



Latvia

Minimum Income Schemes

A Study of National Policies

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Content

Executive Summary	3
1. Description of the institutional design of minimum income schemes	5
1.1 Eligibility conditions of minimum income schemes	5
1.2 Link with other social benefits.....	6
1.3 Amounts of benefits.....	8
1.4 Time duration.....	10
1.5 Conditionality rules attached to minimum income schemes	11
1.6 Governance arrangements.....	13
2. Assessment of minimum income schemes	14
2.1 Coverage and take-up	14
2.2 Adequacy of minimum income schemes	17
2.3 Effectiveness of minimum income schemes	20
3. Link between minimum income schemes and other two pillars of the active inclusion strategy	23
3.1 Support to MI recipients in terms of employment and training	23
3.2 Support to MI schemes in terms of access to quality services.....	25

Executive Summary

Only one social assistance benefit which is allocated on the basis of the assessment of the incomes of the population and where the payment has been prescribed as a mandatory responsibility of municipalities corresponds to the common characteristics of minimum income schemes: it is the guaranteed minimum income benefit (hereinafter – the GMI benefit). GMI benefit payments started in 2003, replacing the earlier local governments scheme for poor population. The purpose of the implementation of the GMI benefit was to optimise the municipal social assistance benefit system and to provide assistance to the poorest of the population.

Eligibility for the receipt of the GMI benefit is assessed, taking into consideration the income level of the individual. No restrictions exist for the receipt of the benefit on the grounds of the citizenship status, age, the status on the labour market or other factors. There are no different minimum income schemes for different target groups in Latvia. According to legal acts/legislation the GMI benefit is granted for the duration of the period while the family (person) has been granted the status of a poor family (person), but for a period not exceeding three months. After the expiry of the said period the family (person) may repeatedly submit an application for the benefit. The total period of the payment of the GMI benefit until now could not exceed nine months in a calendar year. Amendments were made in the Law on Social Services and Social Assistance and since 1st July 2009 these restrictions were abolished.

Alongside with the GMI benefit, the housing (apartment) benefit and a benefit for emergency situations (municipal benefits stipulated by law) it is possible to receive also other social assistance benefits established by the municipalities and not always based on income assessment.

The GMI benefit amount established at the national level is not differentiated by type of household or group of the population. However, local governments may differentiate the benefit amount for various categories of the population in their binding regulations. The GMI benefit amount is calculated as a difference between the guaranteed minimum income level for each family member (as established by the Cabinet of Ministers) and the total income of a poor family (person). The local governments have the right to determine a different guaranteed minimum income level, but not lower than the level fixed by the regulations of the Cabinet of Ministers. In the period 2004-2008 this option was used by 2-4% of municipalities. In order to stimulate benefit recipients to gain incomes from paid employment and to prevent their dependence on benefits, a restriction has been imposed – the maximum benefit amount for the family.

Although the proportion of poor persons is 5% of total population in average, the share of GMI beneficiaries has not exceeded 2.5% of total population since 2003. There is a decreasing trend in the percentage of GMI recipients – in 2008 the proportion of recipients of GMI benefit was 1.2% of total population while the proportion of poor persons was 5.3% of total population. However, on the whole, municipalities have paid assistance in cash which has not always been done in compliance with the principle of income test but by providing cash assistance to a certain social group or in the event of when a certain situation arises. The above situation was not caused by the fact that the number of poor families in Latvia was negligible, but the inadequately low income level providing entitlement to GMI established in the country, which does not allow families with children, pensioners and the disabled with low incomes to become eligible for the receipt of the benefit.

The most of recipients of GMI benefit are families with children aged 0-17 (including) and one or more able-bodied adults – in average 53–54% each year. The ratio of pensioners and the disabled in the total number of GMI benefit recipients is the lowest one ($\approx 4\%$) but with the tendency to increase during the last years. Almost half of recipients of the GMI benefit are incapable of work (for example, children, pensioners, disabled) and approximately one tenth are employed people whose wages do not provide the necessary income for their families.

