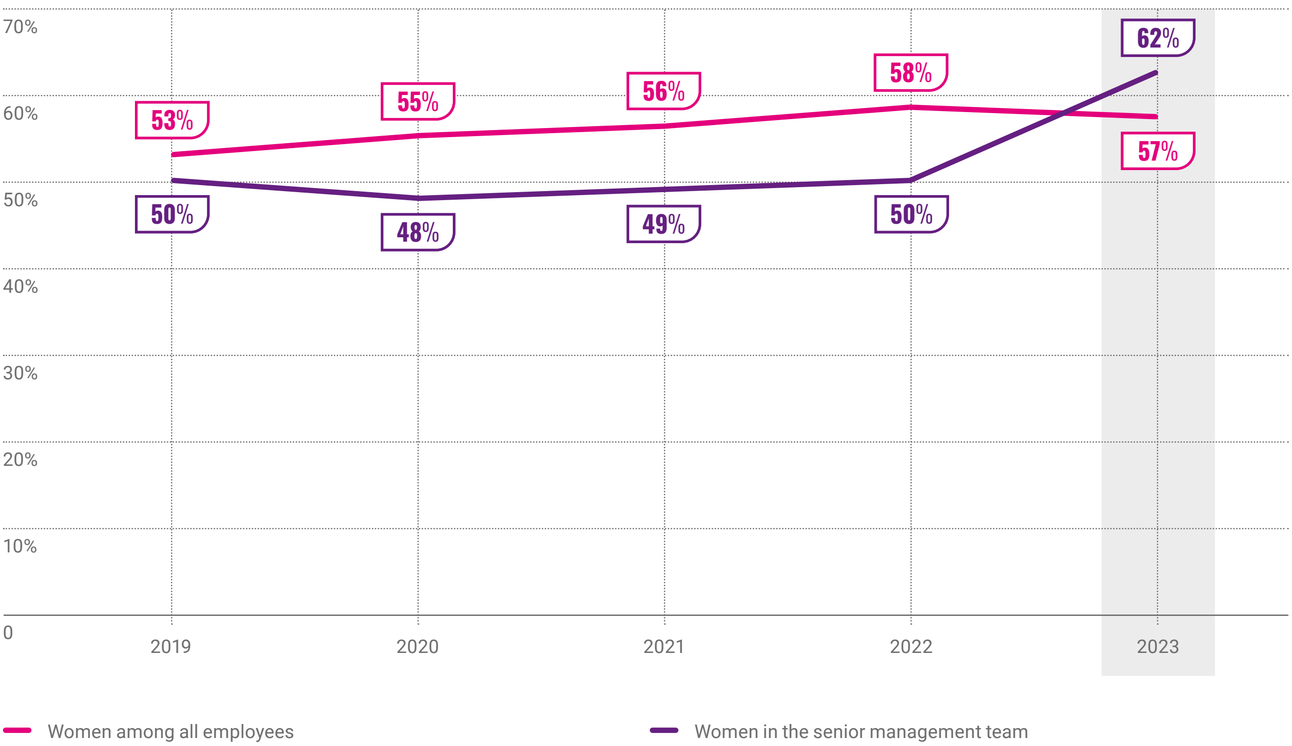


The line graph illustrates that in 2023, the industry faced a 5% drop in the proportion of people employed with bachelor's degrees, while experiencing a slight increase in those holding master's degrees. This might indicate that, in many cases, individuals have successfully continued their professional development path by acquiring a master's degree while maintaining their job relations. This trend reflects a common tendency in the Global Business Services industry, where a reasonable work-life balance is provided, enabling individuals to find time to pursue a master's degree while holding a full-time job.

Additionally, many organizations support flexible work arrangements, allowing employees to fulfill their job duties whenever they have time, as long as main deadlines and milestones are met.

Generally, the line graph shows a similar tendency to previous charts, indicating that the industry is facing a slight drop in the specialist group, most likely aged 25-34 and holding bachelor's degrees, while the senior specialists/experts group, most likely holding master's degrees and aged 35+, is slightly growing. Besides, there is also an increase in the junior group, in many cases having no educational degree yet and being on their way to obtaining one.

FIGURE 1.9
EMPLOYMENT STRUCTURE BY GENDER



The trend that we have observed throughout the last five years, conducting the survey, is that when it comes to GBS centers, there is a slightly higher proportion of women employed. However, since most respondents are multifunctional business service centers, the gender balance with women being more represented is obvious, as women are more inclined to work in finance, customer service, and HR. If we were to examine only IT Shared Service Centers or ITO organizations, the overall picture would be different, showing a significantly higher number of males working in the IT field. Even when taking the same survey and filtering out multifunctional business centers, leaving only pure IT service providers, we arrive at 38% of women among the total employees, which is significantly less compared to the average of 57% when including all GBS centers.

In general, the data should be observed considering the survey participants every year. This may slightly alter the results and could explain the significant increase in women in the senior management team (from 50% in 2022 to 62% in 2023). Regardless of how we interpret the data, one thing is for sure: there are quite many inspiring women managing GBS/IT centers in Latvia, even more than male representatives.

The high presence of women in managerial roles in the GBS industry in Latvia is directly correlated to the overall situation in the country. According to the Official Statistics Portal of Latvia, in 2022, females accounted for 56.1% of the employees occupying managerial positions.[4]

[4] Official Statistics of Latvia, https://stat.gov.lv/en/statistics-themes/indicators-well-being-and-equality/gender-equality/6300-gender-equality?themeCode=GE (11.04.2024)

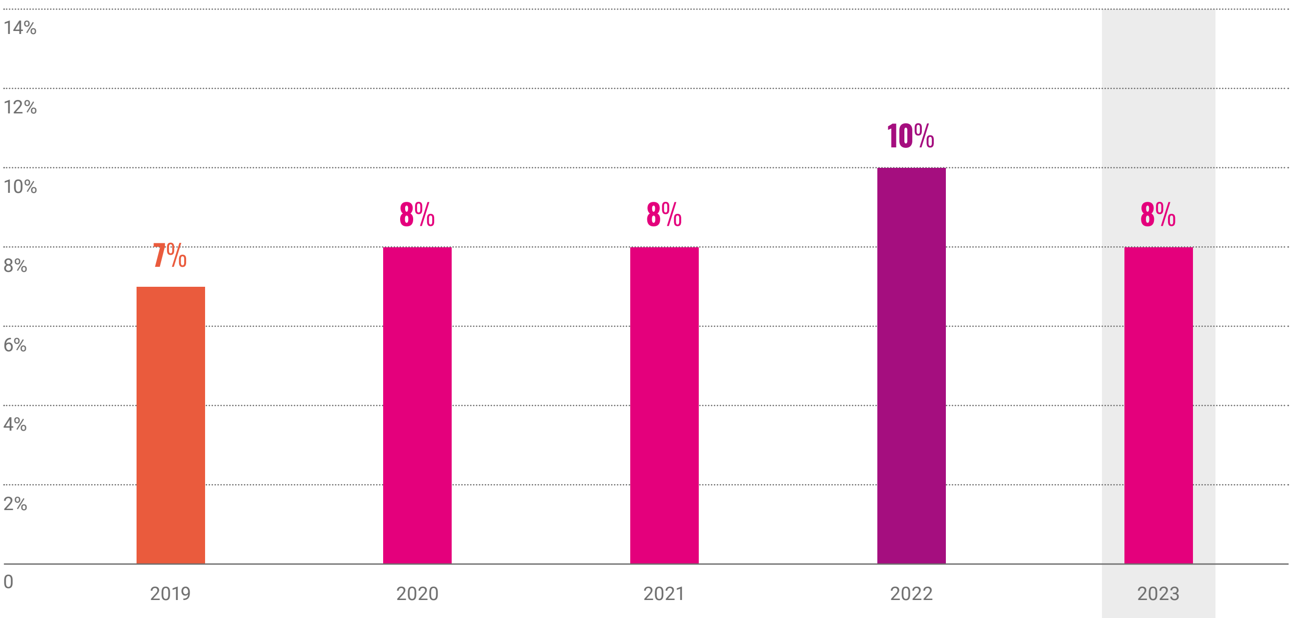
FIGURE 1.10

EMPLOYMENT STRUCTURE BY LEGAL FORM OF EMPLOYMENT IN 2023

Years ago, it was quite a trend, especially among IT companies, to have so-called 'external employees' – individuals working for the company based on B2B contracts. According to our survey, which includes 26% of respondents from pure IT service providers, we found that none of them have external employees.

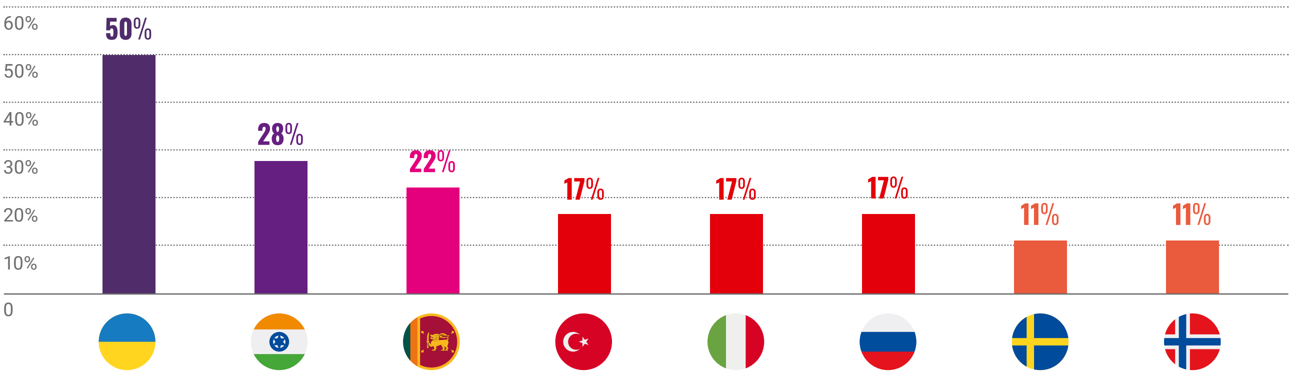
FIGURE 1.11

FOREIGN EMPLOYEES WORKING FOR INDUSTRY ORGANIZATIONS (2019-2023)



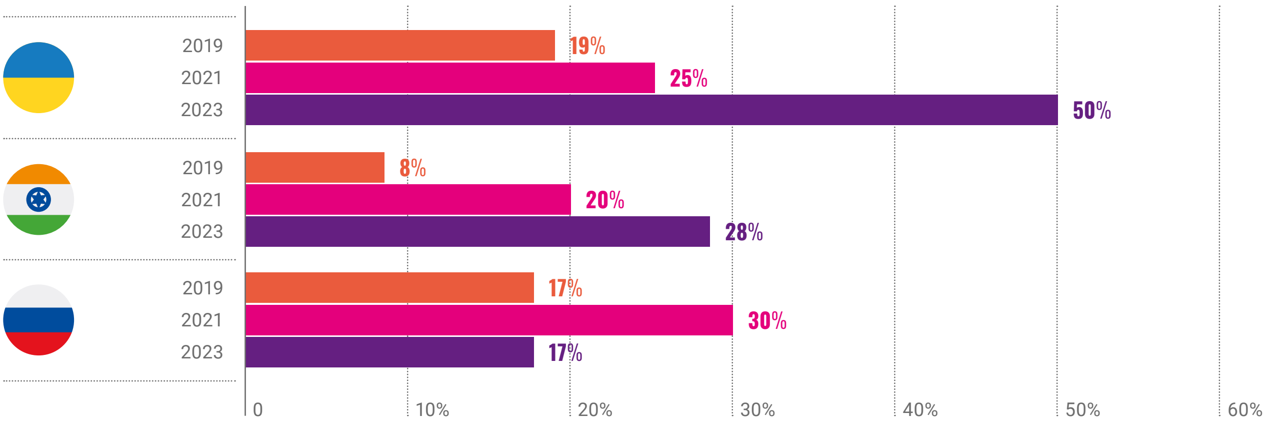
The average percentage of foreigners employed by industry organizations fluctuates slightly from year to year but generally stays close to 8%. Few organizations still hire foreign students with Scandinavian language skills, as Riga is a popular destination for medical students from the Nordics. In addition, a quite substantial part of IT service providers continues to actively seek talent beyond the country borders, offering support in relocation, covering accommodation costs during the first months, or providing other benefits to make them feel truly welcome. The highest presence of foreign employees can be observed especially in companies with IT in their service offerings.

FIGURE 1.12
COUNTRIES OF ORIGIN OF FOREIGNERS EMPLOYED BY THE INDUSTRY IN 2023



In 2023, the industry identified new recruitment locations not previously prominent. Sri Lanka, an exotic and distant option for employee relocation, proved itself to provide successful recruitment opportunities for a list of industry organizations in Latvia. Italy and Turkey also emerged, showing significant percentages compared to previous years when they were absent or mentioned only once.

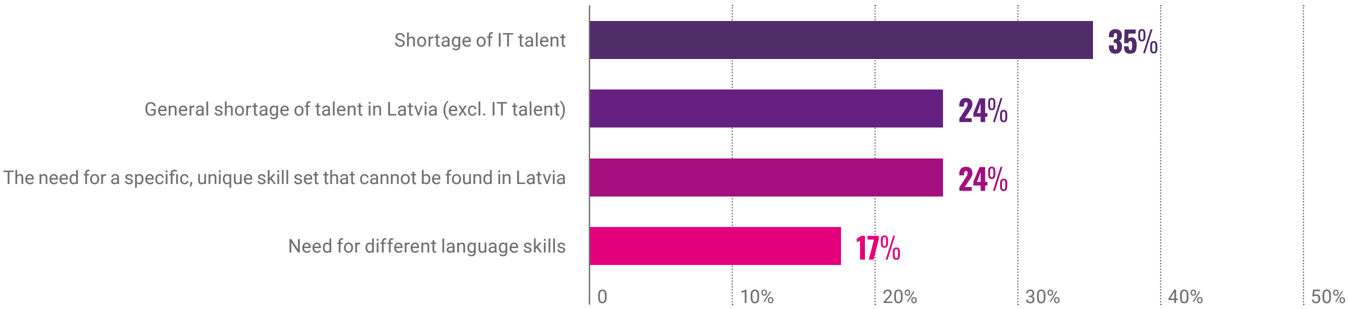
FIGURE 1.13
TOP COUNTRIES OF ORIGIN OF FOREIGNERS EMPLOYED BY THE INDUSTRY: COMPARISON FROM 2019 TO 2023



The bar chart above illustrates the top three countries from which the Latvian GBS industry recruits its employees already for many years. Primarily, these are IT service providers seeking talent globally. There is a noticeable increase in employing Ukrainians, attributed to the geopolitical situation with Russia's invasion in Ukraine in 2022, leading to millions seeking new lives abroad. India remains a strong source for recruitment. Unsurprisingly, Russia's share dropped from 30% before the invasion in Ukraine to 17% in 2023, which mainly represents Russians who joined the industry years ago since, according to the latest changes in legislation, it is forbidden to recruit professionals from Russia nowadays. Most likely, the percentage of Russians as foreign employees working for the Latvian GBS industry will naturally decrease to a minimum quite rapidly in the upcoming years.

FIGURE 1.14

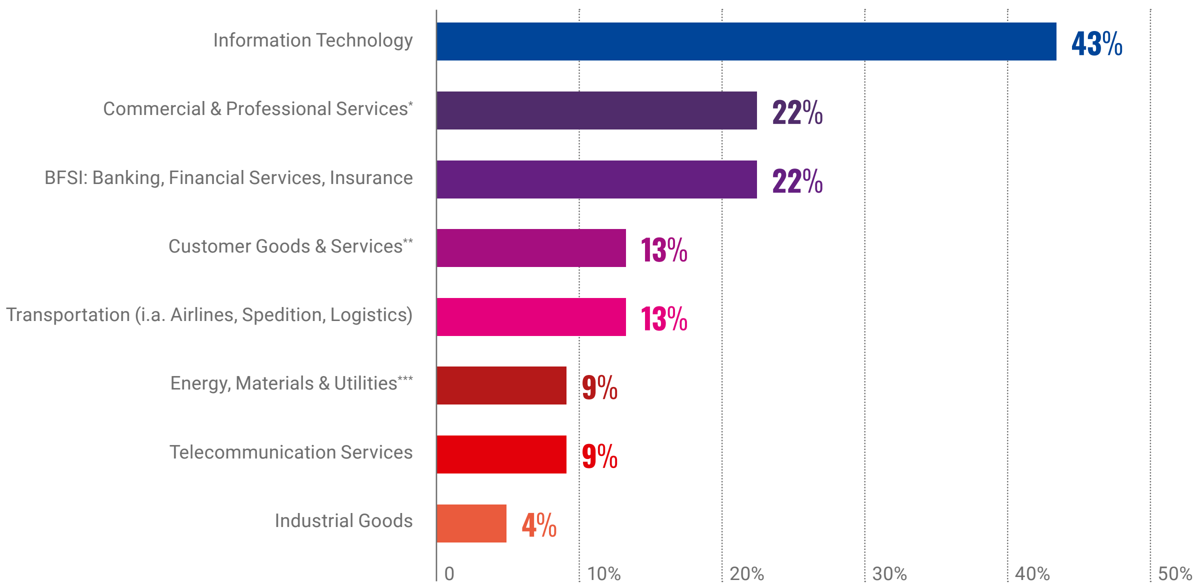
MAIN FACTORS MOTIVATING ORGANIZATIONS TO ATTRACT EMPLOYEES FROM OTHER COUNTRIES IN 2023



Thirty-five percent of respondents seek IT talent beyond Latvian borders due to need to fill in IT positions in short time period, in some cases to bring in unique expertise or just to hand over specific knowledge to local teams working in Latvia on permanent basis. Consequently, IT experts are often recruited from locations such as India, Ukraine, Sri Lanka, etc. With a list of organizations operating in Latvia for over 10 years, evolving from SSCs to GBS and Excellence Centers, the expertise and skills such companies require might become quite unique and challenging to find locally. This observation is supported by survey data, with 24% of respondents stating the need for specific, unique skill sets that cannot be found in Latvia. Most probably, those respondents are not only referring to IT skills.

