



Latvia

Trends, Recent Developments, “Feeding in” and “Feeding out”

A Study of National Policies

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Summary

Upon the assessment of the overall quality of "Report on Progress in Implementation of the National Lisbon Programme of Latvia for 2005-2008" Latvia 2007 (hereinafter the Report) formulation, it must be pointed out that on the whole, the structure of the Report is based on recommendations provided in the 2006 Progress Report formulated by the European Commission for Latvia, however, the Report lacks specificity and assessment; likewise the described measures bear a very weak link with the description of problems and outcomes achieved to date as well as the required future action.

In most part the provided policy description is limited to general information about the existing policy planning documents and legal acts, without outlining specific topicalities, priorities of the reporting period, the results achieved by the implemented measures, their potential impact, the identified failings and the required changes.

Policy measures and policy descriptions are not considered from the "feeding out" perspective. Until now the economic growth of Latvia has not directly promoted social cohesion.

The achievement of goals identified by the Lisbon Programme in the area of employment policy has been presented very optimistically in the Report. Authors of the Report discuss lack of the workforce, so topical for Latvia, at a minimum level. The Report presents extensive information concerning active employment policies implemented by the State Employment Agency, however, it does not provide any assessment of their effectiveness, and neither does it present any analysis of the integration of the involved unemployed individuals into the labour market and changes in their employment status in the short term and in the medium term.

It must be pointed out that the Report practically does not provide any analysis of regional differences, mentioning only names of programmes and measures but without indicating their link to the addressing a specific problem in a region and/or the achievement of specific outcomes.

Policy measures in reconciliation of work and family life are narrowed only to construction of children's playgrounds, not taking into account other needs (part-time work; flexible working time; possibilities to work at home; accessibility of kindergartens or nannies' services etc.).

Taking into consideration trends in the aging of the population as well as the forecast decrease in the number of the employed in the long term, social security issues will be increasingly more relevant. The IRNRP fails to reveal explicitly links with the social security and social inclusion process.

In the IRNRP the active inclusion approach, although it has not been defined directly, is in part included in active employment policies for part of the social exclusion risk groups (long-term unemployed, ex-prisoners, addicts etc.), as well as in specific social and occupational rehabilitation programmes and measures for ensuring the accessibility of education for social exclusion risk groups.

A failing of the Report that should be mentioned, is the fact, the task identified in the second challenge to address the adverse effects of inflation on low and medium income groups is not resolved in a due manner. Taking into consideration the very high inflation growth rates in Latvia

and measures undertaken by the government to date, this task has become even more topical than in the preceding year.

1. Main points of Latvian IRNRP and addressing Lisbon recommendations and areas to watch

The National Reform Programme Latvia (NRP) can be characterized as a comprehensive program that encompasses the various policies implemented in the country – economic, fiscal, environment protection, social etc. for the achievement of the goals of the Lisbon Strategy. As defined in the NRP, priority actions of Latvia for reaching the Lisbon Strategy goals are:

- securing macroeconomic stability;
- stimulating knowledge and innovation;
- developing favourable and attractive environment for investment and work;
- fostering employment;
- improving education and skills.

The following three main directions of activity can be outlined in the area of employment: 1) support to the promotion of employment, in particular emphasizing the training and retraining of the unemployed; 2) the strengthening of the capacity of institutions involved in implementing the labour market policy; 3) support activities for employers and employees.

The first and the third set of activities are most explicitly focused on social exclusion risk groups (unemployed youth, long-term unemployed, the disabled, individuals after the child-care leave, the low-income population). The purpose of activities is to increase access to employment, to improve the material situation of these groups by increasing their incomes. Integration of as many people as possible into the labour market is important as labour supply is shrinking and businesses compete for workers.

Only one of measures planned in the economic area can be referred to social exclusion risk groups – the raising of the monthly non-taxable minimum amount and the relief for dependents. Other measures in this area are more focused on ensuring the stability of the macroeconomic environment, the development of research and innovations which have an indirect link with the improvement of the situation of social exclusion risk groups.

Alongside with general measures planned in the area of education and training, special measures, focused on social exclusion risk groups are: 1) the improvement of professional career development and professional education services; 2) the improvement of professional rehabilitation services; 3) the availability of ICT services at schools, public and municipal institutions, in particular emphasizing regions.

Measures planned in the area of health, like the development of the emergency medical health care services, the optimization of health care services, in their essence, are not linked directly with the improvement of the employment of social exclusion risk groups.

Measures related to reconciliation of work and family life are more focused on risk groups; highlight the significant lack on child care services. The implementation report lists such measures as the development of out-of-family child care services, i.e., play centres and development centres as well as the education of social workers

In the 2006 Progress Report¹ formulated by the European Commission for Latvia it is recommended that Latvia:

- maintain economic and budgetary sustainability by pursuing a more restrictive fiscal policy, so as to contribute to the prevention of overheating and a careful prioritisation of expenditure;
- make a faster progress in the implementation of the research and innovation policy reforms, in order to meet effectively the ambitious targets set out in its National Reform Programme. This concerns especially policies to stimulate partnerships between the research and education institutions and businesses;
- intensify efforts to increase labour supply and productivity by improving regional mobility, enhancing the responsiveness of education and training systems to labour market needs and putting in place a life long learning system.

The 2006 Annual Progress Report also define for Latvia “points to watch” -, it will be important for Latvia over the period of the National Reform Programme to focus on faster progress on establishing a single contact point for the administrative formalities involved in hiring the first employee; promoting entrepreneurship education; pursuing active labour market policies; and improving access to childcare.

Upon the assessment of the overall quality of the Report formulation, it must be pointed out that on the whole, the structure of “Implementation Report of the 2005-2008 National Reform Programme for Growth and Jobs” Latvia 2007 (IRNRP) is based on recommendations provided in the 2006 Progress Report formulated by the European Commission for Latvia. Although in a formal sense IRNRP (hereinafter the Report) is based on recommendations, it is still more oriented towards a general description.

The IRNRP is more focused on the description of planned and implemented measures that are directed towards the stabilisation of economy and the improvement of the fiscal policy. The enactment of the Inflation Reduction Plan and the beginning of its implementation as well as the commitment of the government to enact a deficit-free (balanced) budget for 2008, are listed as the most significant measures for the achievement of recommendations in the reporting period. A more detailed assessment of the said measures is presented in Chapter 2.

Although in a formal sense the INRP contains a comparatively large amount of information about the reaction of the Latvian government concerning the implementation of the recommendation about the required action in R&D areas, it reflects the actually implemented policy as well as the achieved results to a very minimal extent, being mostly focused on measures planned for 2008 and the subsequent years. Indicators described in the Report for specific issues have been chosen selectively, thus the provided interpretation of data presents at times an incomplete and superficial description of the situation and does not always provide a correct description of the nature of changes. For example, information on the funding for R&D. The description of achievements of Latvia in achieving the goal specified in the Lisbon Programme – in 2010 to provide funding for research and development in the amount of 1.5% of GDP - only mentions the amount constituted by the public funding for this purpose and conditions prescribed by legislation.