GMI benefit eligibility criteria include two conditions aimed at increasing the activity of the beneficiary. First of all, the GMI benefit recipient is expected to fulfill the co-participation obligation. Secondly, a possibility is provided in the law to decrease the GMI benefit amount if the benefit recipient is not compliant with co-participation requirements. These requirements could be seen as positive as they stimulate the involvement of the non-active population groups either in active labour market measures or in participation in employment promotion activities organized by local governments and facilitate social activity of these groups. Approximately half of GMI benefit recipients are people, who are able to work.

Adequacy and efficiency of GMI benefit are restricted by several factors. Firstly, the GMI level is not tied to any of indicators characterising incomes – neither the minimum wages established in the country nor the average household budget incomes, nor the subsistence minimum calculated by the Central Bureau of Statistics. The GMI level is an indicator established through compromise and negotiations between the Ministry of Welfare and representatives of local governments, and thus it does not characterise the living standards of the population but describes the position of local governments and their possibilities to provide support to the poorest population. As a result, the support provided by the current GMI benefit amount cannot serve as an effective instrument for poverty reduction; at best it maintains benefit recipients at the same income level, preventing an even further deterioration of the living standards of these groups of the population. Secondly, the high decentralisation degree of social assistance in Latvia causes the variation across local governments, if poorer; the local governments are less capable of providing benefits. On the one hand, the principle of subsidiarity in decision-making on the provision of social assistance is desirable. On the other hand, however, municipalities with the most funds are not necessarily the ones whose residents are most in need of social assistance.

In Latvia, no additional bonuses or any advantages are offered to the MI recipient in terms of employment and training. The co-participation obligation included in the conditions for the receipt of the GMI benefit and the gradually introduced practice to conclude co-participation agreements with benefit recipients can be treated as an indirect support instrument for promoting a more active involvement of these persons into the labour market. During the period until the middle of 2008, the requirement of performing co-participation obligations served as an instrument for involvement into the labour market. However, by the end of 2008 and the beginning of 2009, with the high and rapidly growing unemployment rate and the very restricted possibilities for a GMI benefit recipient to find a job, the co-participation obligations for individuals of the working age, incorporated in the minimum income schemes, acquires a formal character.

In Latvia support mechanisms for recipients of MI schemes in terms of access to quality services can be assessed as insufficient. There are very few support instruments established at the national level. The municipalities direct a significant part of social assistance to ensuring the accessibility to quality services for the poor residents in policy fields like health care, education, housing/heating and transport. Upon the assessment of its financial possibilities, each municipality determines the size and type of support.

1. Description of the institutional design of minimum income schemes

1.1 Eligibility conditions of minimum income schemes

At the beginning of the 90's as indicated in "Social Report 2001",¹ the approach of local governments to the allocation of material benefits was more based on the affiliation of the individual to some social group, and less on the assessment of the individual's status and needs. In the second half of 1995, the Law "On Social Assistance" was enacted in the area of social assistance, outlining a uniform social assistance system and its component parts. The Law prescribes four specific local government benefits: social assistance benefit for poor families, apartment benefit, benefit for care and funeral allowances. Additionally, local governments were provided with the right to pay out other benefits in accordance with their budget limits. Although legal acts at the national level prescribed the same duties for all local governments in providing social assistance, in reality diverse practice developed in the application of the legislation and several benefits appeared with similar purposes but based on different principles of allocation and calculation. The system did not guarantee that low – income inhabitants and representatives of risk groups would receive appropriate services. In 1998, work was started on the simplification of the system of municipal social benefits.

Since 2003, social assistance is regulated by the Law on Social Services and Social Assistance, which prescribes a different approach from that used previously in regard to the granting of social assistance by local governments. Till now only one social assistance benefit which is allocated on the basis of income test and where the payment has been prescribed as a mandatory responsibility of municipalities corresponds to the common characteristics of minimum income schemes in Latvia: it is the guaranteed minimum income benefit (hereinafter – the GMI benefit).

Alongside with mandatory benefits that are to be paid (the GMI benefit, the housing(apartment) benefit, a one-off benefit in an emergency situation when due to a natural disaster or other unforeseeable circumstances the individual or the family is incapable of satisfying their basic needs) the municipalities may also establish other ways of assistance to support the low-income individuals and families, however, these benefits have more of a one-time character or they are based on the assessment of an individual application; likewise they depend on the financial resources and priorities of the specific municipalities.