FIGURE 1.15

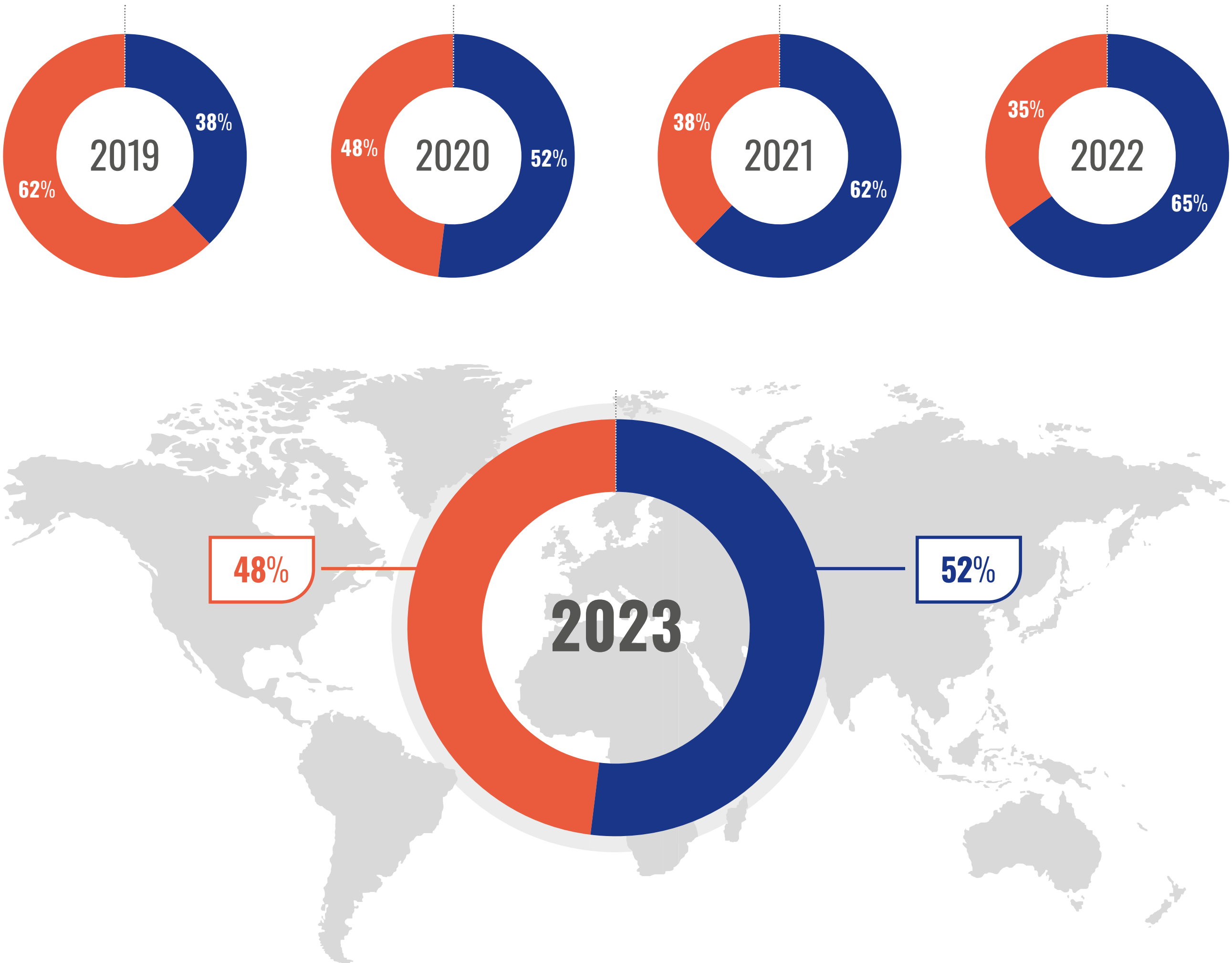
BUSINESS SECTORS THAT THE INDUSTRY SERVICE FROM LATVIA (INTERNAL/EXTERNAL CLIENTS) 2023



* i.a. Business Support Services, HR Services, Legal Services, Research & Consulting Services
** i.a. Automation & Auto Parts, Food & Beverages, Media, Retailing, Leisure
*** i.a. Oil & Gas, Chemicals, Paper & Forest Products, Metals & Mining

FIGURE 1.16

GEOGRAPHICAL PROFILE OF THE ACTIVITY OF BUSINESS SERVICES CENTRES BASED IN LATVIA (2019-2023)



Specific countries or regions supported

Global reach supported

FIGURE 1.17
GEOGRAPHICAL PROFILE OF THE ACTIVITY OF BUSINESS SERVICES CENTRES BASED IN LATVIA (2023)

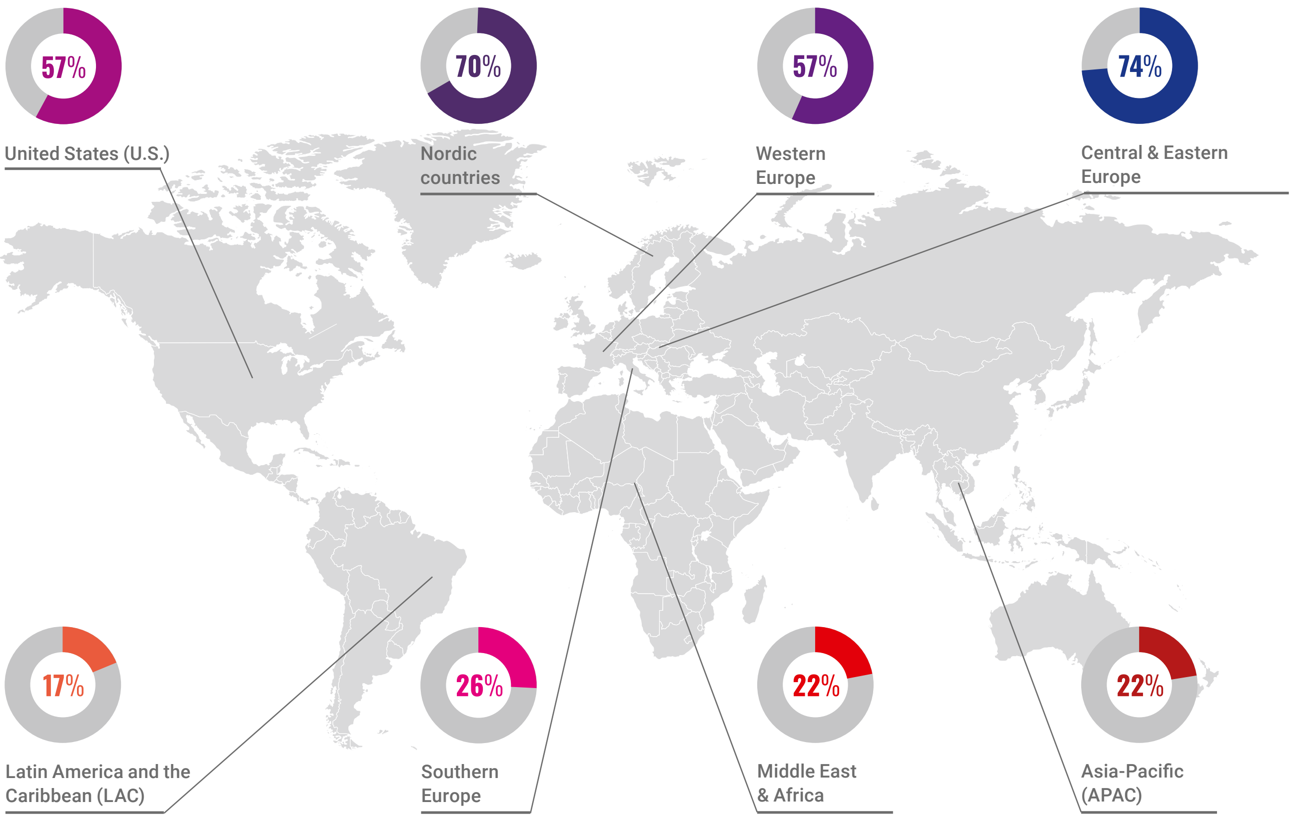
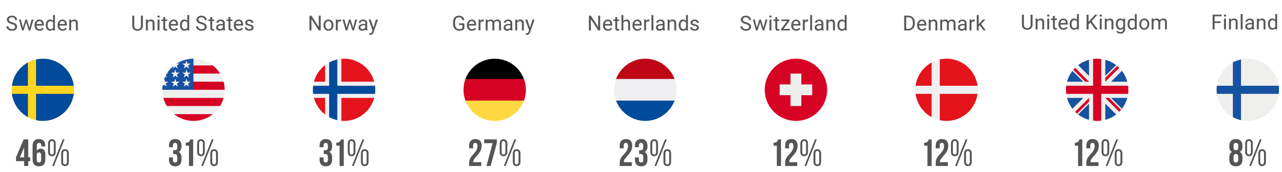


FIGURE 1.18
THE MOST POPULAR COUNTRIES SERVICED BY LATVIAN GBS INDUSTRY (2023)



In 2023, the Latvian Global Business Services/IT industry experienced an increase in opportunities to serve clients in Sweden, the United States, and the Netherlands. Surprisingly, last year none of the respondent organizations reported the Netherlands as one of the top countries serviced from Latvia, while this year it ranks among the top 5 countries. However, we also observed a significant decline in servicing countries such as Denmark and Finland.

FIGURE 1.19 (1)
PROFESSIONAL BUSINESS SERVICES PROVIDED BY INDUSTRY IN 2023 (PART 1)

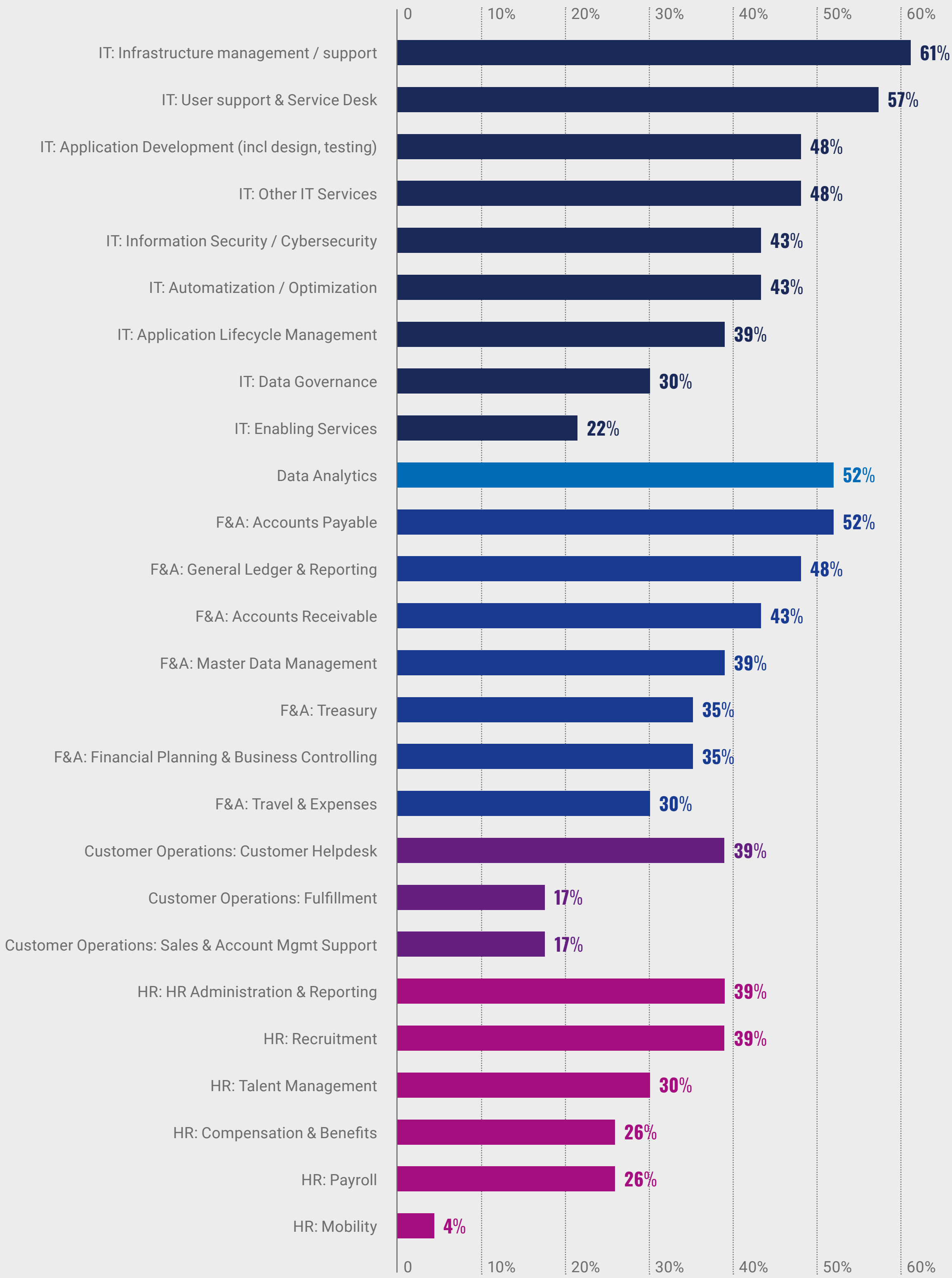


FIGURE 1.19 (2)
PROFESSIONAL BUSINESS SERVICES PROVIDED BY INDUSTRY IN 2023 (PART 2)

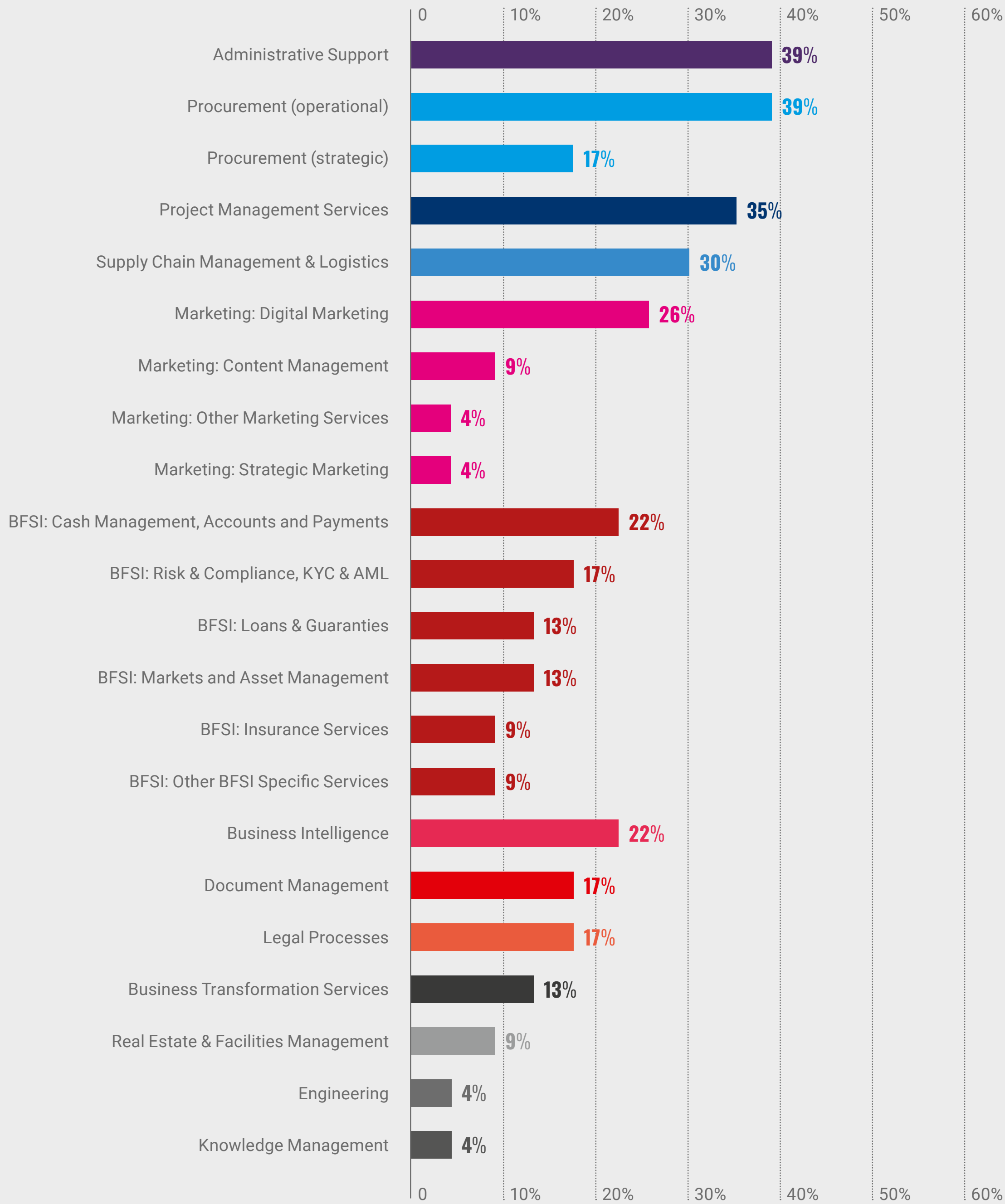
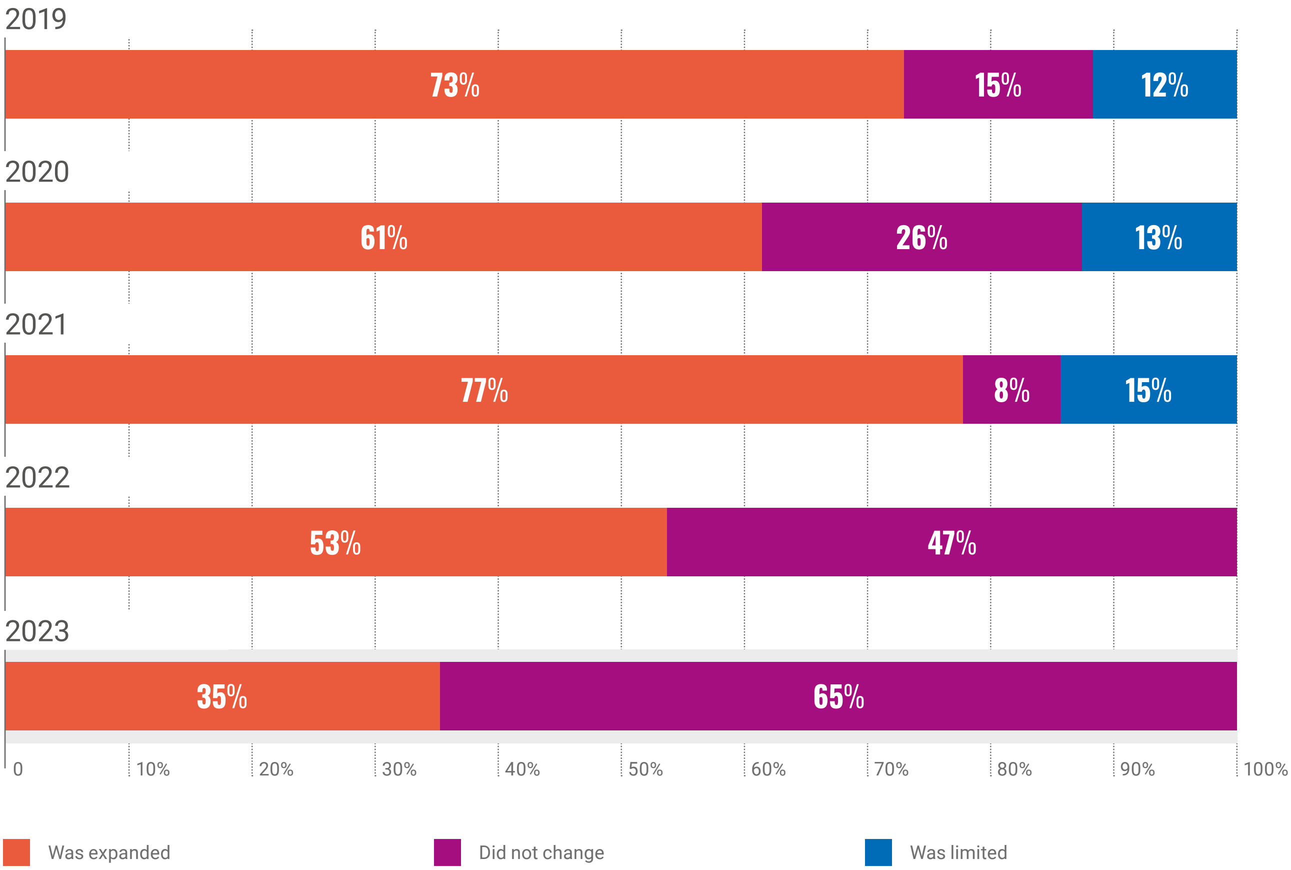
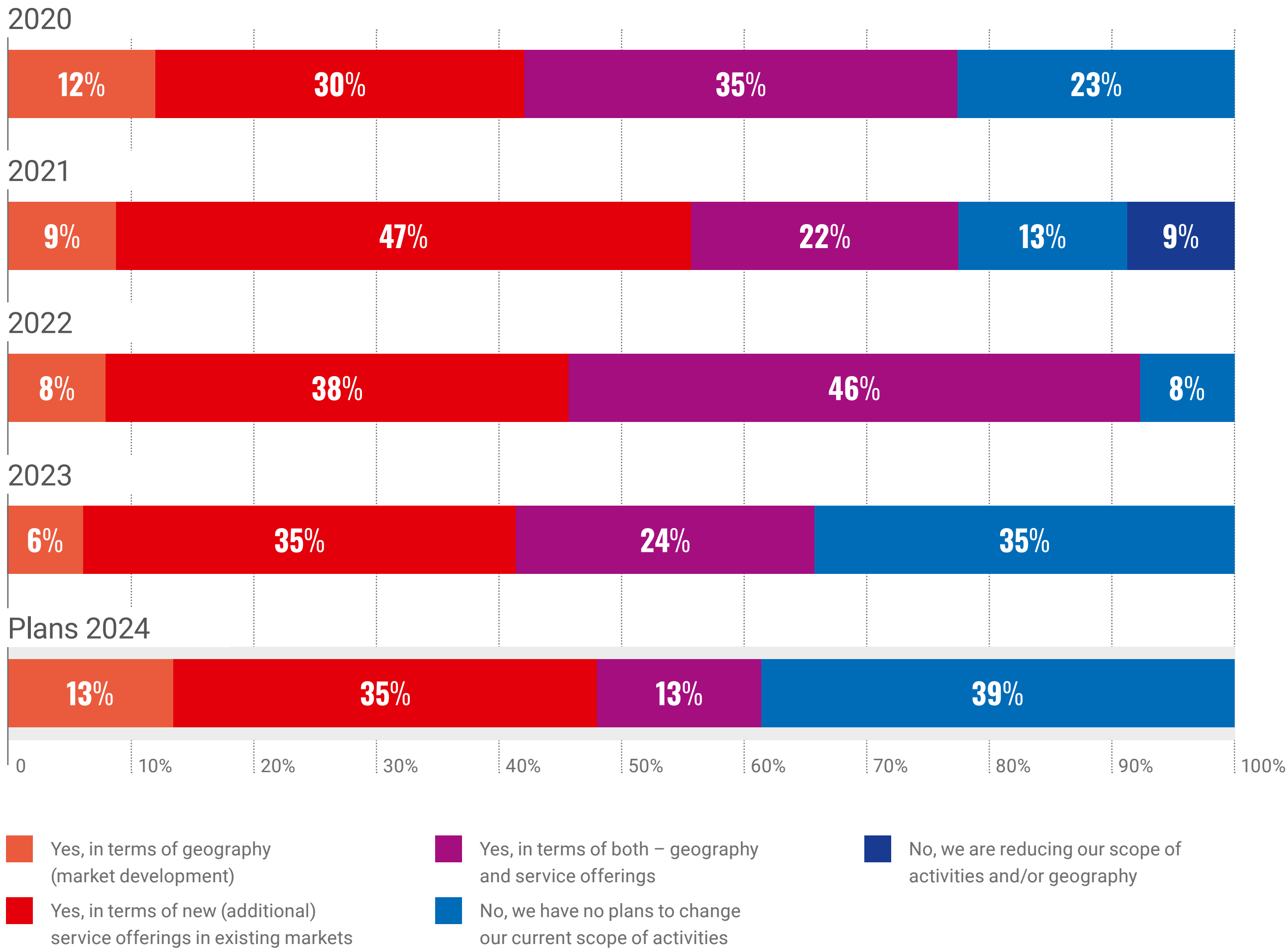