¹ http://ec.europa.eu/growthandjobs/annual-report-1206_en.htm

There is no information on the overall indicator, thus it is not possible to evaluate the extent to which Latvia ensures the achievement of the above indicator.

It must be pointed out that measures undertaken for the implementation of the third recommendation are incomplete and in actual fact, they fail to address tasks identified in the recommendation. Actually the Report does not describe measures that should be undertaken for the promotion of the internal mobility, including the regional mobility of the population. It is not possible to speak of significant changes and achievements in implementing the life-long learning system in Latvia during the reporting period. The Report only mentions the drafting and enactment of policy planning documents. There is only a minimal link between needs of the social exclusion groups of the population, problems in the area of education and measures described in the Report.

In assessing the reaction of the government to the “points to watch” defined by the 2006 Annual Progress Report for Latvia, like in the case of the description of the implementation of recommendations, the focus of attention is on economic aspect, namely, measures undertaken for the establishment of a single contact point for the administrative formalities involved in hiring the first employee and for promoting entrepreneurship education. In its turn, the active labour market policy has been reduced to activities for the training and retraining of the unemployed and jobseekers. An insufficient analysis has been made of the “point to watch” regarding the improvement of the access to childcare. The construction of children's playgrounds has been described in the Report as an instrument for reconciling family and work life, although it has only an indirect impact on the possibilities of parents to integrate into the labour market. However, such a long-standing acute problem as the shortage of kindergartens has been raised only when mentioning the support of the EU Structural Funds during the 2007-2013 planning period.

2. Assessment of the implementation report from the perspective of social inclusion

2.1. The “feeding out” aspects

Promoting both social cohesion and economic growth

Although in the recent years the economy of Latvia has experienced a very dynamic development, and there is evidence of rapid GDP growth rates, still the macroeconomic policy that has been implemented has not stimulated the decline of poverty and social exclusion. According to data of the CBS the poverty risk is 19% in 2005.

In the Report policy measures and policy descriptions are not considered from the “feeding out” perspective. Until now the economic growth of Latvia has not directly promoted social cohesion.

In the Report the emphasis is laid on the description of economic growth indicators, and in several cases the description of achievements and the situation is too optimistic. Information and indicators used in the Report outline more the average trends, failing to reveal the essential differences by region and in respect of specific groups of the population, including the population exposed to the social exclusion risk.

As it is stressed in the research “Detailed Study of the Labour Force and the Labour market in Sectors of national Economy”, “The social and economic stratification in regions grows; it is revealed by the different dynamics of several indicators (GDP, investment, employment and unemployment, etc.) as well by increase in absolute values of the general development index for regions. Until now the process of establishing amalgamated municipalities has been too slow, therefore there are numerous economically and administratively underdeveloped municipalities in Latvia incapable of ensuring the performance of all local government functions.”²

In “The Report of Implementation progress of “The Single Strategy of National Economy” in year 2005”, authors came to the conclusion that the development and implementation of sectoral policies are not mutually coordinated and are not harmonised with the development priorities of planning regions. It is also stressed that the harmonised implementation of the state and EU regional development support instruments has not been ensured and that the range of local support instruments is limited.

In IRNRP Latvia as a very positive feature mentioned in the description of the economic situation in Latvia, is the high GDP growth rates that considerably reduce the lagging behind the older EU member states. Yet at the same time factors of the GDP growth – the high domestic demand and subsequently the high inflation – the negative impact on economy - have been analysed on a comparatively minimal scale. No mention is made at all of such an indicator as the per capita GDP that describes the living standards in a more precise manner and is much lower than the EU average.

At the same time the Report fails to discuss such a significant problem for Latvia as the threat of the overheating of economy and measures applied for the reduction of the given threat. These serious threats have been pointed out by international institutions as well as local experts; however, the attitude of the Latvian government can be evaluated as passive and its reaction as somewhat belated. I believe that authors of the Report should have reflected the opinion of the Latvian government and its reaction to the lowering of the long-term rating for Latvia by international credit rating agencies “Moody’s Investors Service”, “Fitch Ratings”, “Standard & Poor’s”. Likewise the Report does not provide any explanation why the issue about the necessity of implementing anti-inflation reduction measures, which has been debated for more than a year, has been actualised by the government so late in the day. The inflation reduction plan was formulated already in 2006, taking into consideration the high inflation growth over a period of several years, however, it was approved only at the beginning of 2007 and, in actual fact, its implementation was started only in the summer of 2007.

Inflation reduction measures, undertaken by the government, have generated extensive debate in the general public and in the mass media. Not all measures are assessed as adequate and appropriate. The intention of the government to freeze salaries in the public sector, including salaries for educational workers, medical workers and employees of public agencies, resulted in the most vehement objections from the trade unions. Without denying the necessity of such a measure and its potentially positive impact on the reduction of public spending, still it must be pointed out that in most part it will be employees with low and medium incomes who will be most painfully hit by the issue of freezing salaries. At any rate, no in-depth assessment has been made of the scale and necessity of other government expenditures.

I hold the opinion that inflation reduction measures have the most negative impact on the vulnerable groups in particular. On the whole, no compensation measures and targeted

² “Detailed Study of the Labour Force and the Labour market in Sectors of national Economy”, Riga, 2007, p.19

measures for social exclusion risk groups are identified alongside with the proposed inflation reduction solutions.

According to Household Survey data the consumption expenses in year 2006 of the most indigent 20% (1 quintile) of the households made up in average Ls 68 per one household member per month. From their income, those households spent 39% for food, and 12% for housing. The household expenses of 1st quintile made up 53% of the average expenditure level of all households. In 20% most indigent households reside about 25.5% of the whole number of persons belonging to households in the country. At the same time, slightly more than one-third (36%) of the total number of children in all households reside in households of 1st quintile. On the other hand, the consumer expenditures of 20% of the most prosperous (5. quintile) households per household member were Ls245, exceeding the average figure by 1.9 times. About 17.8% of the total household population of the country resides within this quintile.

The main consumption priority is expenditures for food (31%). A considerable share is being made up by expenditures for housing and utility services (12%), and transportation costs (12%). When comparing consumption expenses amongst different socio-economic groups, a conclusion might be drawn that the households of entrepreneurs and self-employed persons enjoy comparatively better living conditions, where expenditures for food constitute 22%, for housing and utility services – 8% and for transport – 16%. In wage earners households the respective expenditures were 29%, 12% and 12%. In their turn, in households of pensioners expenditures for food amounted to 43%, for housing and utility services – 19%, transport – 5%.