Eligibility for the receipt of the GMI benefit is assessed, taking into consideration the income level of the individual. It may be received by a person whose domicile has been registered within the territory of the respective local government. In the given case no restrictions exist for the receipt of the benefit on the grounds of the citizenship status, age, the status on the labour market or other factors. According to the Latvian legislation² citizens of Latvia, non-citizens and foreigners who have received an identity code, except persons who have received temporary residence permits, are eligible for the receipt of social assistance, including the GMI benefit. In addition to the above provisions persons who have received the alternative status and their family members are also eligible for the GMI benefit. There are no different minimum income schemes for different target groups in Latvia.

¹ Ministry of Welfare of Republic of Latvia, *Social Report 2001*, Riga 2001, p.76.

² Law on Social Services and Social Assistance.

The following families or individuals residing separately are eligible for the GMI benefit³:

- Those who have been recognised to be poor by the municipalities;
- Those whose incomes per family member are below the established GMI level;
- Those who performs co-participation obligations.

A family (an individual) is deemed to be poor if the income per family member has not exceeded 50% of the minimum wages in the country in effect on 1 January of the respective year. As of 1 January 2009 the minimum wages is LVL 180.

Local governments have the duty to assess the eligibility of applicants for social assistance to the status of a poor family (individual); however, legal acts delegate the right to municipalities to grant also other benefits to families and persons with higher income levels. Besides legal acts do not prescribe that the GMI benefit is payable to all persons who are recognised to be poor.

Since the introduction of the GMI benefit the most significant changes in eligibility rules have concerned two aspects – sources of incomes of the population that should be included in the income calculation and the softening of the condition concerning debt obligations. In order to provide assistance in the conditions of an economic decline to a more extensive range of people with low incomes, amendments to legislation⁴ allow granting the status of a low-income person also to people with debt obligations. Under the said amendments local governments are granted the right as of 18 March 2009 to provide more favourable conditions in their internal rules concerning specific types of debt obligations and to establish amount of assistance. During the period from April 2003 till April 2009 the list of types of incomes not taken into account when assessing the eligibility of a benefit recipient to the status of a poor person has been considerably expanded. This also includes certain social security benefits. Thus eligibility conditions for the receipt of the GMI benefit have improved.

1.2 Link with other social benefits

As it has already been stated above, according to Latvian legislation, alongside with the GMI benefit, the housing (apartment) benefit and a benefit for emergency situations it is possible to receive also other social benefits established by the municipalities. Local governments are authorised to pay out also other benefits for ensuring the basic needs listed in the law (clothing, health care, compulsory education) if the justified demand of the population for the GMI benefit and the housing (apartment) benefit has been satisfied.

Local governments take individual decisions regarding additional benefit payments to be granted; they also decide on the conditions for granting any benefits on the basis of their financial opportunities and municipal priorities. The most frequently granted benefits are housing (apartment) support payments, payments for covering health care related costs, children's education and care and free-lunch payments at kindergartens and schools. No doubt, these benefits provide certain support, at the same time one has to admit that benefit amounts in various local governments can differ greatly.

³ In compliance with the Cabinet Regulations No 214 of 3 March 2009 on Recognition of a Family or a Separately Residing Person as Poor.

⁴ Cabinet Regulations No 214 of 3 March 2009 on Recognition of a Family or a Separately Residing Person as Poor.

It must be taken into account that until 2009 the housing (apartment) benefit was not defined by law as a compulsory benefit payable by local governments and they could pay this benefit after the demand for the GMI benefit had been satisfied. However, according to statistical data summarised by the Board of Social Services, the amounts spent on apartment benefits during the preceding years as well as the number of recipients of the apartment benefit considerably exceeded the number of GMI benefit recipients as well as the amount of financial resources spent on the latter benefit. According to the Law on Social Services and Social Assistance, defining the conditions for the receipt of the apartment benefit is the competence of each individual local government.