FIGURE 1.20
THE CHANGES IN SCOPE OF SERVICES PROVIDED BY ORGANIZATIONS IN LAST FIVE YEARS



The industry experienced a significant expansion of service scope from 2019 to 2021, surpassing the milestone of 60% and reaching its peak at 77% in 2021. However, in 2022, there was a notable decline, possibly attributed to geopolitical factors. The outcomes of the war in Ukraine have impacted businesses in Europe and beyond, leading organizations to adopt a more conservative and cautious approach towards expansion possibilities, which has also affected business support centers. In 2023, we have witnessed the lowest activity in expanding the scope of services offered. On a positive note, the percentage of limited services dropped to 0% in 2022 and remained at that level in 2023.

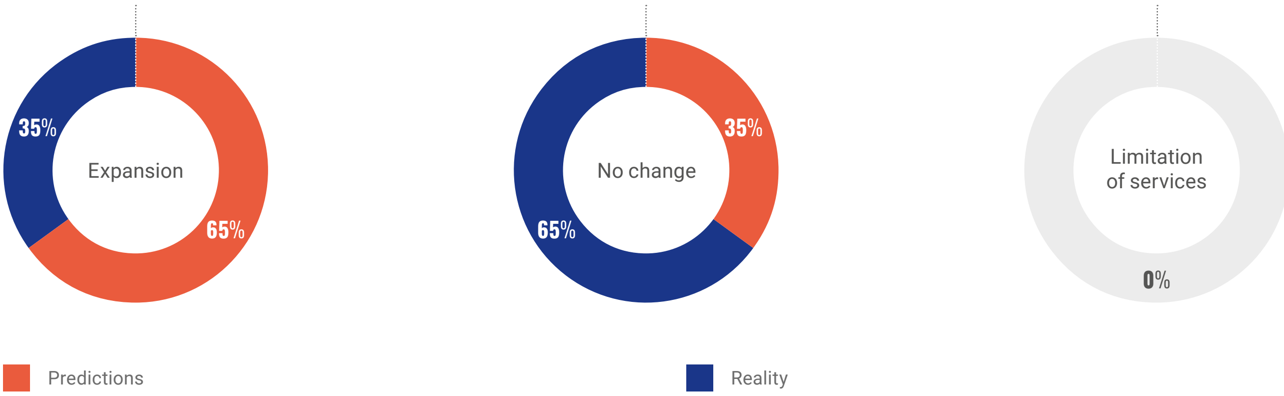
FIGURE 1.21
INDUSTRY PLANS TO EXPAND THE OPERATIONS OVER NEXT 12 MONTHS (COMPARISON 2020-2024)



The data comparison over a five-year period reveals significant trends in predictions and plans for the upcoming years. In 2022, responses were collected in January, just weeks before Russia invaded Ukraine, impacting several businesses and their future plans. This timing when the responses were collected may explain the optimistic prognosis at the beginning of 2022, with 92% of respondents reporting positive development plans. However, in subsequent years, there was a notable drop in predictions for growth, with more respondents planning to maintain existing service offerings and geographic coverage.

In 2024, 61% – still the largest proportion of the industry – have future plans to develop their business service centers in Latvia, either by expanding into new geographical regions, adding new business support functions, or both. Despite the turbulence and geopolitical circumstances, the majority of the industry maintains promising plans for future growth.

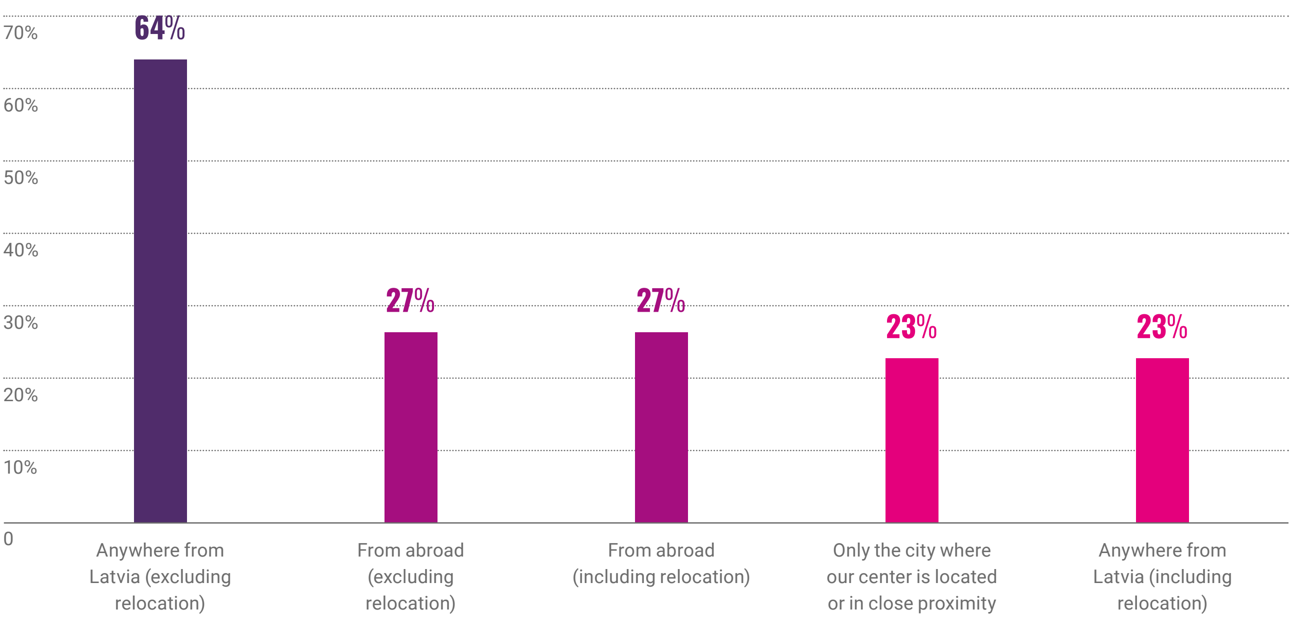
FIGURE 1.22
INDUSTRY GROWTH PLANS: EXPECTATIONS VERSUS REALITY IN 2023



The bar chart above illustrates that the only certainty the industry can predict with 100% precision is that their organizations will not limit service offerings. However, when it comes to forecasting future growth, organizations in general appear to be much more optimistic about what the future might hold compared to the actual growth achieved in 2023.

In essence, the bar chart presents a mirrored perspective, showing that although 65% of the industry planned to have expansion projects in the beginning of 2023, only 35% actually managed to achieve the desired expansion goals.

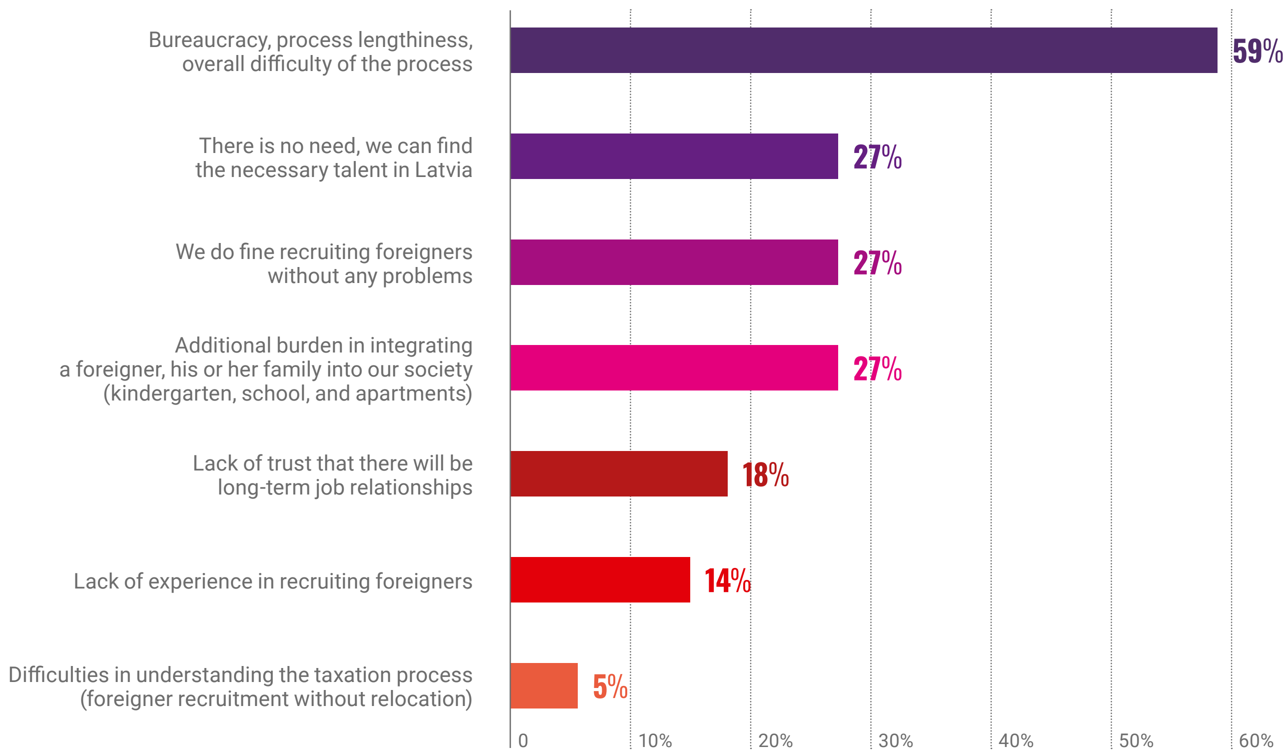
FIGURE 1.23
INDUSTRY'S RECRUITMENT PLANS OVER NEXT 12 MONTHS IN TERMS OF GEOGRAPHICAL COVERAGE



Undoubtedly, Covid-19 has had a significant impact on how work is organized, dispelling stereotypes that white-collar jobs can and should only be carried out onsite, and allowing people to be recruited and work from anywhere in Latvia. This expansion of remote work options significantly broadens the opportunities in the labor market. Considering the low unemployment rates, it actually comes as a relief for many employers that the geographical range for finding employees has extended beyond Riga's borders. Additionally, it is surprising to note that there is also a significant proportion of companies (27%) willing to recruit people from other countries without the need for relocation. This represents the newest trend in the labor market, which emerged last year and suggests that, while it may entail additional risks, remote hiring is indeed feasible and already actively used option by many industry organizations.

FIGURE 1.24

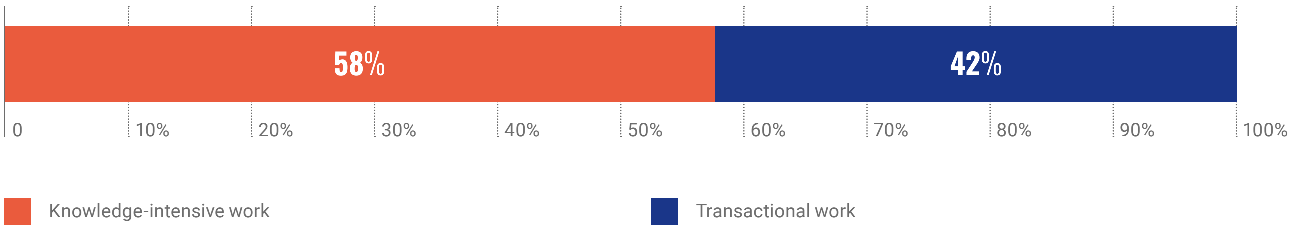
FACTORS DISCOURAGING SSC/GBS, BPO, ITO ORGANIZATIONS FROM RECRUITING FOREIGNERS (2023)



The dominant majority of responding companies claim bureaucracy, process lengthiness, and overall difficulty of the process as the main reasons discouraging HR departments from recruiting from third countries. However, 27% of respondents have stated that once an organization has mastered the process of acquiring work permits for foreigners, each subsequent case becomes easier. Moreover, 14% of respondents have directly stated that lack of experience in navigating the work permit acquisition process has led to their rejection of foreign candidates.