Like in the case of the preceding Report, also in the case of assessing the present Report, it is possible to draw the conclusion that the IRNRP is more focused on economic growth, to a certain extent, „sacrificing” the social cohesion aspect.

According to the statistical data, the biggest enterprises are concentrated in Riga and Pieriga region. Regarding connection between the income from work and uneven regional development, researchers of one of the labour market studies conclude, that the size of an enterprise affects positively the wage of employees within it. It has been observed that in larger enterprises there are higher wages than in small enterprises. In the public sector, the wage is lower than the wage in the private sector. In general, the wage in the statistical regions of Riga and the Pieriga is considerably higher than in other regions of Latvia.³

Ensuring an adequate income from work

It must be pointed out that ensuring an adequate income from work in the Report is reduced only to measures focused on raising the minimum wages and tax reliefs, while no special attention is paid to the most vulnerable groups. Information about ensuring an adequate income from work that has been provided in the present Report, does not at all discuss such a topical issue as the “working poor”.

It must be taken into account that for employees, in particular in the medium and higher income group, incomes have grown dynamically over the recent years, the increase in the income level for employees of these groups has been considerably more rapid than for those representatives of social exclusion risk groups whose income from salaried employment is low or for those who are outside the labour market and live on social transfers. The result is the growth of the poverty

³ “Wages and Impacting Factors”, Riga, 2006, p.4

risk which makes the achievement of the goal set by Latvia – to reduce the risk-at-poverty rate to 11% - unrealistic. It must be pointed out that in the Report on Implementation this set goal is not mentioned at all, neither is any analysis presented on problems in achieving the same goal.

Targeting job creation at vulnerable groups

The description of the average employment indicators presented in the Report reveals positive changes in the situation. Yet at the same time there is no analysis to what extent these positive changes are based on the growth of the workforce migration level and what changes are in evidence in employment indicators among groups of the population (including social exclusion groups) by region. A new social exclusion risk group has appeared in the context of the workforce migration – children whose parent or both parents have left to seek employment abroad. Although it has not been discussed in the Report, in 2006, the government reacted to the given problem by approving the Plan for the improvement of the situation of those children whose parents have gone to work abroad and for the restraining of the spreading of social exclusion.

Research data⁴ shows, that insufficient level of education to meet the demand of labour market, inability to adapt to new conditions, lack of knowledge and skills are the problems, which are faced by many people, including the groups of social risk. The groups, most often indicated during interviews as the groups of social risk, which have difficulty to enter the labour market, are people with low educational level, people at preretirement age, people who had been imprisoned, women after the maternity leave and youth. The experts emphasize that the problems in the labour market are related to the lack of secure and favourable working environment; there is no single system of information exchange (which would enable to identify, for example, the employers who had broken the law again and again and in different spheres); the integration of social exclusion risk groups into the labour market is not always purposefully oriented; there is no qualitative evaluation performed on the influence; there is no primary evaluation on the priorities and preventive measures to be taken. The institutions fight against the consequences, but the lack of co-operation does not enable to apply the preventive measures more efficiently.

IRNRP presents extensive information concerning active employment policies implemented by the Employment State Agency, however, it does not provide any assessment of their effectiveness, and neither does it present any analysis of the integration of the involved unemployed individuals into the labour market and changes in their employment status in the short term and in the medium term.

When assessing the aspect of the labour market offer presented in the Report, it must be pointed out that authors have restricted themselves to the listing of measures and programmes (the National Programme “Development of business activity in the territories regarding special assistance”, the survey of employers conducted by the ESA). There were ESF research studies undertaken for the assessment of this particular labour market aspect⁵, however, the Report fails to present the findings and recommendations of these research studies.

Although the Report describes measures aimed at integrating social exclusion groups of the population into the labour market (active employment policies), still there is no mention of the creation of new jobs outside the active employment policies (more specifically – subsidized work places).

⁴ “Specific Problems of the Labour Market in Latvia and its Regions”, Jelgava, 2007, p.60

⁵ Source of data: www.lm.gov.lv

Promoting active ageing

It must be pointed out that the health care policy, the housing policy have been discussed in the present Report in an exceedingly incomplete way. In actual fact, the information provided describes neither the current situation nor measures undertaken in specific sectors during the reporting period. The Report discusses mostly plans for future.

In the context of Lisbon Goals it would be of paramount importance to analyse the availability and quality of health care services, in particular, taking into consideration the aging of the population and in the context of active ageing. It must be noted that basic tasks of health care mentioned in the Report have not changed and have not lost their topicality already for at least 10 years. In order to assess the effectiveness of measures included in the Lisbon Programme and their impact on the achievement of Lisbon Goals, it would be necessary to identify considerably more specific priorities for a definite time period and to outline specific tasks and indicators that were to be achieved during the given period.

The Report discusses active ageing aspects only in the description of active employment policies, more specifically – when providing information about new active employment policies implemented by the ESA during the reporting period. Besides, issues of active ageing are discussed in a very one-sided manner as the proposed solutions concern only the unemployed of the pre-retirement age. Although motivation mechanisms for a longer stay on the labour market have been incorporated into the pension system in Latvia, they are oriented towards employees while no thought is given to the motivation of employers to keep the employee in the labour market longer.

Still another factor stimulating active ageing that should be mentioned is the availability of life-long learning. It is not possible to speak of significant changes and achievements in implementing the life-long learning system in Latvia during the reporting period. The Report only mentions the drafting and enactment of policy planning documents. Although the Report contains a reference to the Recommendation of the European Commission for the implementation of a life-long learning system, still the Report fails to provide any assessment at all of the interest among employers and their involvement in providing life-long learning to employees.

It should be stressed that according to research data "Specific Problems of the Labour Market in Latvia and its Regions", speaking about to what extent employers are ready to support their employee studies and raising qualification, it has to be noted that only 43% of the employers plan resources for employee studies, but one third of the employers are not even going to invest in employee training. If the size of the enterprise does not significantly influence employer's readiness to participate in employee education, then the distribution of enterprises across the activity sector exhibits a clearly expressed tendency. Managers of state and municipality budget institutions not only are not only getting ready (9-12%) to invest in employee studies but are really planning (79-85%) such activities and are planning to include them in the budget. Whereas, in non-governmental and private organizations almost 1/3 of the employers are not even going to pay for employee education in the nearest future. Only 42.0% NGO managers and 37.3% private company managers have admitted that in their companies they really plan resources for employee education, but 26.8% and 33.7% employers respectively have admitted that resources are not planned and will not be allocated.⁶

⁶ "Specific Problems of the Labour Market in Latvia and its Regions", Jelgava, 2007, p. 76-77.

Assessing of education policy

There is only a minimal link between needs of the social exclusion groups of the population, problems in the area of education and measures described in the Report.