As the payment of the compulsory apartment benefit started only in January of this year, it is too early to analyse the practice of municipalities in defining conditions for granting of the apartment benefit, as data on the payment of the benefit are not yet available. Experience, accumulated until now, concerning the allocation of the apartment benefit during the period before 1 January 2009 shows that the practice followed by municipalities is very diverse. As no time limit has been defined for this benefit, municipalities have paid the benefit as a lump-sum or have provided for the possibility of receiving the benefit repeatedly but not in excess of a certain fiscal amount per year.

Thus, for example, reports submitted by municipalities, show that in 2006 when the amount of the guaranteed minimum income established by the Cabinet of Ministers was LVL 24, only 13.1% (2.8 million LVL) of the total expenditure on social assistance benefits was allocated by municipalities for paying the GMI benefit. However, in 2007 when the amount of the guaranteed minimum income was LVL 27, the situation became more critical – municipalities expended only 1.7 million LVL, amounting to 7.7% of the total expenditure on benefits for the GMI benefit. In 2008, the GMI rate remaining at the level established in 2007, the funding allocated by for the payment of the GMI benefit constituted only 6% of the total expenditure on social assistance benefits (LVL 2.0 million).

In 2007 4.5% of the population (103.0 thousand) were recognised to be poor in the country on the whole, while the GMI benefit was received only by 1.2% (26.8 thousands) of the population. However, on the whole, municipalities have paid assistance in cash to 13.9% (317.0 thousand) of the population, which has not always been done in compliance with the principle of the income test but by providing social assistance to a certain social group or in the event of a certain situation. That is why the situation is so different by region and the population in different municipalities is not benefitting from equal rights in the area of social assistance⁵.

The cause of the above situation was not the fact that the number of poor families in Latvia was negligible, but the inadequately low income level providing entitlement to GMI, established in the country (the agreement between the central government and local governments on the amount of the GMI) which does not allow families with children, pensioners and the disabled with low incomes to be eligible for the receipt of the benefit. As regards these groups, each local government addresses the social assistance issues at its discretion, for example, by granting benefits that duplicate public benefits or benefits on national holidays, anniversaries for different social groups (5 048.1 thousand LVL or 22% of the total amount of resources allocated). Another form of local government's support to the population is providing free meals to children or adults without any assessment of incomes or by establishing a higher income level exceeding the GMI entitlement level (2 473.7 thousand LVL or 11% of the total amount of resources allocated).

⁵ Ministry of Welfare of the Republic of Latvia „*Social Report for 2007*”, Riga, 2008, p.42.

During last years the total amounts for benefit payments have increased (see Tables 1 and 2), but the number of benefit recipients indicates a decreasing trend.

Table 1: Municipal expenditure on social assistance (thousands of LVL)

	2003	2004	2005	2006	2007	2008
Municipal expenditure on social assistance benefits <i>of which:</i>	15 20,6	18 91,4	19 45,6	21 572	22 253,5	31 115,3
GMI benefit	2 556,6	3 497,1	404,5	2 822,1	1 713,2	2 008,2
Lump-sum benefits in an emergency situation	902,6	1 113,8	875,8	870,5	1 013,8	1 152,0
Apartment benefits	4 673,3	5 123,0	5 953,1	6 820,9	5 474,7	10 615,0
Benefits for the payment of medical services	2 166,4	1 843,1	2 915,4	4 041,1	3 830,3	4 232,2
Benefits for education, child-care	661,9	450,7	642,8	857,5	945,3	1 202,1
Benefits for the coverage of transport costs	878,5	748,3	543,7	590,7	782,1	1 074,3
Benefits to orphans and foster families	131,0	175,5	244,9	698,0	972,2	1 460,6
Other purposes	3 650,3	5 639,9	4 965,4	4 871,2	7 521,8	9 370,9

Source: Data of the Ministry of Welfare and the Board of Social Services

Table 2: Number of recipients of municipal social assistance during the period of 2003 - 2007 (thousands of persons)