FIGURE 1.25

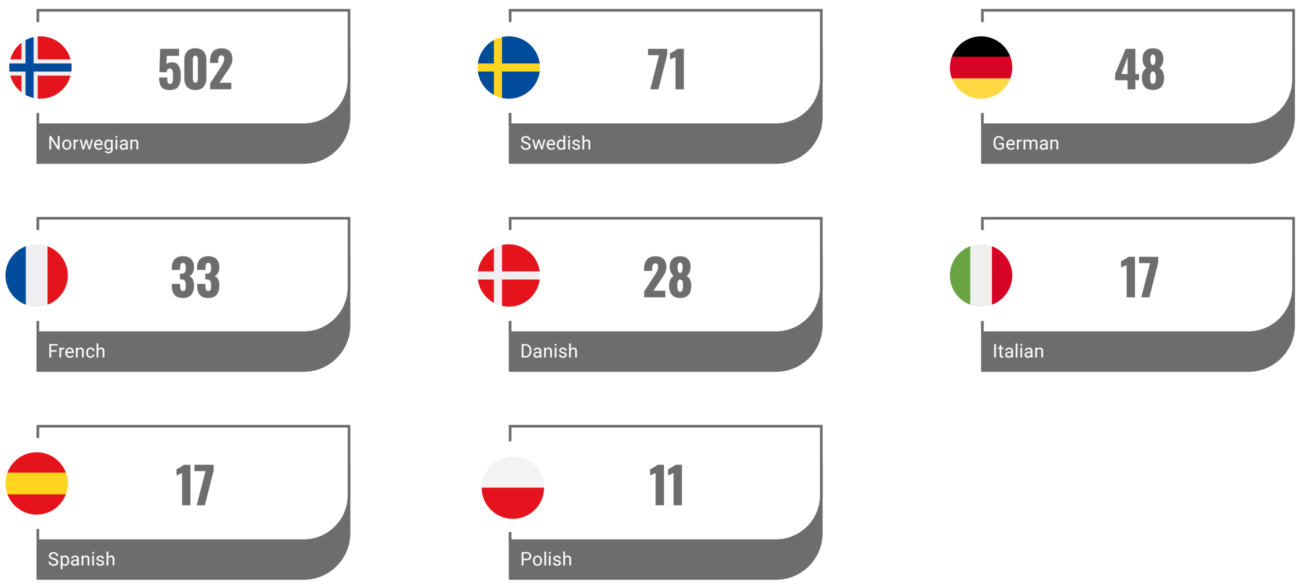
RATIO OF TRANSACTIONAL WORK VERSUS KNOWLEDGE-INTENSIVE WORK IN SSC/GBS, BPO, ITO ORGANIZATIONS (2023)



Transactional work refers to tasks that require less than 6 months of training for an employee to reach the required efficiency. The data shows that the industry is predominantly focused on knowledge-intensive work.

FIGURE 1.26

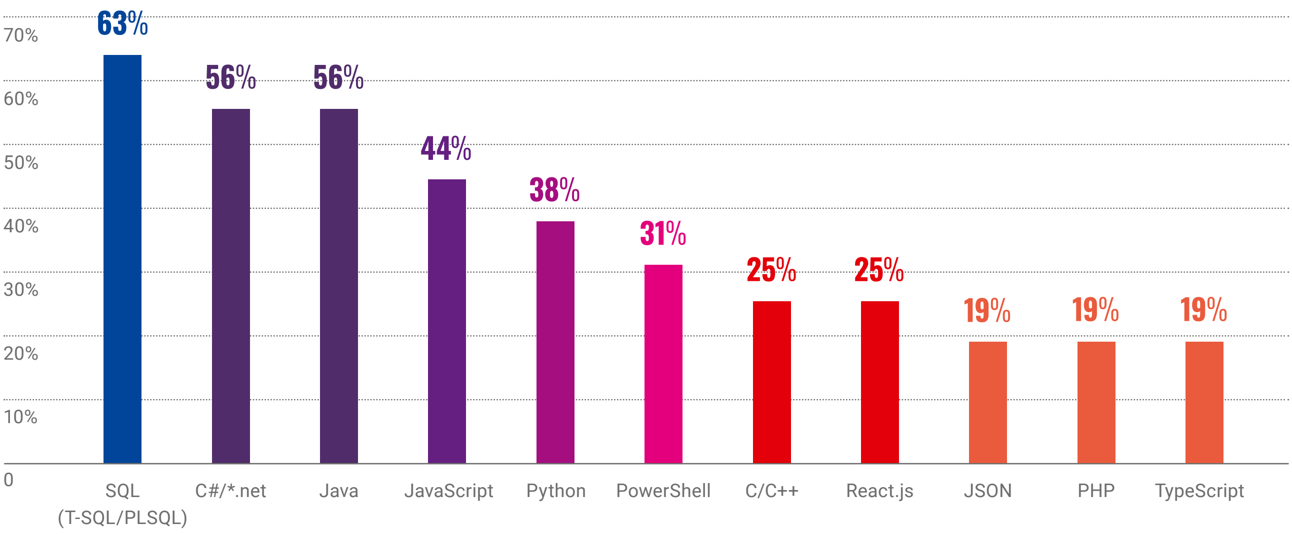
FOREIGN LANGUGAGES USED BY THE INDUSTRY (IN ACTUAL NUMBERS OF FTES) TO SERVE THE CUSTOMERS IN 2023



The visual representation of the data excludes data about English language, as fluency in English is a fundamental requirement in the industry. While individuals may lack Latvian language skills, it is highly unlikely that anyone would be hired by the industry without proficiency in English. The data may fluctuate from year to year based on organizations taking part in the surveying, but over the years, we consistently observe that Norwegian and Swedish are the top foreign languages required by industry employers. Many organizations offer completely paid 4-6 months language training programs to help individuals acquire the necessary language skills.

FIGURE 1.27

TOP PROGRAMMING LANGUAGES USED BY INDUSTRY IN 2023

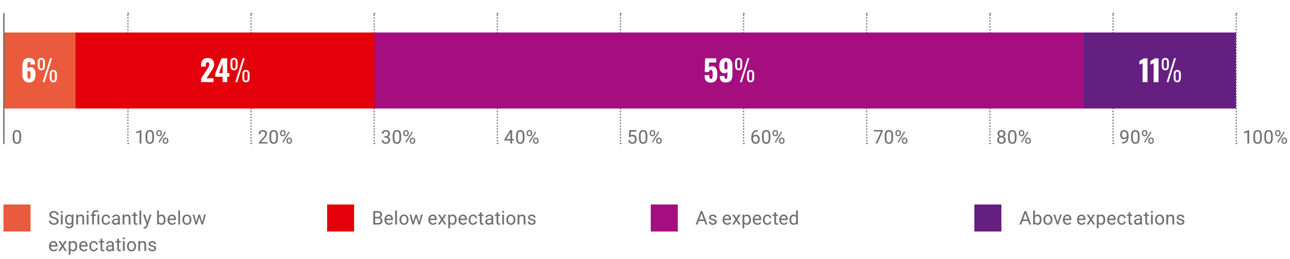


If the data on the top three programming languages used in 2023 is compared to 2022, two of the programming languages have been mentioned by slightly fewer respondents compared to the previous year.

SQL was used by 77% of respondents in 2022, Java by 62%, while C#/*.net usage has slightly increased in 2023, rising from 39% in 2022 to 56% in 2023.

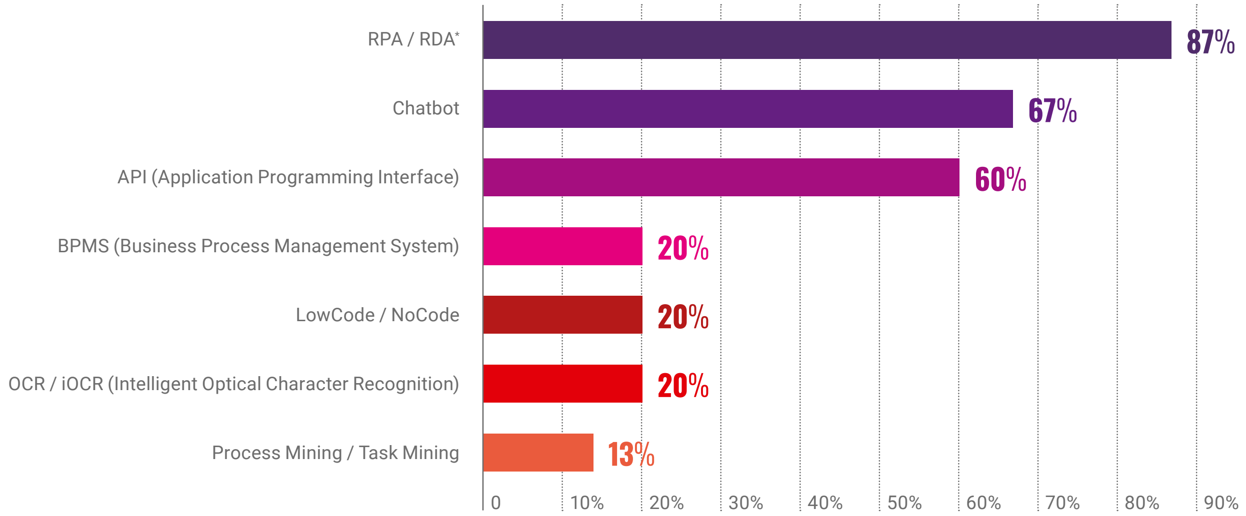
FIGURE 1.28

INDUSTRY'S OVERALL SATISFACTION WITH THE RESULTS OF IMPELMENTED AUTOMATION PROJECTS (2023)



17 out of 23 organizations participating in the survey have implemented one or several automation projects within in their operations. The vast majority of these companies claim that the results of automating their business processes have been successful, precisely meeting the expectations set before. However, 11% of respondents reported even higher-than-expected outcomes from automating various business processes. On the other hand, 30% of organizations have experienced the opposite effect of automating processes, obtaining results that were not intended or desired.

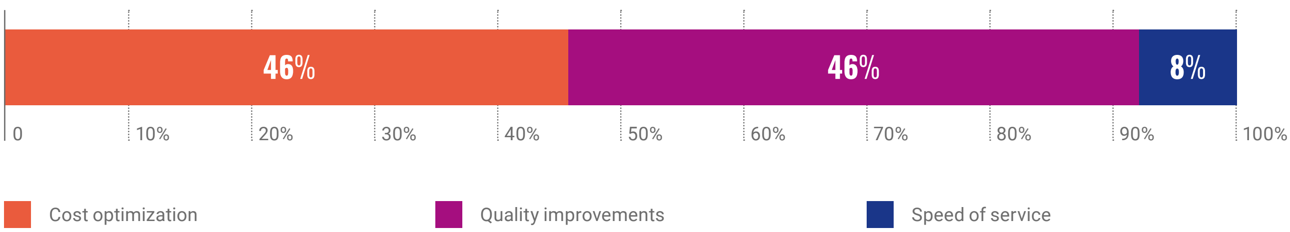
FIGURE 1.29
INTELLIGENT PROCESS AUTOMATION (IPA) TECHNOLOGIES UTILIZED BY INDUSTRY IN 2023



* Robotic Process Automation / Robotic Desktop Automation

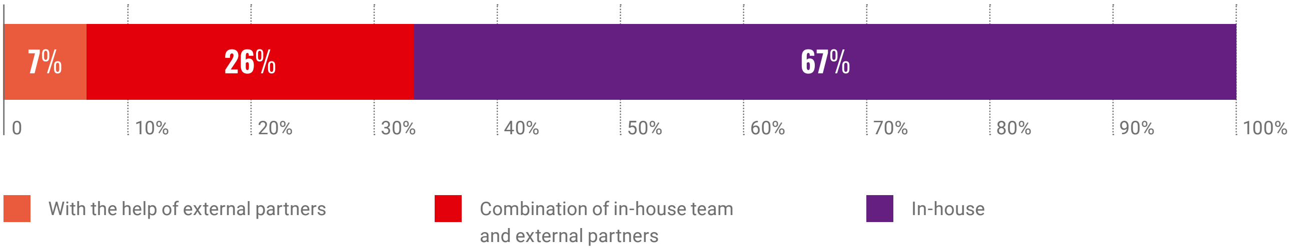
While 7 respondents of all participating in the survey don't use any of the IPA technologies listed above, the rest of them actively utilize RPA/RDA, Chatbot, and API technologies. Voicebot and computer vision, as potential IPA technologies, were left behind the line since none of the respondents are using them.

FIGURE 1.30
THE KEY REASONS WHY LATVIAN SSC/GBS, BPO, ITO ORGANIZATIONS IMPLEMENT IPA



Even though many might assume that the most important benefit of implementing IPA is speeding up the service, in reality, the answers provided by respondents show cost optimization and quality improvements as the most crucial improvements achieved because of IPA implementation.

FIGURE 1.31
ROBOTIC PROCESS AUTOMATION (RPA) CAPABILITIES DEVELOPED IN INDUSTRY ORGANIZATIONS



94% of respondents prefer to build RPA capabilities in-house, with 26% seeking assistance from external partners, yet still focusing on internal development. Only 7% of respondents rely solely on external partners for RPA projects. In some organizations, RPA capabilities are being developed in other group organizations located in different countries, meaning that the Latvian hub simply doesn't need to take care of that aspect. While there are organizations with 25 FTEs responsible for RPA development within the organization, the average size of RPA development departments is around 8 people. The number varies significantly; in some organizations, only 1 person is responsible, while in the majority of organizations, the number is close to 8 full-time employees. Some organizations report that they do not have dedicated personnel for RPA implementation, as it changes depending on ongoing projects, and anyone with appropriate interest and expertise can get involved in such projects.

FIGURE 1.32
CYBERSECURITY INCIDENTS REPORTED BY THE INDUSTRY IN 2023

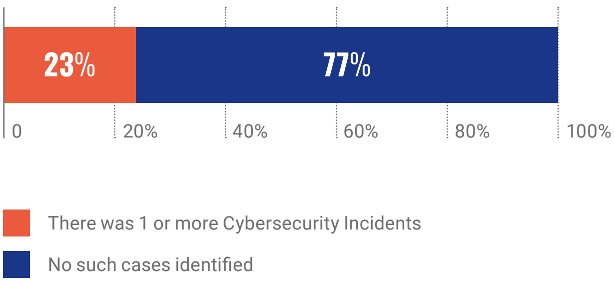
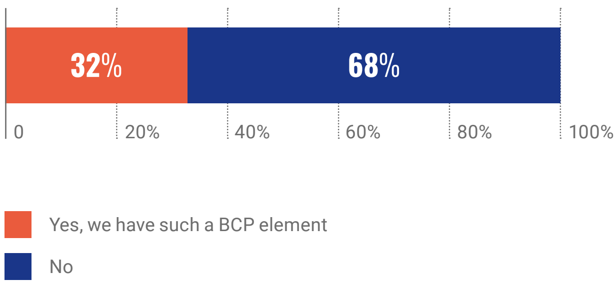


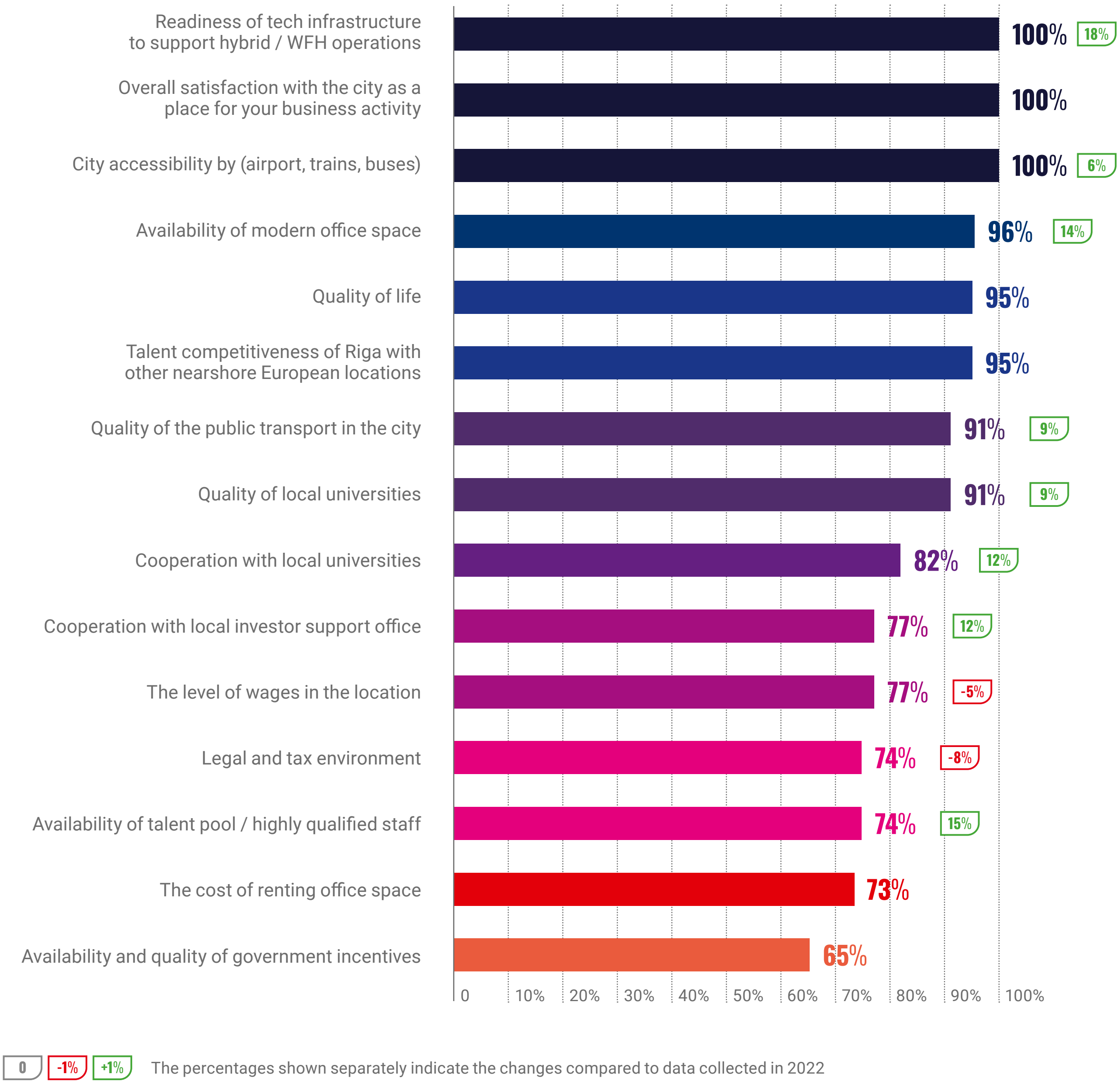
FIGURE 1.33
INDUSTRY'S PLANS TO MOVE DATA COPIES OR PARTS OF THEIR BUSINESS SYSTEMS OUTSIDE LATVIA AS PART OF THEIR BUSINESS CONTINUITY PLAN DUE TO THE GEOPOLITICAL SITUATION IN THE REGION IN 2023



The latest ABSL Poland (2023) industry report claims that 45.5% of all industry organizations in Poland have a Business Continuity Plan (BCP) element that plans to move copies of data or part of their business systems outside the country. In Latvia, the survey data indicates that only one-third of all respondents have considered this issue and have already made decisions toward minimising the risks.