Although the information provided in the Report concerning measures aimed at improving the availability of education for social exclusion risk groups has not been expanded, still it gives a comparatively precise description of the main measures, the target groups of these measures and outcomes achieved during the reporting period.

It should be mentioned that such issue as education have not been discussed from the gender aspect.

Assessing of housing policy

Measures implemented within the frame of housing policy have not been, in actual fact, described. The information provided in the Report is focused on the description of required activities and projected measures during the planning period of structural funds for 2007-2013. The construction of social housing and other support measures for ensuring the availability of housing for social exclusion risk groups have not been described in the Report.

Reconciliation of work and family life

Gender equality issues have been discussed in the Report only in the context of active employment policies when describing measures focused on parents where the main target groups is women after the childcare leave.

But problems exist not only when parents (mostly women) are unemployed after child care leave. The research⁷ authors strongly suggest several policy measures:

- To support inclusion of women having small children into the labour market at the period of leave for child care by offering a possibility to attend training courses or professional courses in the form and time that is acceptable for them (for example, at the evenings or during holidays or as distance education).
- By collaborating with employers, to offer patents after their leave for childcare flexible work form, a particularity flexible timetable and full-time work that correspond to their needs and possibilities in the framework of subsidised employment measures.
- Half-time job is considered to be appropriate for almost half of women and about one fourth of men who are unemployed at the moment. At present, among men and women there is a high interest on the forms and models of work, such as flexible time-table, summarized working hours and distance work that allows prognosticating that they could be demanded in different branches and groups of professions.

Authors of the Report point out support to the construction of children's playgrounds as an issue that is also related to the gender equality issue. However, such a long-standing acute problem as

⁷ "Gender equality Aspects in the Labour Market", Riga, 2006, p. 6-7.

the shortage of kindergartens and other support forms for parents has been raised only when mentioning the support of the EU Structural Funds during the 2007-2013 planning period.

Researchers of the above mentioned study point out the necessity to favour measures that allow coordinate child breeding with employment by developing a net of different pre-school educational institutions, and to organize the system of babysitter service. To improve ways of looking after children near the working places of their parents and to favour availability of preschool education institutions or game and development centres. It is particularly important to create groups of small children or game groups aged till the age of 2 years and for children aged 2 – 3 years.

But not only the development of child care services is significant; accessibility of these services is of primary importance for families with low and even medium incomes. As the other study⁸ revealed - in majority of cases mothers in large families with many children do not have any salaried jobs. Even if the woman chose salaried employment – most probably, in financial terms she will not be capable of covering the costs of hiring a nanny. Childcare possibilities in kindergartens are also limited due to the waiting lists as well as in view of the required financial investments (a mother mentioned the „participation fee” of LVL 20 per month, which is a considerable sum for a large family with many children). However, if the women are employed, then they work in underpaid and unqualified jobs – for example, as maids, salesladies. This situation ensues, to a large extent, from the labour market structure in rural districts. In part it is also related to the fact that it is complicated to combine career development that requires much time and energy, with care for several children.

Addressing territorial differences and regional gaps

In addition to the above comments concerning the description of regional differences in the Report, it must be noted that the universal character of policy measures and the absence of the assessment of regional needs do not allow to assess territorial differences and thus also the potential impact of proposed measures on the reduction these differences and their topicality.

Assessment the impact on social protection system

In actual fact, the Report has not discussed the link between economic growth and the social security system. Information provided in the Report has not been updated, and measures that have been described, have been undergoing the implementation process already for several years. Taking into consideration trends in the aging of the population as well as the forecast decrease in the number of the employed in the long term, social security issues will be increasingly more relevant. The Report does not mention the fact that the government has rejected or postponed the review of solutions offered to date for the stabilisation of the social security system in future (the establishment of a reserve fund in the national social insurance special budget, the reduction of in-service pension schemes and their integration into the common system).

The description of policy measures presented in the Report is, in essence, focused on the improvement of the social security of the working population and is discussed more in the context of the financial sustainability of the social security system.

⁸ “Causes and Duration of Unemployment and Social Exclusion”, Riga, 2007

Thus the economic growth, measures aimed at raising employment, the promotion of business activities contribute more to the working population. Undeniably, the economic growth impacts on groups of the population who are not capable of work (children, pensioners etc.). As in Latvia the social security system is, in most part, based on the state social insurance contributions made by the individual, and the support provided within the frame of the system is proportional to the contribution of the individual, it is evident that the population who is incapable of work, gain much less than the population capable of work. Thus it may provide an explanation why, despite the economic growth, the poverty level continues to grow.

Data show that as a result of the implemented policy the greatest benefit is gained by people with high incomes and also by people with average incomes.

In view of the above, it is possible to assume that a successful implementation of the NRP would stimulate the development of Latvia; however its impact on Social Inclusion policies and the achievement of their objectives might be considerably less significant. The policy implemented until now as well as measures planned by the NRP have been more focused on the development of Latvia on the whole, mostly focusing on ensuring macroeconomic stability and the development of microeconomic policy, emphasizing the promotion of knowledge and innovations, competitiveness.

The IRNRP has failed to identify any objective that would be directly related to the reduction of social exclusion. Although active employment policies and measures in the area of education planned by the IRNP and the Social Exclusion Report duplicate themselves in part, there are no references to the mutual link between the two Reports.

Addressing the contribution on fiscal policies

The decision of the Latvian government to enact a deficit-free (balanced) budget for 2008 should be assessed positively. At the same time it must be pointed out that the current approach to deficit-free budget formulation and the insufficient involvement of social partners in the process of the draft budget formulation proves jeopardizes its enactment by the Saeima (Parliament).

The fiscal policy and taxation policy implemented in Latvia is, in essence, not focused on a differentiated approach according to the income level of the population. During the reporting period there have been no discussions raised about the possible change of approach to differentiate personal income tax payments. The said approach retains the situation that a higher tax burden is laid on recipients of low and average salaries.

2.2. The "feeding in" aspects

It must be pointed out that when comparing the IRNRP 2006 with the IRNRP 2007, it is possible to state that measures related to the social inclusion process for various social exclusion risk groups, have remained the same and that no new policy measures have been included in Annex 1. In the description of measures listed in Annex 1 the implementation stage of measures during the reporting period has been updated as well as the projected funding for specific measures in 2006 and 2007. The description provided in the Report does not indicate what new relevant measures have been implemented or what policy changes have been effected in relation to the social inclusion process.

Thus, like in the case of the analysis provided by the author of the Second Semester Report 2006, it can be maintained also in this case that the IRNRP fails to reveal explicitly links with the social security and social inclusion process.

In the sphere of social inclusion the NSR Latvia defines three priority policy objectives:

1. access to education and labour market services for children and youth at risk of poverty and social exclusion;
2. the accessibility of resources and services to families, in particular large and single-parent families;
3. the accessibility of resources and services for retired persons, in particular single pensioners.

The consistency of the NRP strategy with the SI/SP National Strategy Reports in part ensures the complementarity of planned activities in terms of target groups or the area of activity/ objective. In their turn, activities for reducing social exclusion partially overlap in both documents.

In some sectors and in the definitions of priority areas of action the mutual link of both processes is presented in a formal manner, however, no specific outcomes that are to be achieved (quantifiable targets and indicators) have been identified. On the other hand, pension reform has been accomplished and reform of health institutions is still underway, therefore the critical issues that remain are adequacy and access, especially for poor. Only the description of projected activities and the procedure of their implementation outline more clearly the link between the National Lisbon Programme, the Implementation Report (the list of measures in Annex 1) and SI/SP processes, for example, the raising of the retirement age threshold planned within the frame of activity 1.3, the implementation of active employment policies, planned within activity 3.1 and aimed at promotion the inclusion of the unemployed and employers into the labour market, the amplification of the accessibility of social and professional rehabilitation services, planned within the frame of activity 3.2 as well as the expansion of the accessibility of educational services for social exclusion risk groups planned within the frame of activities 3.5.2 and 3.6.5.

The key challenges that were identified for Latvia in the 2007 Joint Report on Social Protection and Social inclusion are:

- 1) to develop a coherent strategic approach to promoting social inclusion and breaking the cycle of deprivation, especially for families, including quantified targets, which take into account regional and gender dimensions;
- 2) to promote targeted active inclusion measures for the full range of vulnerable groups, by addressing the adverse effects of inflation on low and medium income groups and enhancing associated services and employment opportunities.

It must be pointed out that the IRNRP does not contain any explicit references to the challenges identified for Latvia in the 2007 Joint Report on social protection and social inclusion.

As it has already been stated in Section 1.1. of the present Report, the planned measures that are related to the challenge, do not, in most part, encompass regional and gender dimensions.

In the IRNRP the active inclusion approach, although it has not been defined directly, is in part included in active employment policies for part of the social exclusion risk groups (long-term unemployed, ex-prisoners, addicts etc.), as well as in specific social and occupational rehabilitation programmes and measures for ensuring the accessibility of education for social exclusion risk groups.

A failing of the Report that should be mentioned, is the fact, the task identified in the second challenge to address the adverse effects of inflation on low and medium income groups is not resolved in a due manner. Taking into consideration the very high inflation growth rates in Latvia and measures undertaken by the government to date, this task has become even more topical than in the preceding year.

Unfortunately, the Report fails to present any concrete examples of “feeding in” that can be highlighted as examples of good practice.

2.3. Aspects Related to Governance

Mechanisms have been established in Latvia that prescribe the participation of all parties involved in the planning and implementation of policies in the decision making process and in the implementation of policy measures. Alongside with this, mechanisms for the expression of the interests of involved parties are the National Tripartite Council, the Latvian Union of Local Governments and Cooperation Commissions of Planning Regions, the Council of the National Memorandum, which represents interests of the non-governmental sector as well as advisory councils of various levels.

The inclusion of parties involved in policy planning and implementation in the decision-making process is regulated by normative acts. Thus, in Latvia the problem does not lie in the absence of legal regulation but in its practical implementation.

Cooperation is influenced by several essential factors. Firstly, it is the political will of the involved parties, their desire and interest to cooperate. Another factor that should be mentioned is the capacity and resources of the involved parties.

The co-ordination of development of the Report was ensured by the *Supervisory Board of the Lisbon Strategy*⁹ as well as the *Advisory Working Group of the Lisbon Strategy*. The Board was established in August 2005 and its main tasks are to coordinate the development of the National Lisbon Programme of Latvia, involving public agencies, the Parliament, municipalities and social partners in the process as well as the monitoring of the procedure of implementing the National Lisbon Programme of Latvia and the information of the community about the implementation of tasks prescribed by the National Lisbon Programme of Latvia in the country.

⁹ The Board is chaired by the Ministry of Economy and it includes with the right to vote: the Minister of Finance, the Minister of Education and Science, the Minister of Welfare, the Minister of Regional Development and Local Government Affairs, the Minister of Transport, the Special Assignment Minister in electronic administration matters, the Chairman of the Parliamentary Committee on National Economy, Agrarian, Environmental and Regional Policy, the Chairman of the Parliamentary Committee on Education, Culture and Science, the Chairman of the Parliamentary Committee on Social and Labour Affairs, the President of the Latvia Employers' Confederation, the Chairman of the Brae Trade Union Association of Latvia, the Chairman of the Union of Local Governments of Latvia, the Chairman of the Trade Council and the Chairman of the Council of Small and Medium Enterprises and Crafts.

The Lisbon Programme Implementation mechanism for the monitoring of its execution encompasses representatives of practically all involved parties (except wider involvement of non-governmental organisations). In the formal sense the Report has given account of activities of both groups, however, it is not possible to assess the effectiveness of such a monitoring mechanism on the basis of the provided information as no assessment has been presented of the extent to which the work of these groups has influenced/may influence changes in the Programme, the planning of measures and funding etc. The fact that all measures are implemented in line with action of plans of sectoral ministries with an indication that they are to be implemented within the frame of the available state budget gives rise to certain concern about the actual impact of such a monitoring instrument.

In February 2007 the Ministry of Welfare issued a decree by which it established the Committee on Coordination of the Social Inclusion Policy. The Committee was established on the basis of the former Committee on Monitoring the Implementation of the National Action Plan for the Reduction of Poverty and Social Exclusion.

The above Committee includes representatives from almost all ministries, as well as representatives from regional development agencies, municipalities and non-governmental organizations, the Central Bureau of Statistics, the Standing Committee on Social and Labour Affairs at the Parliament, the State Police, Chief Order Police Board, as well as social partners. Meetings of the Committee will be held at least once in a quarter and extraordinary meetings will be held in case of necessity.

One of the problem that should be mentioned regarding governance, is a weak cooperation among these committees and groups which are responsible for monitoring and coordination of National Lisbon programme and social inclusion policy.

Such cooperation mechanisms that are in place in Latvia as the annual negotiations of the National Tripartite Council, the Latvian Union of Local Governments with the government might be those mechanisms that would work considerably more actively to ensure that the economic growth promotes the achievement of the OMC objectives. Until now the main attention has been focused on macroeconomic processes and issues of the economic growth, paying insufficient attention to addressing problems of poverty and social exclusion at the national, regional and local levels.