FIGURE 1.34

INDUSTRY'S OVERALL SATISFACTION RELATED TO BUSINESS ENVIRONMENT IN RIGA, LATVIA 2023



The percentages shown separately indicate the changes compared to data collected in 2022

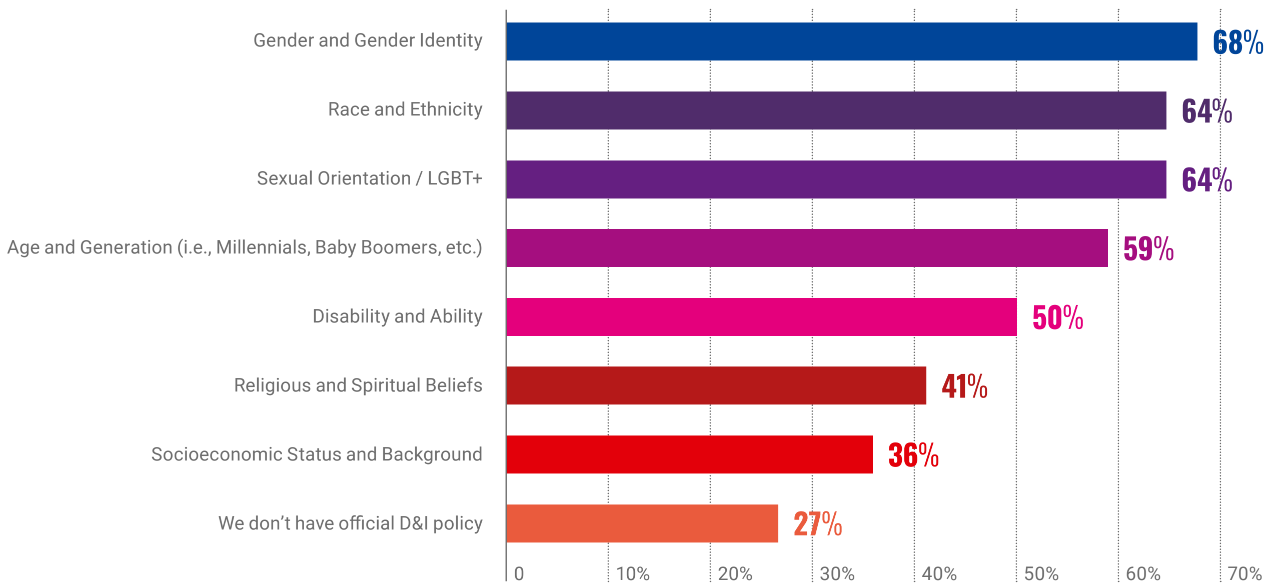
The data shows that the industry is highly satisfied with most of the factors describing Latvia, especially Riga, as a location for IT and business services. The top-scoring factors are the readiness of tech infrastructure to support hybrid/remote work models, overall satisfaction with the city as a place for business growth, as well as city accessibility (airports, trains, buses). Moreover, organization managers highly rate the availability of various A-class, modern office spaces in Riga, as well as the quality of life and talent competitiveness of Riga compared to other nearshore European locations.

If we were to compare the satisfaction levels reported in 2022, then in most of the factors listed, the satisfaction rates have increased. The satisfaction regarding the availability of the talent pool has increased by 15%, readiness of tech infrastructure to support hybrid/remote work models has increased by 18%, reaching a 100% satisfaction level. Moreover, the satisfaction regarding the availability of modern office space in Riga has increased by 14% compared to the previous year.

The data shows that Latvia, particularly Riga, is developing its business environment to be outstandingly supportive for the growth of SSC/GBS, BPO, and ITO organizations.

FIGURE 1.35

THE MAIN FOCUS AREAS OF DIVERSITY & INCLUSION POLICIES/PROGRAMS IMPLEMENTED BY THE INDUSTRY IN 2023

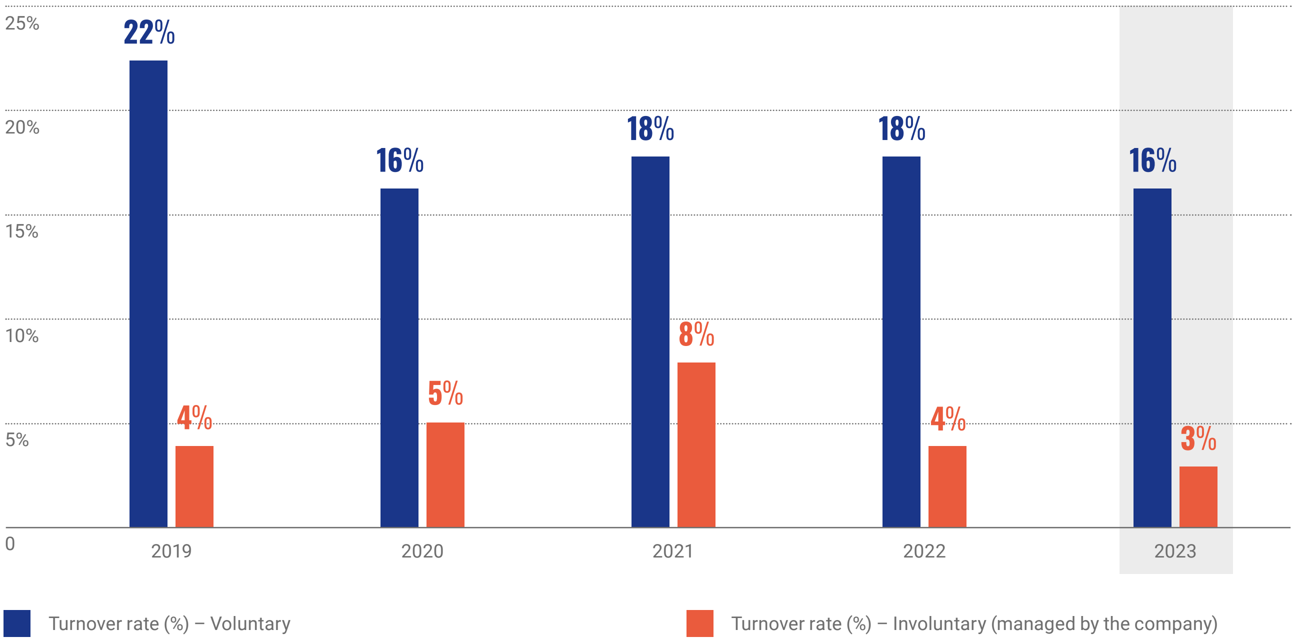


Most diversity and inclusion policies focus on gender identity and sexual orientation, enabling individuals to freely express themselves without the need to pretend to be someone else. Similarly, this is one of the most discussed topics in Latvian society, with protests regarding the legal rights of same-sex couples, including their ability to legally form a family, adopt children, etc. Consequently, organizations are one step ahead of decisions made by the Latvian government, fostering a supportive work environment and fully embracing people with diverse gender identities and sexual orientations.

Another angle of Diversity & Inclusion programs that organizations are emphasizing more often is race and ethnicity, highlighting the importance of an inclusive work environment, especially for foreigners. Moreover, given that Latvian society still needs to learn a lot about including foreigners and avoiding unnecessary stereotypes based on race and ethnicity, this aspect is particularly significant to make foreigners feel welcomed.

FIGURE 1.36

EMPLOYEE VOLUNTARY AND INVOLUNTARY TURNOVER RATES IN THE INDUSTRY REPORTED OVER THE LAST 5 YEARS

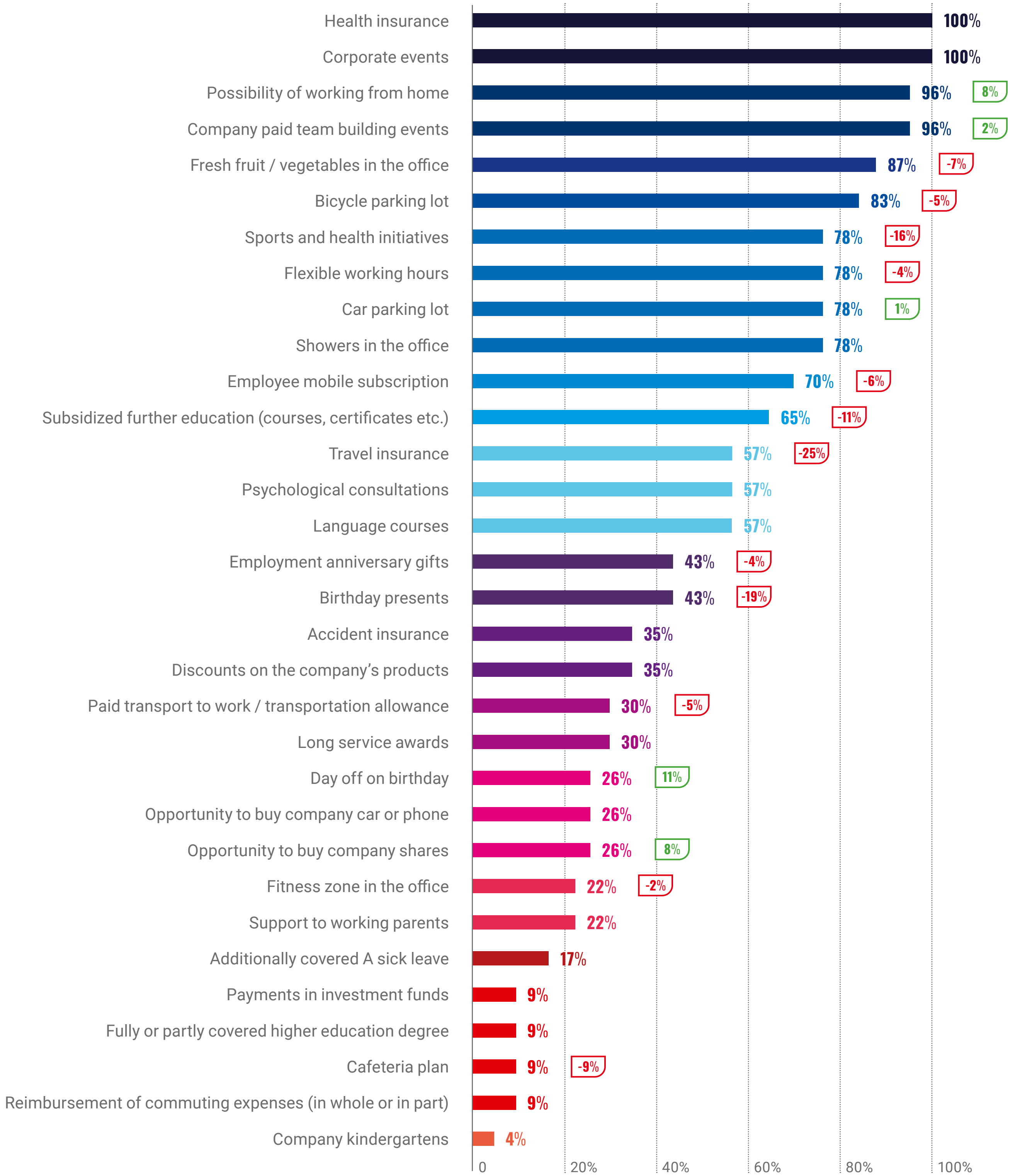


Although employee turnover data in 2023 varies widely, ranging from incredibly low percentages of 3% to extremely high levels, like 35%, the average industry employee attrition rate reached 16%, which is a surprisingly good result. Moreover, the involuntary employee turnover rate in 2023 is 3%, the lowest ever reported. Involuntary employee turnover typically occurs when hires fail to meet expected needs or skills initially set by the employer, or when employers change plans regarding operations. Sometimes, it also results from process automation or in cases when there are other crucial factors affecting job relationships, such as significant disputes, difficulties in cooperating, differing views, etc.

According to Deloitte's 'GBS Maturity Assessment Central Europe' report released in June 2023, it is known that one of the maturity sub-dimensions where the Latvian GBS industry lags behind is proper attention to attrition and retention policies. This signals that organizations need to focus more on developing strong retention policies and understanding the reasons why employees are leaving.

FIGURE 1.37

NON-WAGE BENEFITS PROVIDED BY THE INDUSTRY TO THEIR STAFF IN 2023



0 -1% +1% The percentages shown separately indicate the changes compared to data collected in 2022

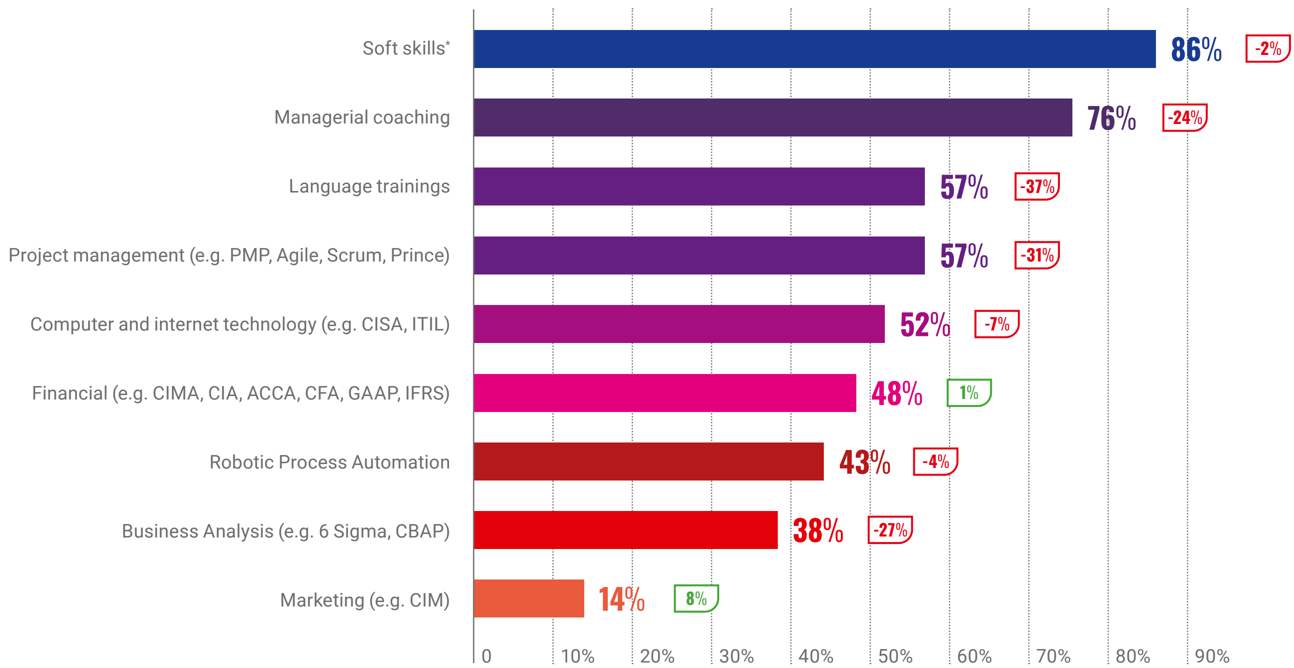
Comparing the list of benefits in 2023 to 2022, it's quite obvious that organizations have reviewed their provided list of benefits and in many cases decided to remove several options. This might be attributed to the fact that the hybrid work format is highly popular among industry organizations, thus minimizing the need for a list of benefits that are mainly received when working on-site, such as a cafeteria plan, travel insurance (given significantly fewer business trips since most things can be discussed online), fresh fruits in the office, and similar perks.

Furthermore, after providing countless benefits to employees, organizations may have started to review what truly matters and what is merely nice to have but not extensively utilized by employees. For example, sports and health initiatives may seem appealing to provide for all employees, but the flip side of the coin is the low usability of such initiatives, especially if you have a gym in the office, but the majority of employees prefer to work from home. The same goes for education initiatives. It's nice that organizations provide such opportunities, but again, the question is whether employees use them properly and gain the necessary knowledge from them, or if those training mainly serve a motivational aspect. Most likely, these benefits are going to stay, but it seems to be a period when organizations are carefully reviewing what exactly they offer and the actual usability of each provided benefit, as well as the outcomes.

For several years now, the top benefits provided by industries have been health insurance, which employees consider more of a must-have than a nice-to-have, accompanied by cooperative events (such as Christmas parties, etc.) and company-paid team-building events, which are especially important if the team is partly and generally working remotely.

FIGURE 1.38

TYPES OF PROFESSIONAL TRAINING PROVIDED BY RESPONDENTS TO EMPLOYEES IN 2023



* Emotional intelligence, social communication

0 -1% +1% The percentages shown separately indicate the changes compared to data collected in 2022

Comparing to the previous bar chart showing the dynamics of offered non-wage benefits to employees, it is evident that generally the number of companies that subsidize further education (courses, certificates, etc.) in 2023 has decreased by 11% compared to the year before. In this bar chart, a similar tendency can be observed – almost every training type or area has decreased in its popularity or the number of organizations providing such trainings in 2023 compared to 2022. The most significant drops have been observed in providing language trainings, project management, business analysis, and managerial coaching, reaching a decrease level even higher than 30% in several learning areas. Meanwhile, we can observe a slight increase in marketing trainings provided to employees.