3. Key trends and recent developments in poverty and social exclusion

3.1. Situation analysis

Demographic changes

Data from the Central Statistical Bureau show that the number of Latvian population continued to decrease. At the beginning of 2007 it stood at 2 million 281 thousand, a drop of 13.3 thousand persons compared with the previous year. In 2006, the decline rate in the number of population was more significant compared with the previous year – 0.58% compared with 0.51% in 2005. The number of population due to natural movement (the number of deaths exceeding births) resulted in a population decrease of 10.8 thousand; excess of emigration over immigration resulted in a population drop of 2.5 thousand persons.

Table 1
Most important comparative demographic development indicators

	2000	2005	2006	2006 in per cent over 2005
Number of registered marriages	9211	12544	14616	116,5
Per 1000 population	3,9	5,45	6,39	117,2
Number of divorces	6134	6341	7249	114,3
Per 1000 population	2,6	2,76	3,17	114,9
Number of births	20248	21497	22264	103,6
Per 1000 population	8,5	9,34	9,73	104,2
Number of deaths	32205	32777	33098	101,0
Per 1000 population	13,6	14,25	14,47	101,5
Number of infant deaths	210	168	170	101,2
Per 1000 live born infants	10,4	7,8	7,6	97,4

In 2006, the number of newborn was 22.3 thousand, or by 767 children more than in 2005. The birth rate per 1000 residents increased by 4.2%. The number of births per 1000 residents – 9.7 children – was the highest indicator through the last 13 years.

Economic situation

The development of Latvian economy in the course of the last few years has been very dynamic. Since 1999, the Latvian GDP growth in comparable prices has been 7.2% on average (per year). In 2003 the GDP growth equalled 7.5% in 2004 – 8.5 %, in 2005 – 10.2%. Compared to the previous year, GDP in 2006 increased even higher - by 11.9%.

Although the rapid economic growth rates are always emphasized as an indicator of achievement, however, already in the course of several years national as well as international specialists in economics and finance warn the Latvian government about serious threats of the overheating in national economy. Upon assessing the economic development processes in the context of inflation growth, the government should focus particular attention on the implementation of such policy measures that would enable to evade a rapid cooling- off of economy and would protect the population against the economic crisis in future.

As in the previous year, the growth rate was largely due to the high domestic demand. The uneven regional development must be noted when speaking about economic growth.

Since 2004, Latvia showed the highest inflation rate among the EU Member States. The inflation rate in Latvia in the year 2006 was 6.6% (2005 – 6.9%). Like in the previous years, the price rise of food products and dwelling maintenance-related goods and services had the greatest impact on the consumer price increase in 2006. There were price increases during the year for heating, gas, solid fuel, waste collection, water supply, sewerage services and electricity. Prices for nearly all food products continued to go up, especially prices for vegetables, bread, grain mill products, cooking oil and fats, milk products, eggs, fruit, fresh meat and non-alcoholic beverages.

It is disturbing that the inflation rate has not declined and in October, 2007, it had reached already 13.2%.

Taking in consideration that expenses for food in 1st and 2nd quintile households exceeds 35-40% from the total household budget; the inflation growth had a particularly negative effect on low and average income groups. The rapid inflation growth in the above-mentioned essential positions is threatening and has a particularly negative effect on groups at risk of social exclusion, for instance, on retired persons, families with children, the unemployed and others.

Employment and unemployment

According to EUROSTAT data, the employment rate in 2006 was 66.3% of the total number of population (aged 15-64 years). Compared to the previous years, the employment rate continued to increase (2005 – 63.3%, 2004 – 62.3%). The male employment rate was by 8% higher than the female employment rate, 70.4% and 62.4%, respectively.

Employment- unemployment also shows regional disparities, mostly due to insufficient job creation and skills mismatches. The research also points to an interesting fact that internal migration mostly takes place within the borders of a region (only Riga direction being an exception).

The low salaries and limited employment opportunities are among those factors that facilitate the outflow of the Latvian workforce abroad. However, according to the findings of the study¹⁰, remuneration for work is the main, however, not the only reason. Not infrequently the decision to seek employment outside Latvia has been under the influence of a combination of several factors: low incomes, problems in private, professional life, bad living conditions, lack of opportunities, weak support networks at the national, municipal level, at the level of the family and friends; as well as because Latvian residents are not offered a comprehensive vision of the national development; subsequently there is no conviction that the quality of life in Latvia will improve. Study conducted by researchers from University of Latvia¹¹, concluded that by 2010, between 10,000 and 16,000 people might emigrate each year, thus totalling 50,000 to 80,000 emigrants during that period.

The unemployment rate in Latvia continues to decrease (2006 – 6.8%; 2005 – 8.9%; 2004 – 10.4%; 2003 – 10.5%, 2002 – 12.2%). Men unemployment rate is higher than for women (7.4% and 6.2% in 2006).

Decrease in unemployment could be explained not only by the effectiveness of active labour market measures and economic growth, but is also very much due to labour emigration.

The proportion of persons in long-term unemployment in the economically active population has decreased from 7.9% in 2000 to 2.5% in 2006. Regional disparities and the main trends have remained practically unchanged – the highest long-term unemployment rate was observed in Latgale.

¹⁰ Indāns I, Lulle A., Laizāne-Jurkāne M., Znotiņa L., „Latvija un brīva darbaspēka kustība: Īrijas piemērs”, 2005.gada novembris-2006.gada janvāris

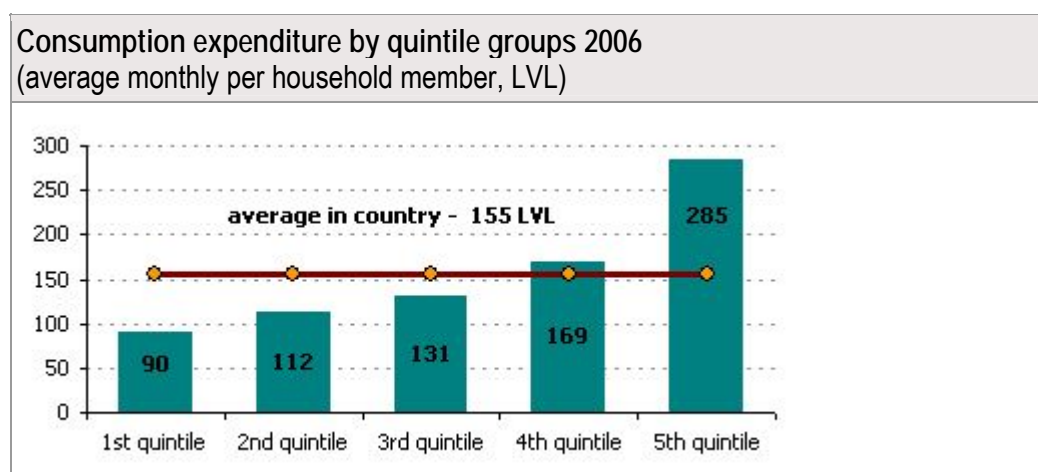
¹¹ “The Geographic Mobility of the Labour Force”, Riga, 2007, p. 16

Income and poverty indicators

In Latvia under the risk of poverty are 19% of population, according to data of CSB survey on population income and life conditions (EU-SILC survey 2005). Women have higher risk of poverty than men (20% and 18% accordingly).