FIGURE 1.39
AVERAGE GROSS SALARY (EURO) LEVELS IN MOST POPULAR BUSINESS SUPPORT FUNCTIONS IN 2023

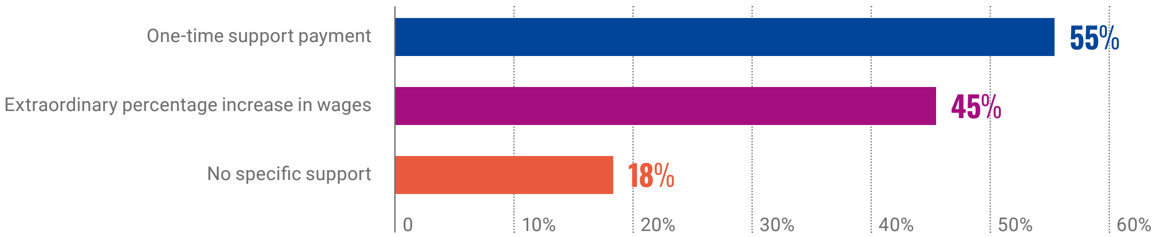
Seniority Level	IT	Finance	Operational
Junior	1,673	1,312	1,367
Middle Level	2,812	1,756	1,845
Expert, Manager	4,134	2,597	3,179

In the realm of business services, the average salary in 2022 stood at 2243 euros before taxes, with the figure observed in 2023 amounting to 2400 euros. This demonstrates a modest yet notable average salary increase of 7%. Insights from the Central Statistical Bureau of the Republic of Latvia reveal that the country's average salary in 2023 reached 1537 euros before taxes, indicating an 11.9% increase compared to the previous year. While the industry shows a substantially higher average salary than the country average, the observed percentage increase in salary, particularly over the past year, falls below the growth rates seen across the country.[5]

[5] Central Statistical Bureau Republic of Latvia, https://stat.gov.lv/lv/statistikas-temas/darbs/alga/preses-relizes/20752-darba-samaksas-parmain-as-2023-gada-4-ceturksni-un (08.04.2024)

FIGURE 1.40

INDUSTRY SUPPORT FOR EMPLOYEES FOR COPING WITH HIGH INFLATION RATES IN THE BALTICS IN 2023



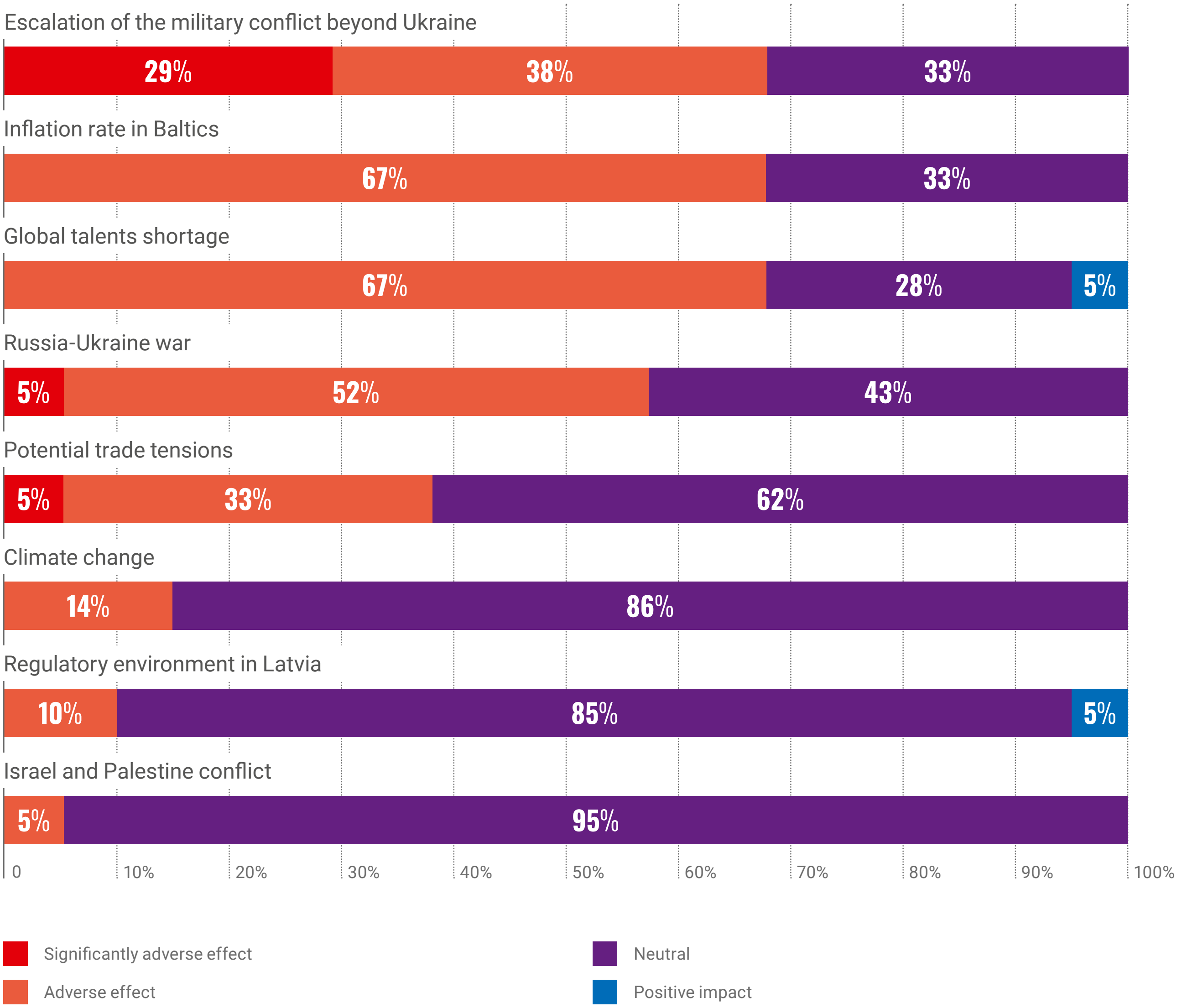
According to a Ministry of Finance Republic of Latvia report, the average inflation rate in Latvia in 2023 was 8.9%, nearly half of what it was in 2022. Despite the significant decrease in the country's average inflation rate, it remained exceptionally high in 2023, thereby posing constraints on Latvia's economic development.

The Latvian Global Business Services industry is renowned in the labour market for its exceptional care of employees, offering a comprehensive list of benefits. In light of the high inflation rates experienced in 2022 and 2023, the majority of organizations in the industry took proactive measures. They factored in these high inflation rates when reviewing salary levels and determining the necessity of providing one-time support payments or implementing higher annual salary increase percentages. Some respondents even reported employing both mechanisms – one-time support payments and extraordinary percentage increases in wages.

Although the data indicates that employers have implemented measures to assist employees in coping with high inflation rates, the average salary increase in the industry in 2023 was 7%, which does not entirely cover the country's average inflation rate of 8.9%.[6]

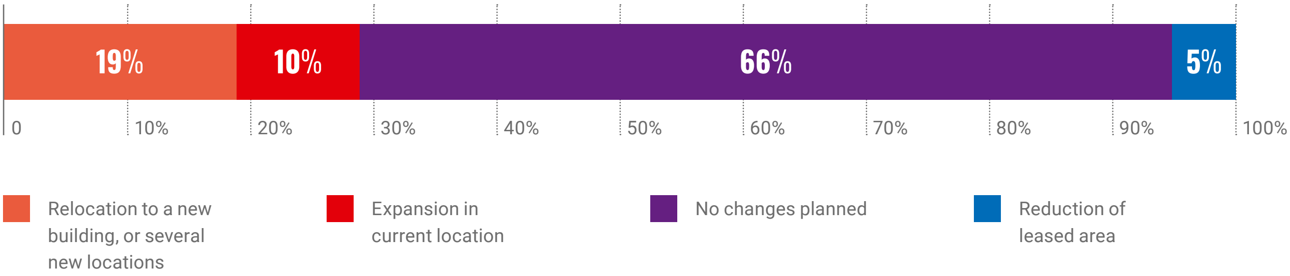
[6] Ministry of Finance Republic of Latvia, https://www.fm.gov.lv/lv/jaunums/fm-videja-gada-inflacija-2023-gada-bija-89 (11.01.2024)

FIGURE 1.41
FUTURE OUTLOOK ON FACTORS AFFECTING INDUSTRY ACTIVITY IN LATVIA IN 2024



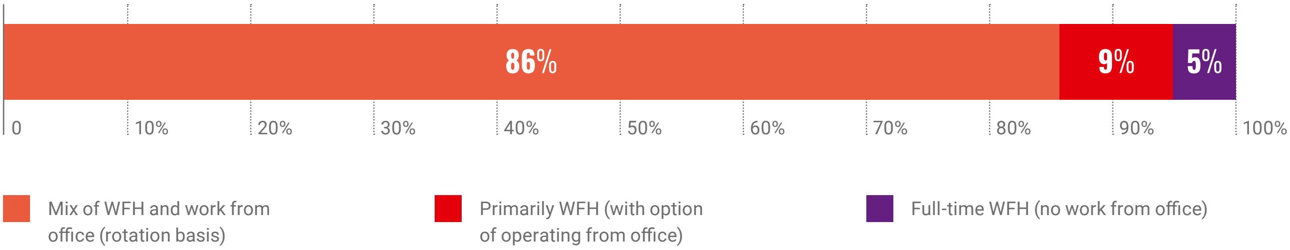
While the Israel-Palestine conflict, potential trade tensions, climate change, and the regulatory environment in Latvia, according to respondent answers, have mainly neutral impacts on industry activity in Latvia in the upcoming months or in 2024, the data indicates that high inflation rates in the Baltics, the Russia-Ukraine War, especially the potential risks of escalation of the military conflict beyond Ukraine, and the global talent shortage are all factors likely to have adverse or even significantly adverse impacts on industry development plans and activities in Latvia.

FIGURE 1.42
INDUSTRY'S PLANS FOR CURRENTLY LEASED / OWNED OFFICE PREMISES FOR 2024



It looks like in 2024, we can expect fewer office relocation projects for existing GBS Centers compared to the previous year. In 2024, 66% of all respondents reported no plans for changes in offices, whereas in 2023, this figure was 45%— more than half of all industry participants planned to make changes to their office space. Additionally, in 2023, 29% of respondents reported plans to move to new offices, whereas only 19% of organizations are planning to do so this year. It appears that the activity in transforming existing offices and moving to brand new offices is still ongoing but is gradually slowing down. COVID-19 significantly changed office strategies, pushing organizations to implement changes considering the rising trend of working from home (WFH) and offices becoming more focused on collaboration and meetups.

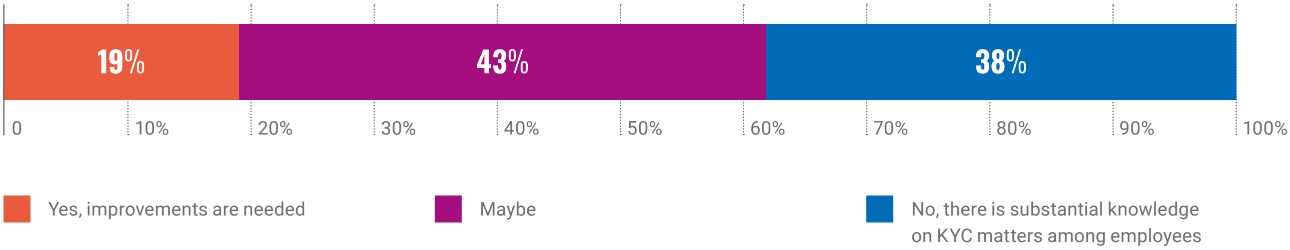
FIGURE 1.43
POPULARITY OF WFH MODEL AMONG INDUSTRY ORGANIZATIONS IN 2023



According to surveys carried out by ABSL Latvia and other partners, it's certain that WFH is here to stay, even though it comes with specific challenges related to managing teams remotely, maintaining high employee satisfaction levels, and fostering connection with organizational values. 86% of all respondents claim to have a primary mix of WFH and office work models, allowing employees to come to the office 1-2 days per week. Interestingly, 9% of the respondents have permitted its employees to work entirely from home and only come to the office when necessary. The ways of working are undoubtedly changing, and we cannot entirely predict how the future will look or what role offices will play in the next 5 or 10 years.

FIGURE 1.44

THE INDUSTRY'S IMPRESSIONS OF THE NECESSITY OF IMPROVED EMPLOYEE EDUCATION ON 'KNOW YOUR CUSTOMER' (KYC) MATTERS



While 19% of all responding organizations are completely sure that improvements regarding employee understanding of KYC matters are necessary, 43% are less convinced but still considering the need to improve that expertise area for employees.

2 WHEN PEOPLE THRIVE, BUSINESS THRIVES

POLINA NAZAROVA
Baltic Head Of Administration,
Deloitte

ELINA PUTNINA
Tax Director,
Deloitte

Talent is the key point for successful GBS operation, hence here we would like to present latest insights from Deloitte's 2024 Global Human Capital Trends report – report that Deloitte publishes Globally since 2012. With insights from over 14,000 respondents across 95 countries, this year's survey highlights a crucial fact: as work boundaries blur, traits like empathy and curiosity become increasingly invaluable.

The power of human performance

While most leaders recognize that prioritizing human performance is vital for organizational success, the current efforts seem to be falling short, with the majority of workers reporting stagnant or worsening well-being. 53% of workers say that they worry the most about increasing work stress leading to worse mental health. According to our Global Millennial and Gen Z Survey, 48% of workers and 53% of managers admit they are burned out at work and nearly half of millennial and Gen Z workers report feeling stressed all or most of the time. The 2023 Gallup State of the Global Workplace study reveals that 59% of the global workforce are "quiet quitting."

Productivity "paranoia" is not helping here, with 85% of leaders saying the shift to hybrid work has made it challenging to gauge productivity. Measures such as "employee engagement" and "productivity" are unable to capture the complexity of modern work dynamics, which makes it harder and harder to measure. "Quantity over quality" is a dilemma that is especially relevant for GBSs. For example, talking about productivity metrics in invoicing unit, we need to take into account not the number of invoices processed, but the number of the invoices processed without mistakes. Detailed metrics increase human performance as it gives understanding of how they (employees) are really participating in creating value for the organization.

Human sustainability – doing well by workers and the world

Human sustainability concept embodies the organization's commitment to enhancing people's lives by fostering well-being, empowering skills, offering rewarding careers, promoting equality, and igniting purposeful connections. It goes beyond surface-level initiatives (such as fruits in the office or paid sports activities) and requires addressing systemic issues to create sense of purpose for each and only employee. Our report suggests that in each section of human sustainability we need to get deeper into the problem and search for non-standard solutions. For example, talking about diversity & inclusion, it is not only about female empowerment, but also nondegree hiring, seniors inclusion, part – time work arrangements and the like.

Focusing on human sustainability yields positive outcomes for both individuals and organizations. For example, organizations prioritizing workforce treatment saw a 2.2% higher five-year return on equity, emitted 50% less CO_2 per dollar of revenue, and were over twice as likely to offer a family-sustaining living wage. Diversity-rich organizations are 2.4 times more likely to outperform competitors financially. Conversely, low wages contribute to turnover, lost sales, low productivity, and customer dissatisfaction.

Tackling the imagination gap with AI

The rapid evolution of generative AI may be surpassing the ability of organizations and workers to envision new working methods that harness both human and technological strengths. According to our research, 73% of respondents recognize the importance of aligning human capabilities with technological advancements, but only 9% report progress in achieving this balance.

Technologies can help us to decrease routine and non – creative workload. On the other hand, we need to learn how to interact with technologies, how to ask the right question or prompt in GenAI powered solutions.

To foster long – term human and technology cooperation we have to foster creativity and imagination, "place for play" in a productivity driven environment as well. Four essential steps include integrating human capabilities into workforce strategy, promoting imagination for purposeful work, emphasizing curiosity and empathy, and backing the effective use of human capabilities with support and recognition. Although from the first hand it seems that this is harder to achieve for GBS centers, where it is all about routinized processes, that is not entirely the case. GBSs could embrace creativity in the way the processes are run, how they are structured, where technologies can be of the utmost help to boost productivity and also meaningfulness for employees.

Evolving leadership to drive human performance

Human capabilities are vital for driving innovation and organizational growth, and leaders play a critical role in promoting human sustainability within their organizations, aligning incentives with human sustainability progress, and adopting relevant and meaningful metrics to track true performance.

Successfully shifting to a focus on human performance involves moving away from traditional top-down approaches and embracing cross-functional decision-making with less micromanagement and more autonomy.

No change can be made without trust. Yet only 16% of surveyed employees express a high level of trust in their employers. Leaders can change this by involving employees in decision-making, implementing responsible data-driven strategies, and explaining potential risks companies might face. For GBSs it means including employees in efficiency related workgroups, asking their opinion on how improve day-to-day processes and create feeling of purpose.

3 GENERAL COMPENSATION SURVEY: GBS SECTOR

Figure Baltic Advisory is the leading labor market research and consulting agency in the Baltics. Since 2007, we have been conducting salary research and consulting our customers on related matters successfully across the Baltics. Formerly, Figure Baltic Advisory was known as Fontes in Estonia and Latvia. In Lithuania, our surveys were carried out under the name of Baltic Salary Survey.

Further below are presented data from General Compensation Survey conducted in 2023. However, in 2024 even the sector survey is planned. This season participation by submitting data will be available from the beginning of April until mid-July. The General Compensation Survey will be available on 22nd of August.

To participate or if you have any questions, please feel free to contact us:

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Pauls Vēbers
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info@figure.lv

There are 395 organizations' data included in Figure General Compensation Survey 2023, with 82,089 positions analyzed. In this GBS Sector special cut 18 organizations' data are included and 6,000 positions are analyzed. Salary data was gathered as of June 2023.

FIGURE

Chapter content preparation: **Figure Baltic Advisory**

SALARY CHANGES

Average salary changes for employees whose employment status, job position, official duties, and responsibilities have not changed during the previous 12 months.

	General Market	GBS Sector
Monthly Base Salary	11.5%	13.0%
Annual Total Cash	14.3%	16.2%

EMPLOYEE TURNOVER

Employee Turnover is calculated:
Total Turnover (%) = Employees who left the organization (voluntary + involuntary) / average workforce *100
Voluntary Turnover (%) = Employees who left the organization voluntary / average workforce *100

	General Market	GBS Sector
Voluntary Turnover	14.0%	20.0%
Total Turnover	20.0%	26.0%

FORECASTED SALARY CHANGES

	General Market		GBS Sector	
	MBS	ATC	MBS	ATC
Till May 2024	6.9%	7.1%	6.8%	6.5%
2024	6.3%	7.2%	5.4%	6.0%
2025	5.7%	6.6%	5.3%	5.3%

GBS SECTOR COMPARISON WITH GENERAL MARKET

Please see employee groups divided by relative point value:

Employee group	Points
Junior specialists	79-159
Specialists	160-243
Senior specialists	244-370
Managers, Experts	371-565
Function managers	566-750

In GBS Sector the difference between the highest and the lowest salaries for jobs with similar point value is smaller than in General Market, in other words – organizations in GBS Sector pay more similar salaries for similar jobs than the General Market in 2023.

FIGURE 3.1
MONTHLY BASE SALARY IN LATVIA

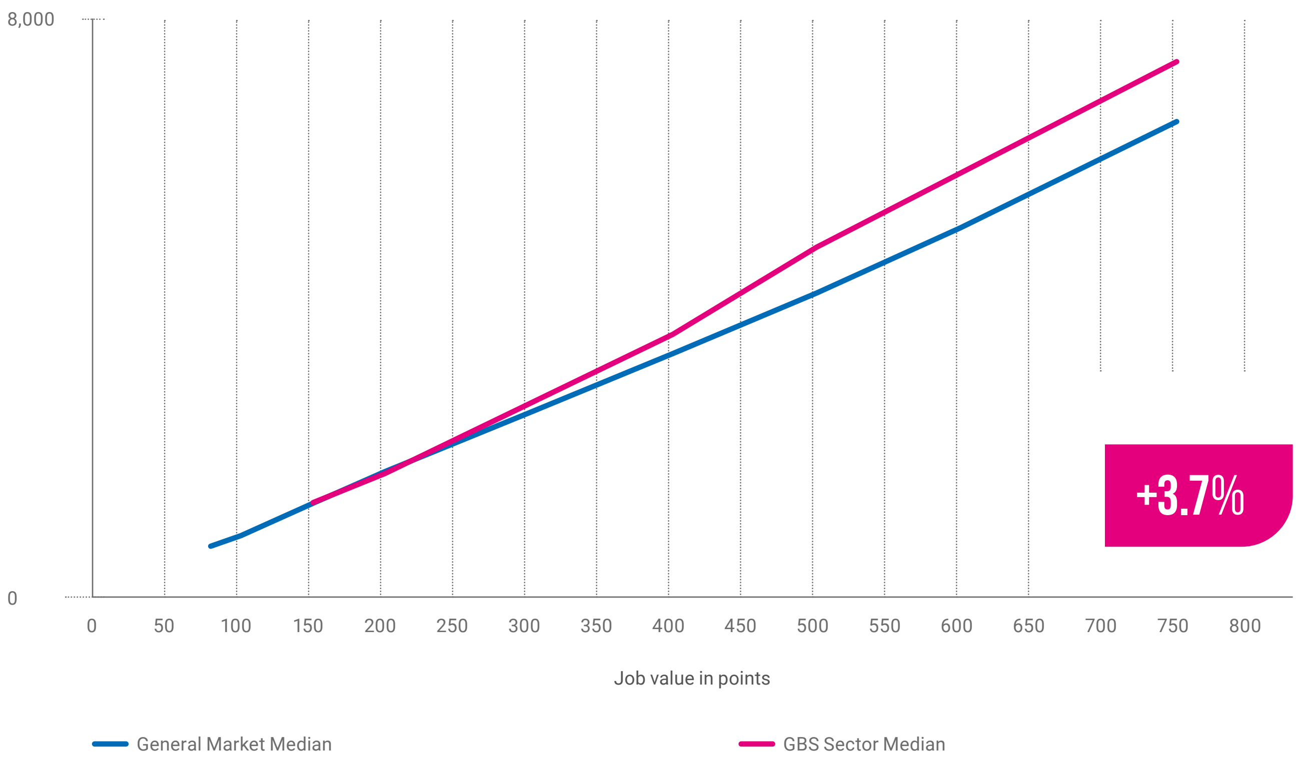
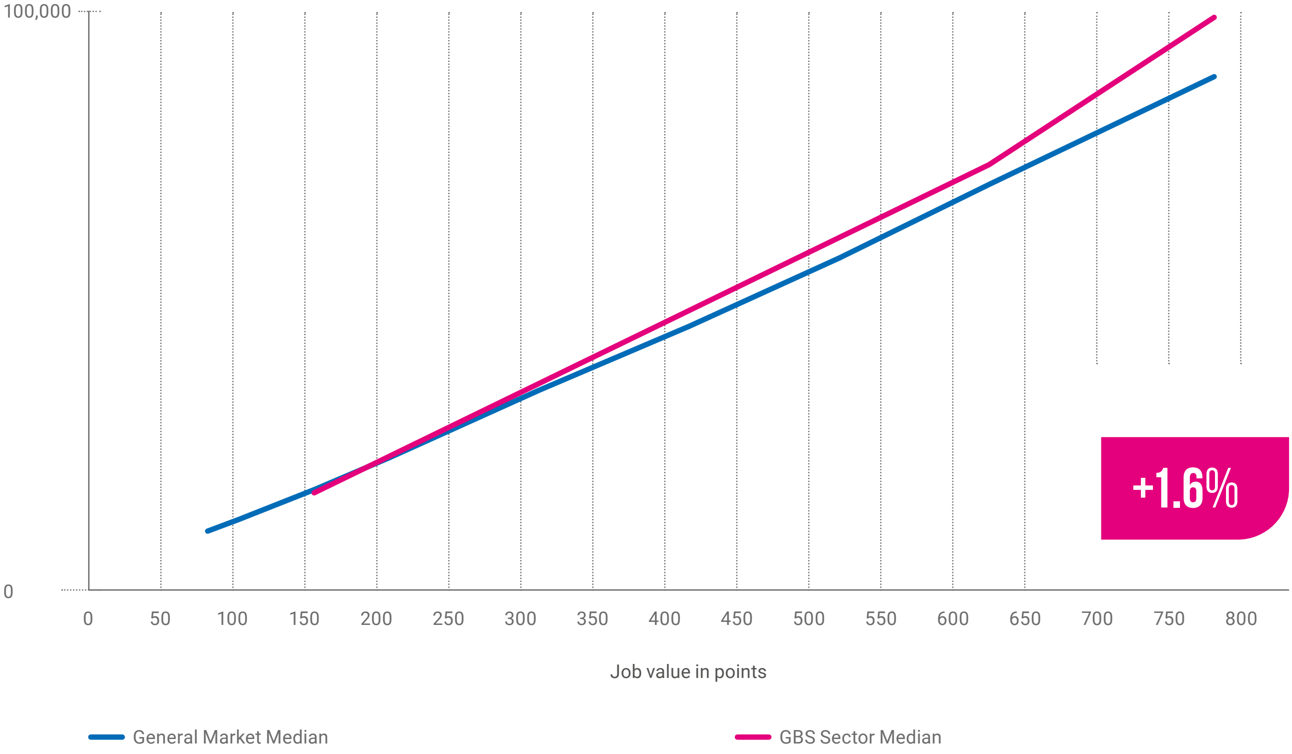


FIGURE 3.2
ANNUAL TOTAL CASH IN LATVIA



4 LATVIA OFFICE MARKET

Not all projects planned to be finished by end of 2023, managed to do so, dividing the increased supply into longer period. With lots of offices under construction and recently developed, higher construction costs in comparison and slow new office area absorption, developers remain hesitant to start new projects.

With several anchor deals and coworking operators being signed in most of the large-scale developments, office take-up showed one of the highest figures observed in the recent years, almost doubling typical yearly take-up amount. As a result, slower lease speed is expected in 2024.

Tenants are accepting higher rental rates in new developments as long as total costs remain similar. Currently it can be achieved with better energy efficiency and with continuous hybrid work that allows to lease 20-30% smaller premises.

TOTAL EXISTING OFFICE STOCK

		Trend
Total, end of 2023	834,000 GLA sqm	↗
Finished in 2023	75,000 GLA sqm	↗

EXISTING OFFICE STOCK BY CLASS

		Trend
Class A	177,000 GLA sqm	↗
Class B	660,000 GLA sqm	↗

OFFICE AREA IN DEVELOPMENT BY CLASS

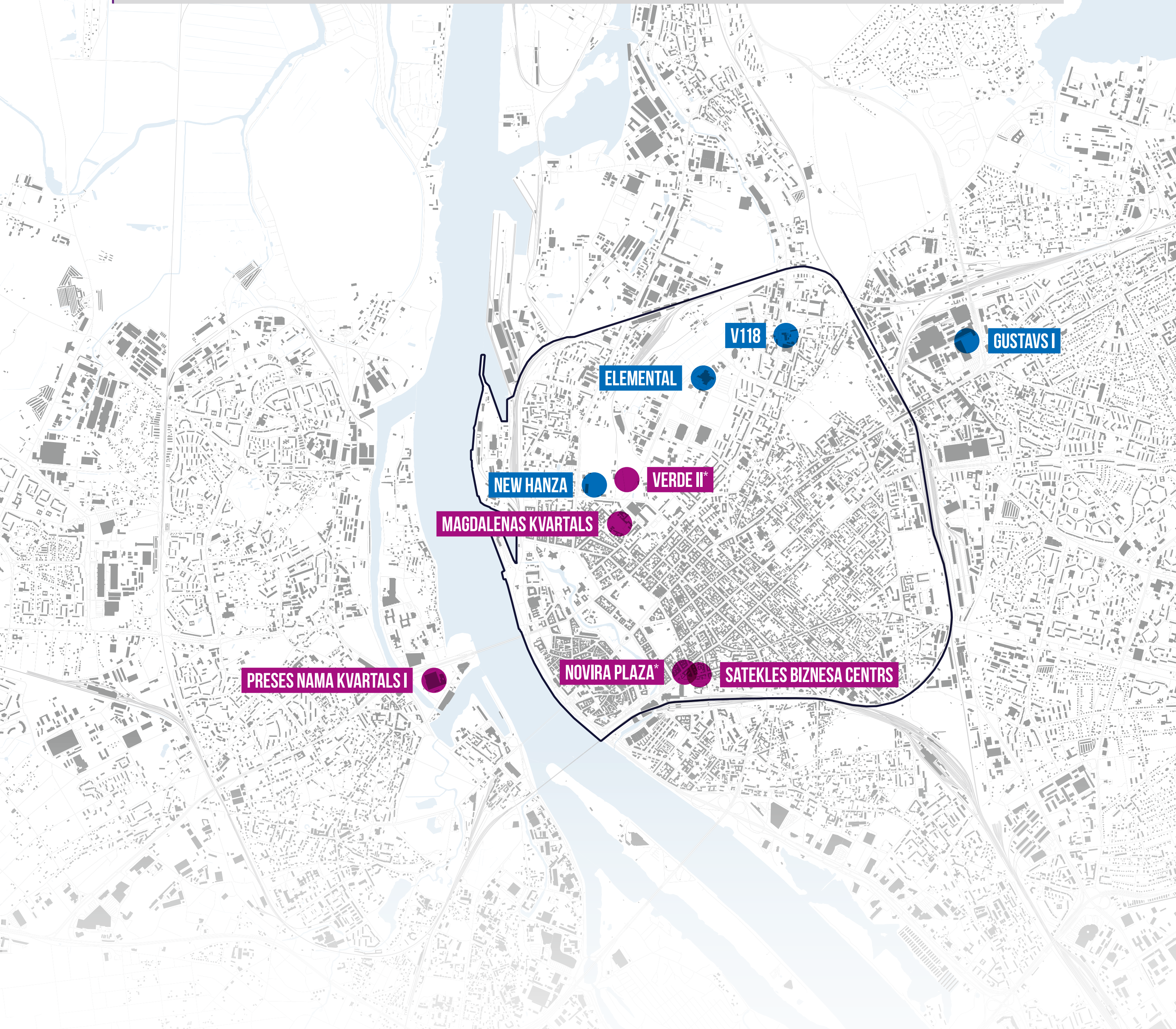
		Trend
Class A	80,000 GLA sqm	↘
Class B	17,000 GLA sqm	↘

Arrows show tendency compared to previous period

Colliers

Chapter content preparation: **Colliers**

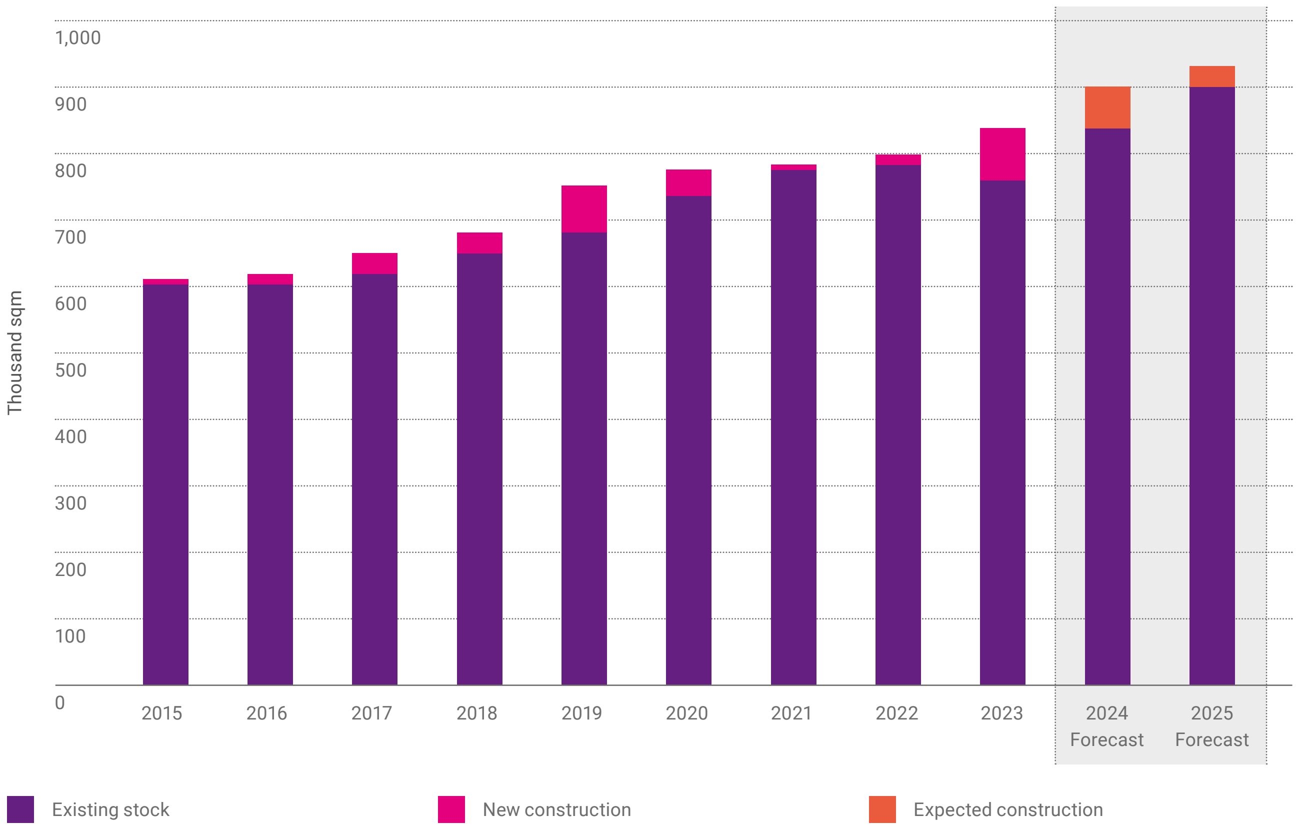
FIGURE 4.1
OFFICE DEVELOPMENTS IN RIGA



Under construction
Completed in 2023
Riga larger centre
GLA > 5,000 sqm
* commissioned in 2024

Source: Colliers

FIGURE 4.2
DYNAMICS OF OFFICE SPACE IN RIGA



Note. End of 2020 and 2023 notable part of Riga office stock was reclassified

Source: Colliers

FIGURE 4.3
TOP OFFICE PROJECTS

FINISHED IN 2023

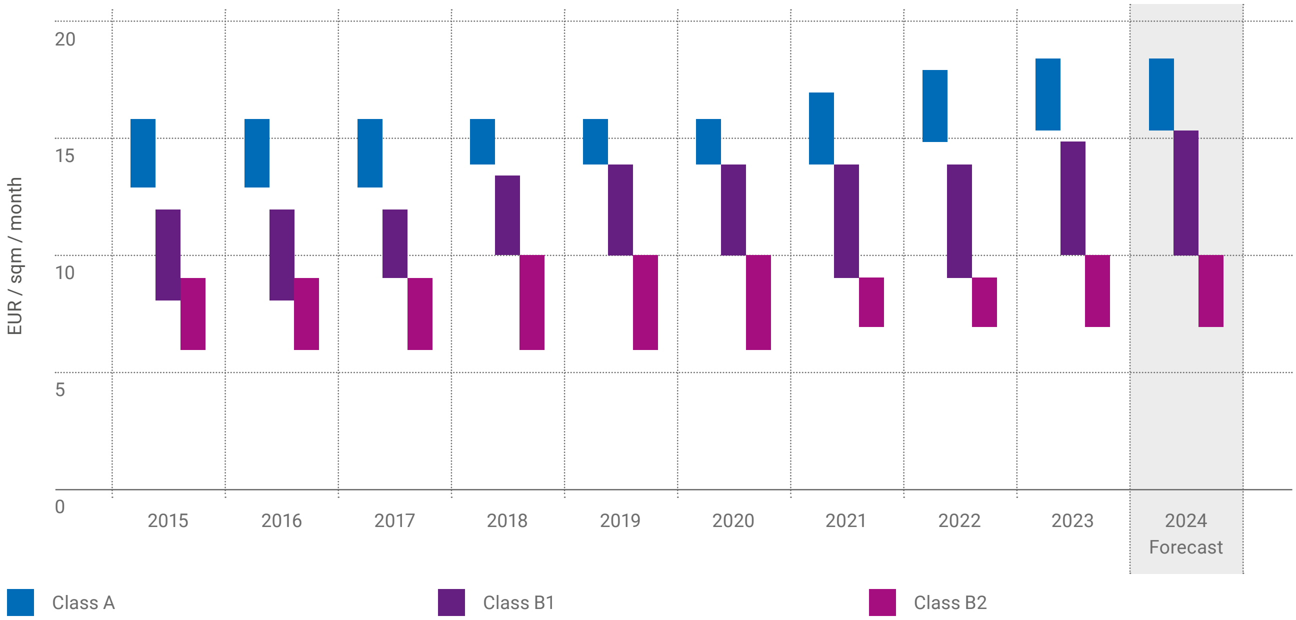
Object	Area, sqm	Developer
ELEMENTAL BC	20,250	Kapitel
NEW HANZA – M. TALA 1	12,680	Pillar
GUSTAVS BC I	12,230	Galio

UNDER CONSTRUCTION

Object	Area, sqm	Developer
PRESES NAMA KVARTALS I	25,900	Lords LB
NOVIRA PLAZA	20,800	Novira
VERDE II	13,700	Capitalica

Source: Colliers

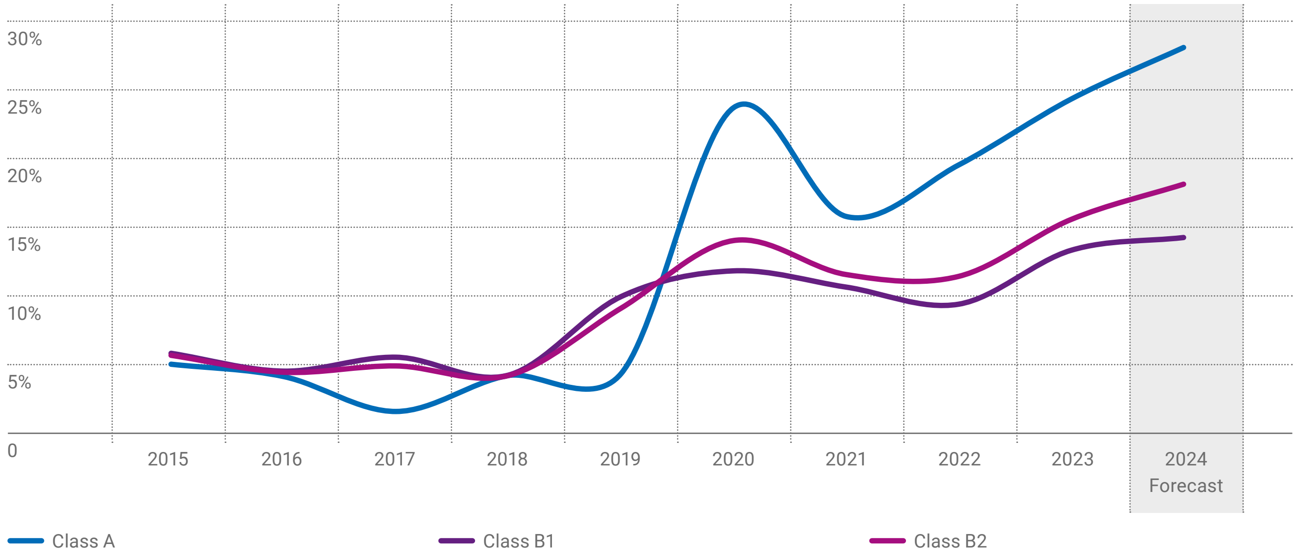
FIGURE 4.4
DYNAMICS OF OFFICE RENT RATES IN RIGA



Note. All data for Riga includes both speculative and built-to-suit office stock.