The provisional Household Survey data on private households' consumption expenditures in 2006 show, that the average consumption expenditure in the 20% of the poorest (1st quintile) households constituted 90 LVL per one household member monthly (see table 2). These households spent 35% on food, but on housing – 13% of their consumption expenditure. The consumption expenditure of 1st quintile households comprised 58% of the average household consumption expenditure level. 23.7% of the total country population living in households lives in 20% of the poorest households. One third (34%) of the total number children number in living in households lives in households of the 1st quintile.

Table 2



Data source: CSB

At-risk-of poverty rate in single parent families with one or more dependent children was 31% in 2005. The risk of poverty for families with three and more dependent children in 2005 was even higher – 39%. Of the pensioner total number 24% are under this risk. For single pensioners who reached age of 65 and older this risk is considerably higher- from the total number 45% of them are under this risk. Main reasons of so high risk of poverty should be mentioned the high rate of inflation and the low incomes in these families.

Main trends and problems:

- Like in the majority of EU member states the demographic situation of Latvia is characterized by a low birth rate and a rapid ageing of the society. Trends in the demographic development testify that the low birth rate in Latvia will result in a considerable decrease in the workforce resources in future.
- Although in the recent years the economy of Latvia has experienced a dynamic development, there is evidence of rapid GDP growth rates, still the macroeconomic policy that has been implemented, has not stimulated the decrease of poverty and social exclusion.
- Taking into consideration the high inflation rate that has persisted in the course of several years, particular attention in the social inclusion policy should be focused on diminishing the negative impact of inflation on the most vulnerable groups.
- Latvia is also characterized by very pronounced regional and urban/rural differences, thus regional differences can be observed also in the labour market.
- Lack of the workforce can be felt; the problem is aggravated by the outflow of the workforce abroad, mostly to Western Europe.

3.2. Changes in political framework

During the period from October 2006 till November 2007 no significant changes have appeared in the social inclusion policy in Latvia. Upon the assessment of the political changes in the country in general during the reporting period, it must be noted, that there is evidence of an emerging ever-increasing dissatisfaction of the society and social partners (in particular trade unions) with the work of the government and the non-transparent decision-making process. The situation was further aggravated issues related to the prevention of corruption in the country as well as the insufficient involvement of social partners in the formulation and discussion of the draft national budget. The most topical issue on the political agenda during the recent weeks has been the eventual resignation of the government. It is also one of the factors that do not promote the development of any new and significant political initiatives in the area of social inclusion.

During the present reporting period the most topical issues on the political agenda and new policy initiatives have been related to problems of stabilizing national economy, the formulation and implementation of the plan of inflation reduction measures as well as the re-opening of the discussion about the implementation of mandatory health insurance.

Part of initiatives implemented in the social policy area in their essence are focused on the reduction of consequences incurred by the growth of inflation for the socially vulnerable groups of the population, for example, the raising of state social benefit amounts, the raising of the minimum wages, the raising of the non-taxable minimum etc.

In order to improve the situation of the population exposed to the social exclusion risk, in the autumn of 2007 an inter-departmental work groups under the guidance of the Ministry of Welfare drafted a concept for the improvement of a uniform relief system for taxes, duties and fees and

other payments. At present the draft concept is undergoing the coordination phase, thus, it is still too early to speak about specific measures.

Although the government has approved the increase in the material support for specific social exclusion risk groups, still, taking into consideration the current national budget formulation policy and the crisis in the government during the enactment of the draft budget, there is no guarantee for the implementation of these initiatives. The problem is aggravated also by the fact that government plans to freeze salaries or to lower the promised wage growth rates concern such sectors as education, health and social care, security (teachers, medical workers, policemen, firemen etc.) where the salaries are already low.

3.3. Challenges identified for Latvia in the 2007 Joint Report on Social Protection and Social inclusion and progress made

The key challenges that were identified for Latvia in the 2007 Joint Report on Social Protection and Social inclusion are:

1. To develop a coherent strategic approach to promoting social inclusion and breaking the cycle of deprivation, especially for families, including quantified targets, which take into account regional and gender dimensions;
2. To promote targeted active inclusion measures for the full range of vulnerable groups, by addressing the adverse effects of inflation on low and medium income groups and enhancing associated services and employment opportunities.

Until now it has not been possible to speak about a progress in addressing the identified challenges as the policy in the area of reducing social exclusion and poverty has been characterised, in actual fact, by measures undertaken by specific ministries and institutions/organisations within the frame of specific sectors, but not as a set of targeted and comprehensive measures for the resolution of specific problems. Likewise, until now the identified challenge - breaking the cycle of deprivation – has not been earmarked as a political task in the politics of Latvia. This aspect has been mostly analysed in the context of assessing research and policy programmes. A failing that should be mentioned is the fact that policy measures identified in the area of reducing social exclusion and poverty have a universal character and they fail to take into account regional and gender dimensions.

Active inclusion measures are more focused on the short-term solution of problems however; there is no systemic approach to a complex resolution of problems. In the current policies the active inclusion approach is only partly included in active employment policies for part of the social exclusion risk groups (long-term unemployed, ex-prisoners, addicts etc.), as well as in specific social and occupational rehabilitation programmes and measures for ensuring the accessibility of education for social exclusion risk groups.

A failing of the implemented policy that should be mentioned, is the fact, the task identified in the second challenge to address the adverse effects of inflation on low and medium income groups is not resolved in a due manner. Taking into consideration the very high inflation growth rates in Latvia and measures undertaken by the government to date, this task has become even more topical than in the preceding year.

3.4. New challenges and policy development

Already in the coming period the challenge faced by the government, will be the reduction of the threats of economic overheating as well as the reduction of the negative impact caused by the inflation rate growth and the inflation itself on the low-income population.

A positive development is the fact that in September 2007, after the administrative spatial reform process that lasted for almost 15 years, a decision was taken on the final deadline of the reform in 2009 and the administrative territorial division. The prolonged hesitation in decision-taking by local governments as well as by politicians has created a lot of uncertainties and a feeling of insecurity among the population about possibilities of receiving services, as far as possible, closer to their place of residence. As this is a politically sensitive issue and it does not always correspond to interests of each specific local government, more attention should be paid to the information of the population about the progress and results of the administrative territorial reform.

In the process of assessing the policy implemented by the Latvian government in reducing social exclusion and poverty during the preceding years, criticisms of experts from international organisations as well as local specialists were directed at lack of life-long learning policy. Therefore, the Basic Guidelines of Life-long Learning Policy for 2007-2013, approved in 2007, may be considered to be a significant step towards the establishment of a life-long learning system in Latvia.

Guidelines for Life-long Learning for 2007-2013 lists the accessibility of education and life-long learning as one of the priority areas for social exclusion risk groups, in particular emphasizing flexibility in providing a second chance of acquiring education in line with needs. A significant support of the EU Structural Funds for the period of 2007-2013 has been projected for this particular area of activity within the frame of 1. Action Programme "Human Resources and Education". The most essential factor for a successful resolution of the problem will be the achievement of the identified objectives and tasks.

In order to promote of the improvement of the situation of the disabled and individuals under the risk of disability, during 2006 and 2007 the Ministry of Welfare in cooperation with involved institutions has worked on the formulation of a draft Law on Disability. One of the innovations of the draft Law is preventive work to prevent, as much as possible, the risk of people becoming disabled. It means that additional complex rehabilitation services, financed by the state, will be available also for people under the risk of disability.

One of the most significant projected innovations is the introduction of the service of an assistant for the disabled with severe functional disorders, who will be free-of-charge for the persons with disabilities. Thus it would significantly alleviate the daily life of those disabled individuals who do not live in long-term social care institutions. It is planned that state-paid social rehabilitation will be provided to whose families whose child has been diagnosed a disability for the first time. In order to help families to reconcile with the new situation, they would be able to receive paid consultations and support of psychologists and social workers.

Measures provided by the Law will be introduced gradually. The new draft Law is being coordinated with the involved parties and the government and the Saeima (Parliament) are still to take a decision on it.

From the social exclusion point of view, the increase in the benefit amount for the care of a disabled child from LVL 50 to LVL 150 should be viewed as a positive achievement. The necessity of raising this material support has been discussed in Latvia already for a longer period of time, emphasizing that the current benefit amount does not allow parents of the child to hire a carer or buy care services, thus denying these parents themselves the possibility of participating in the social and economic life.

In the autumn of 2007 the government took the decision to raise the minimum salary from LVL 120 in 2006 to LVL 160 in 2007 as of 1 January 2008, raising respectively the non-taxable minimum from LVL 50 to LVL 80 and tax reliefs for dependants from LVL 35 to LVL 56.

Several proposals expressed by the Ministry of Welfare for the improvement of the state social insurance system are focused on reducing dishonest practices in using social insurance services and on increasing the link between the receipt of services and the amount and the length of the period of social insurance contribution payments. The duration of unemployment benefit will be reduced to 4 months for those who have been contributing for less than 10 years. Alongside with the above solutions proposed concerning are focused on the stabilisation of the social insurance budget, providing a stricter procedure for declaring social insurance contribution payments; preventing possibilities of simultaneously receiving in-service pensions and unemployment benefits.

No unambiguous assessment can be given to Amendments to the Law on Insurance against Unemployment, approved by the Cabinet of Ministers, that provide that the length of the payment of the unemployment benefit is to be linked with the length of the social insurance period. Although in the formal sense the necessity of such amendments has been justified by the availability of active employment policies for the unemployed, still the proposed solution fails to consider the problem in a more extensive context. On the one hand, such a proposal is, undeniably, directed towards reducing the number of cases when unemployment benefits are used dishonestly and towards promoting the interest of the unemployed in returning to the labour market sooner. However, on the other hand, such an initiative generates the risk that problems in the area of social insurance are transferred to the area of social assistance due to several considerations. Firstly, it is influenced by the restricted employment opportunities in specific regions or local governments (for example, in Latgale). Secondly, no measures are planned in this context for the promotion of the internal mobility of the population and the promotion of the availability of housing. An additional risk that should be mentioned is the fact that people whose social insurance period is not long, may seek employment opportunities abroad or concentrate in the capital of Latvia, thus increasing the already existing regional disproportions. The new initiative will have also adverse effect on youth situation, although youth unemployment is high, if compared to total unemployment rate. The youth already are facing certain barriers due to lack of experience and it is unrealistic that within 4 months they would be able to increase their skills and knowledge necessary for getting jobs.

Amendments to the Law on Maternity and Sickness Insurance provide the revocation of the maximum amount of the childcare benefit, transferring the financing of the benefit from the central government basic budget to the special social insurance budget.

Currently all the above proposals have been submitted to the Saeima (Parliament) for review.

Focusing on a problem that has become all the more topical for Latvia during the recent period – shortage of the labour force and the migration of the local labour force to other EU member states

in search of employment, the government has been working on a concept about the migration policy in the employment context. The concept proposes to facilitate conditions and criteria for the attraction of the labour force from third countries as solutions for the improvement of the situation. However, a failing of this solution that should be mentioned, is that employers will lose the motivation to improve productivity, to improve the working conditions and the system of social guarantees. Experts point out also the potential negative impact on the development of the local labour market as employers will be more ready to use the labour force from the third countries, besides it will be necessary to invest funds in the integration of guest workers and the return of inhabitants who have emigrated from Latvia, will not be encouraged.

The migration of the labour force abroad has given rise to a new problem in Latvia – children whose parents have gone abroad and who have been left without parental oversight. In order to find solutions for this problem, a Plan for the improvement of the situation of those children whose parents have gone abroad and for the restricting of the spreading of social exclusion was formulated and approved for the period of 2006-2009. The lines of activities in the given Plan are as follows: a) the improvement of the cooperation of involved institutions; b) the provision of education; c) the improvement of employment possibilities for parents in Latvia; d) the provision of increased support to families and children in crisis situations.

It is possible also speak about certain positive changes in the attitude and increased interest of the monitoring committee in issues related to social exclusion.

In February 2007 the Ministry of Welfare issued a decree by which it established the Committee on Coordination of the Social Inclusion Policy. The Committee was established on the basis of the former Committee on Monitoring the Implementation of the National Action Plan for the Reduction of Poverty and Social Exclusion.

The Ministry of Welfare undertook a survey of members of the former Committee and after the summary of the results of the survey it was concluded that Committee members would like to receive more information about various examples of good practice in the area of social inclusion in Latvia as well as in other EU member states. Likewise there was interest expressed about poverty and social exclusion indicators, studies undertaken in Latvia and in the EU in the area of social inclusion as well as the exclusion situation in Latvia and EU member states etc. Thus, taking into considerations wishes and interests of the involved parties, the new Committee will attempt, within its operational framework, to cover all issues of interest, devoting also more time to mutual discussions.

The above Committee includes representatives from almost all ministries, as well as representatives from regional development agencies, municipalities and non-governmental organizations, the Central Bureau of Statistics, the Standing Committee on Social and Labour Affairs at the Parliament, the State Police, Chief Order Police Board, as well as social partners. Meetings of the Committee are held at least once in a quarter and extraordinary meetings will be held in case of necessity.

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