Source: Colliers

FIGURE 4.5
DYNAMICS OF VACANCY RATES IN RIGA



Note. All data for Riga includes both speculative and built-to-suit office stock.

Source: Colliers

5 INTERVIEW WITH MARTIN KIKSTEIN

General Manager at Roche Services (Europe) Ltd.

MARTIN KIKSTEIN
General Manager at Roche Services (Europe) Ltd.

For already one year, the Roche Services & Solutions office has been operating in Riga, providing services to (pharmaceutical company) Roche affiliates throughout Europe. It is anticipated that at least 200 people will be employed there in upcoming years. Martin Kikstein, the head of the division responsible for Europe, Middle East and Africa, talks about why Riga is recognized as the most suitable location for the new office and what expectations are associated with it.

How was the decision made to set up Roche Services & Solutions center exactly in Riga? What other locations did you consider?

We operate in 56 countries in the EMEA region, with more than 150 legal entities. The goal was for these companies to be served by the Budapest office, but over the years, we realized that our development pace and demand for talent outgrew the market in Hungary. In a short time, we reached 2,200 employees, we found that our high demand for specialists was not always met on time. Therefore, we decided to establish another location where these talents would be available. Riga is a very good place in this regard.

For our fast growing Global Digital Hub team we need graphic designers, digital campaign managers, and we are also recruiting business process managers and financial experts – finding these talents in Budapest was sometimes challenging, but they are available in Riga. It's not set in stone that we will only deal with digital issues in Riga, but currently, we are experimenting specifically with them, entrusting these tasks to specialists whom we couldn't find in Hungary. Currently, 40 are working in Riga, and it's great that in just a few months, we were able to find the talents we needed here.

Regarding the location selection, we had a very long list of potential cities including Tallinn, Sofia, Cairo, and others. On the one hand, we were looking for a place where business service providers are already established. On the other hand, we sought a location where the business service industry was emerging but not yet highly developed, to ensure a wider availability of the talents we need. For this reason, we decided against Estonia and Lithuania where the business service industry is already well-established. In Lithuania, there are already business service providers, and there we would have to compete for talents, creating a situation similar to Budapest. Riga turned out to be the most suitable location – here, we found the talents we were looking for.

What functions are provided by Roche Services & Solutions Riga, and which regions are serviced from Riga?

Roche Services & Solutions, whose office has recently opened in Riga, provides comprehensive business services to its extensive parent company and its affiliates worldwide. Previously, these functions, including finance and HR, were dispersed across each country where Roche operates. However, it was subsequently recognized that organizing these services into strategic locations would significantly enhance the company's efficiency by streamlining processes and eliminating redundant steps that hinder such optimal operations.

For example, the Budapest office handles invoices and prepares financial statements for various Roche units operating in different countries. In the Riga office, the aim is to create services intended for the entire world our teams work in global teams, providing services for the EMEA region and beyond. Besides financial and HR functions, Roche Services & Solutions now offers additional services such as generating content and graphic design for Roche websites and digital campaigns. Over the past year, we have accomplished a lot of work, and established an engaged, fun team in Riga. Working for Roche Services & Solutions in Riga may open up opportunities for our colleagues for international career growth. They can participate in truly global projects not only in Europe but also in Asia and America. In Riga, we are still very new, but in Budapest, it is not uncommon for people to find new career opportunities, for example, in Basel, where our central office is located.

What are the future development plans?

Realistically, by 2028, we plan to grow our workforce to 200-250 people. Riga has the potential to exceed this number of employees. And when the office is so large, it is difficult and impractical to grow our operations in only one direction. The scope of tasks performed in Riga will definitely expand.

There is a lot of demand for our services within Roche, so I am confident that both offices in Budapest and Riga will provide enough work for every colleague.

6 MATURING LATVIAN GBSS UNDERLINES GOOD INVESTMENT POTENTIAL IN THE SECTOR

POLINA NAZAROVA
Baltic Head Of Administration,
Deloitte

ELINA PUTNINA
Tax Director,
Deloitte

Deloitte conducted its comprehensive study on the maturity of the Global Business Services (GBS) sector in the Central European (CE) region, which also includes Latvia. The primary objective of the report is to offer business services leaders an in-depth analysis of the current state of GBS adoption and maturity across the CE region. A total of 83 companies in the region participated in the survey, providing responses to 32 questions across four key dimensions: Strategy, Organization, Work Delivery Management, and Process & Technology.

Deloitte.

Chapter content preparation: **Deloitte**

According to the study, the maturity stages of the Global Business Services (GBS) sector were assessed using a scale ranging from 1 to 5. The scale represents the following stages: 1 – lagging, 2 – developing, 3 – performing, 4 – maturing, and 5 – leading. The average maturity score for the Central European (CE) region, including Latvia, was determined to be 3.4.

In the case of Latvia, the study found that 5 companies scored above the regional average, indicating a higher level of maturity in their GBS practices. Additionally, 4 companies scored slightly below the average, suggesting a relatively lower level of maturity compared to the regional average.

If we want to go in-depth into each dimension, first we would need to understand exactly what they mean. Strategy stands for the existence of GBS and center level vision and strategy in order to exploit emerging trends and increase value created. Work delivery management shows the structures in place focused in improving performance, customer satisfaction, service quality and cost efficiency. Organization dimension unravels effectiveness of the organization and the management to engage people, deliver competencies and foster a culture if customer centricity. Finally, processes and technology indicate key activities and technologies associated with managing processes, customer interactions and operations.

FIGURE 6.1
9 LATVIAN COMPANIES COMPARED TO THE CE REGIONAL AVERAGE

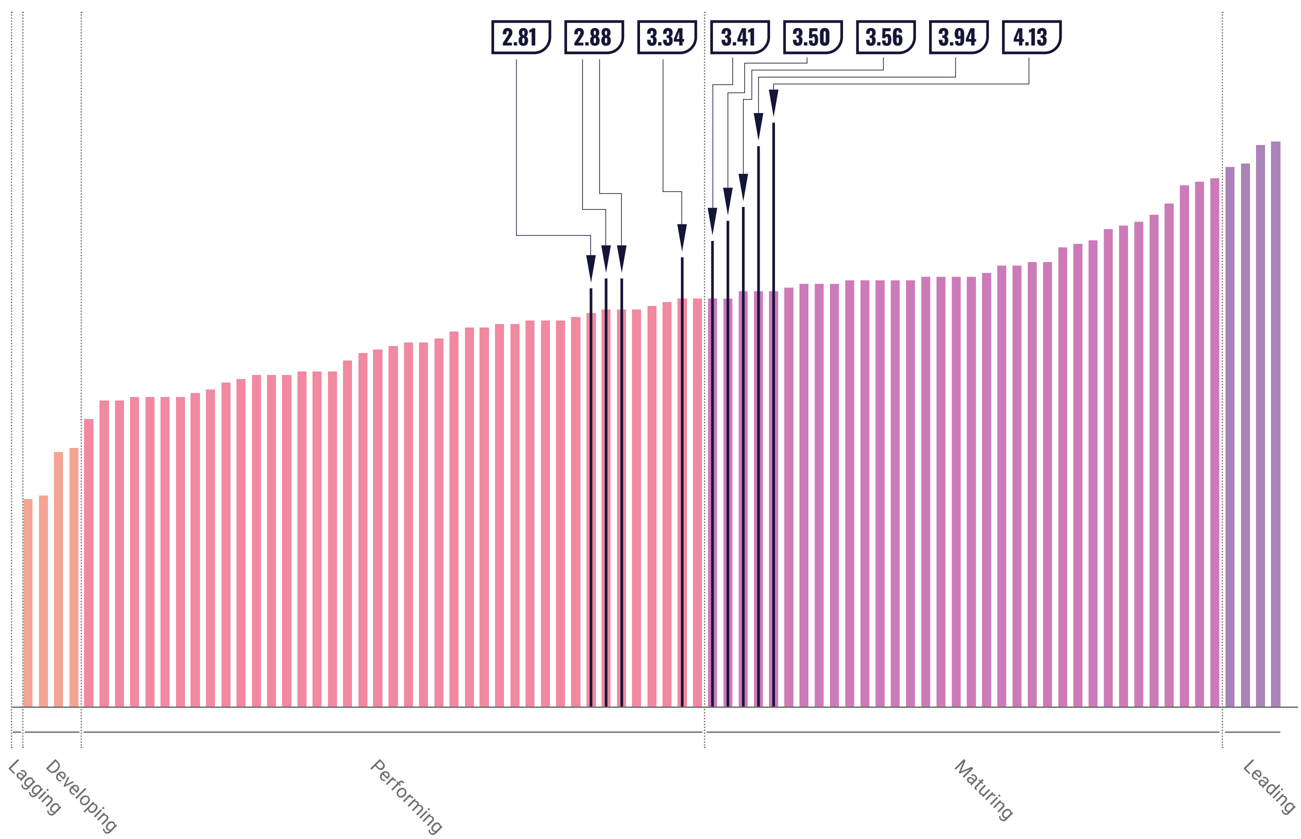
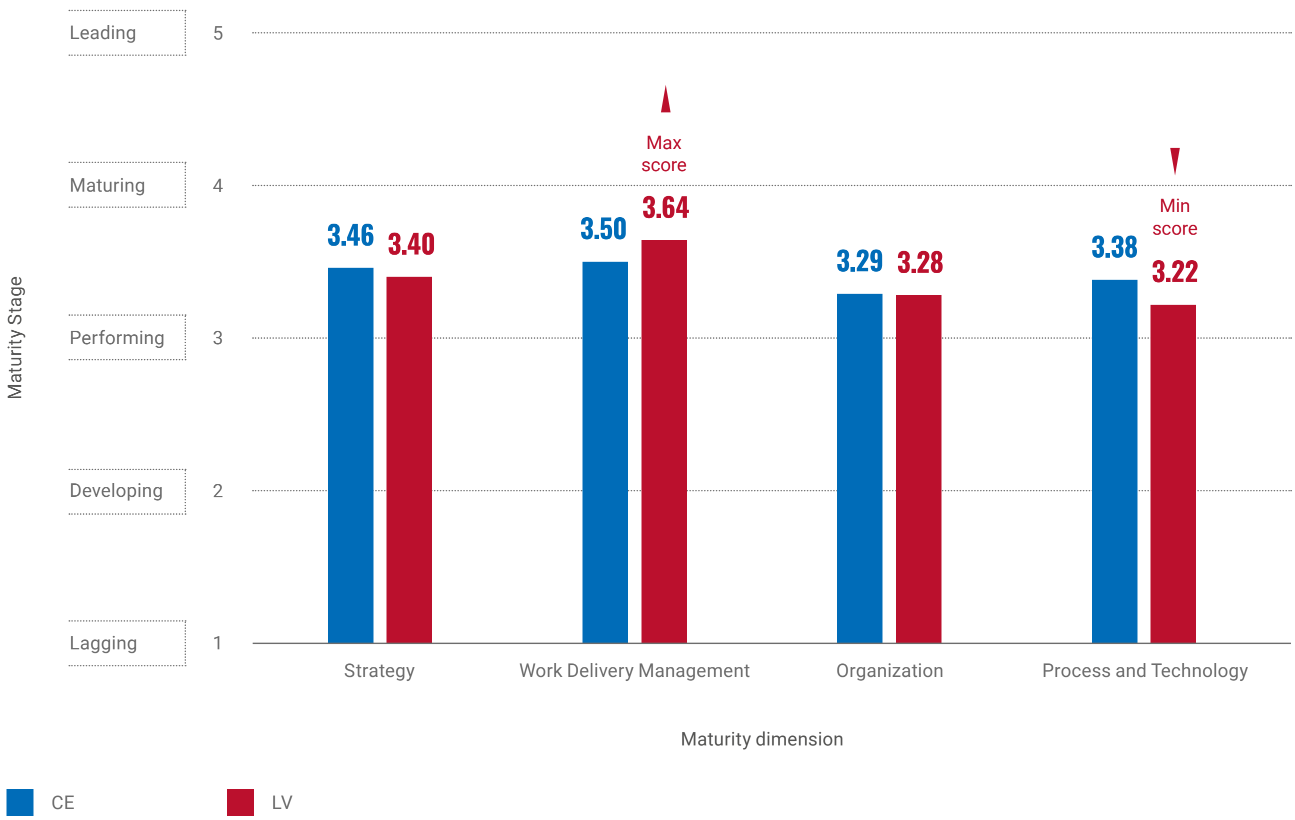


FIGURE 6.2

THE AVERAGE MATURITY LEVEL OF LATVIA IS HIGHER THAN THE CENTRAL EUROPEAN AVERAGE FOR WORK DELIVERY MANAGEMENT WHILE OTHER DIMENSIONS ARE SLIGHTLY BELOW CE AVERAGE



Based on the study, the average maturity level of Latvian Global Business Services (GBSs) is higher than the Central European average in the Work Delivery Management dimension. This indicates that Latvian GBSs have stronger structures in place to improve performance, customer satisfaction, service quality, and cost efficiency compared to the overall Central European region.

However, in the other dimensions (Strategy, Organization, and Process & Technology), Latvian GBSs scored slightly below the Central European average. This suggests that there may be room for improvement in these areas to align with the overall maturity levels observed in the Central European region.

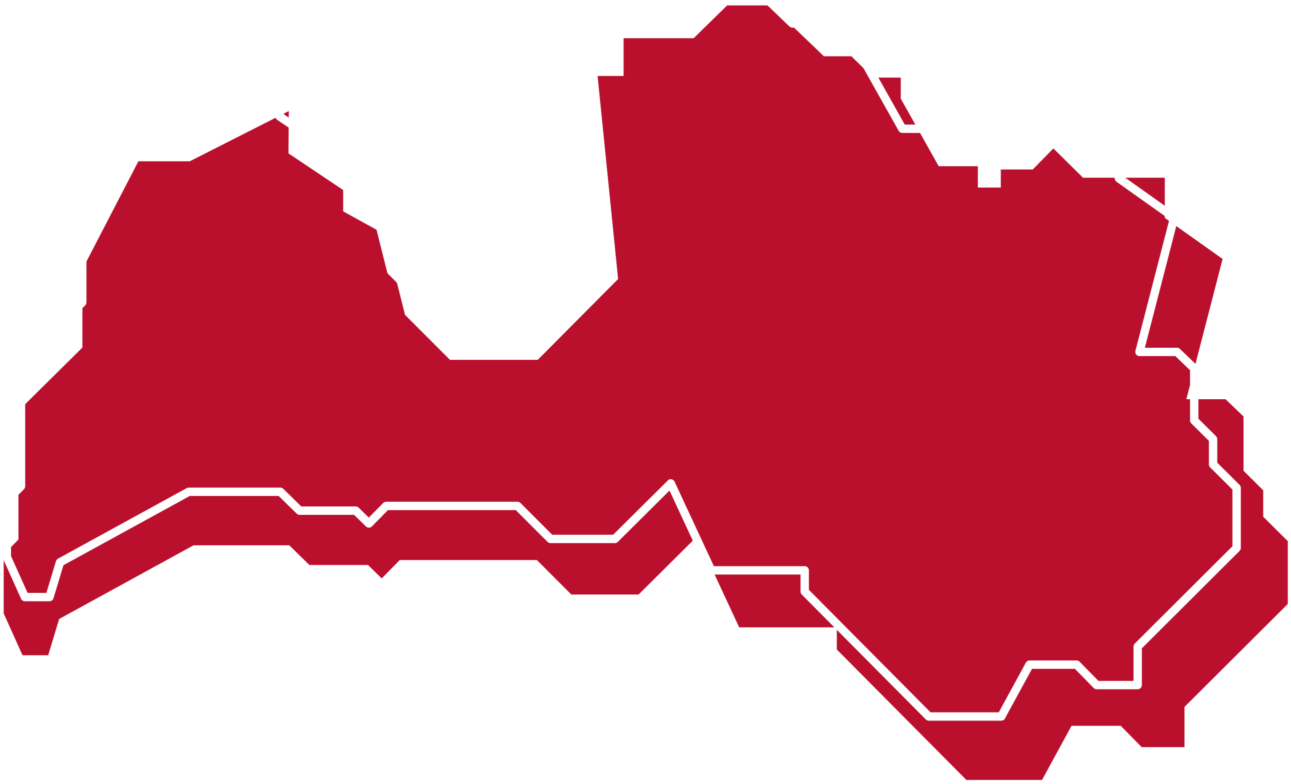
According to the study, within the Work Delivery Management dimension, Latvian Global Business Services (GBSs) have ranked particularly high in three main topics: Business Continuity Plans, Performance Management Approach, and Internal Customer Analytics.

Based on the results of your survey, it is evident that majority of Global Business Services (GBS) organizations are operating at a performing or maturing level. This indicates that these centers are progressing towards offering high value-add services and evolving into the core Center Office of their respective companies. This shift signifies a departure from the traditional transactional nature of service centers. Instead, GBS organizations are moving towards establishing strategic business partnerships with their organizations. This implies that they are actively contributing to the strategic goals and objectives of the company, rather than solely focusing on transactional activities.

From a people perspective, the presence of business service centers has nurtured an entire generation of professionals who have gained specialized industry knowledge. This expertise is crucial for the continued evolution of existing business service centers in our region, as well as the establishment of new ones.

Professionals within GBS organizations possess the necessary professional know-how to drive further advancements in the industry. By embracing remote work solutions, GBS organizations are demonstrating their adaptability and agility in response to changing work environments.

Overall, GBS organizations are leading the way in terms of delivery efficiency and workforce diversification. Their experiences and practices can serve as a guide for other companies looking to enhance their operations and adapt to evolving business landscapes.



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