<i>Indicators</i>	2003	2004	2005	2006	2007
GMI benefit	68,5	74,7	58,2	41,0	26,8
Lump-sum benefits in an emergency situation	30,8	23,5	21,7	19,0	17,6
Apartment benefits	138,4	128,6	133,4	117,3	83,9
Benefits for the payment of medical services	83,3	66,8	90,4	97,2	81,2
Benefits for the education, child- care	45,2	32,2	44,4	40,1	34,8
Benefits for the coverage of transport costs	32,6	26,2	15,8	12,6	13,5
Benefits to orphans and foster families	1,2	1,9	1,6	2,2	2,4
Other purposes	47,4	36,1	36,8	98,0	78,2
Total:	447,4	390,0	402,3	318,1	317,0

Source: Data of the Ministry of Welfare and the Board of Social Services

Minimum threshold restrictions exist in respect of the receipt of social insurance benefits for those persons who either have not made state social insurance contributions or the period of contributions does not allow them to qualify for pensions or benefits based on social insurance. If a person receives a pension or benefits in the minimum amount based on social insurance, then they are taken in account as incomes upon the assessment of eligibility for the receipt of the GMI benefit. Irrespective of the type of other benefits or pensions allocated to the person (unless they are established as income sources that are disregarded upon the assessment of a client's material resource) they are taken into account in establishing the GMI benefit amount.

1.3 Amounts of benefits

The GMI benefit amount established at the national level is not differentiated by type of household or group of the population; it is the same for all benefit recipients. However,

municipalities may differentiate the benefit amount for various categories of the population in their binding regulations. For example, in Riga the GMI benefit amount has been established on a differentiated basis and for some groups of the population it is considerably higher than defined by Cabinet Regulations⁶. Thus, for example, an increased GMI level in the amount of LVL 48 per person per month has been established for the following:

- Children and young persons under the age of 20 who study at general schools or acquire vocational education – till the end of the study year;
- One of the parents or the guardian in families with children;
- Orphans and children who lack parental care, who have started their independent life, until the age of 24;
- Persons with long-term incapacity for work (more than a month);
- Persons of the working age three years before they achieve the retirement age and one year after the recovery of the ability to work due to the expiry of the disability period.

In its turn, the GMI level in the amount of LVL 90 has been established for persons with disabilities and old age pensioners while the nationally established GMI level in the amount of LVL 37 is retained for individuals able to work.

However, the majority of municipalities apply the nationally established level to all groups of the population.

The GMI benefit amount is calculated as a difference between the guaranteed minimum income level for each family member (established by the Cabinet of Ministers) and the total income of a poor family(person) according to the following:

P = GMI x n – I, where

P – the benefit amount

GMI – the guaranteed minimum income level established by the Cabinet of Ministers (see Table 3)

n – the number of family members

I – the average monthly income of a family during the period of three months

As of 1 October 2008 the following is no more considered to be income in the assessment of the client's material resources: the child care benefit, the additional payment to the childcare benefit or the parental benefit for twins or more children born during one childbirth, the first 100 LVL, of the parental benefit, the family state benefit and the additional payment to the family state benefit for a disabled child, the benefit for the care of a disabled child, a benefit for a disabled person requiring care, a benefit for children who suffers from coeliac disease, a benefit for the coverage of transport costs for the disabled with reduced mobility, a childbirth benefit, a funeral allowance, a scholarship of an unemployed person, the compensation of rent and transport costs during the period of vocational training, retraining or upgrading of qualifications as well as during the period of acquiring informal education (in compliance with Article 5 of the Law on Social Services and Social Assistance).

⁶ http://www.ld.riga.lv/lv/home/soc_service/soc_palidziba/payment/default.aspx

Table 3: Guaranteed minimum income level established by the Cabinet of Ministers

	2003	2004	2005	2006	2007	2008	2009
GMI, LVL	15	18	21	24	27	27	37

The municipalities have the right to determine a different guaranteed minimum income level, but not lower than the level fixed by the regulations of the Cabinet of Ministers. In 2004, this option was used by 32 municipalities, in 2005 – by 18 municipalities, in 2006 – by 21 municipalities, in 2007 – only by 22 municipalities (the total number of municipalities in Latvia - more than 500). For example, in the Riga city for specific groups of the population (the disabled and pensioners) and in Jelgava the GMI level for 2009 has been established in the amount of LVL 90, which three times exceeded the level established in the country.

However, specialists of the Ministry of Welfare point out that the majority of municipalities that have approved a GMI level that is higher than the level established in the country, mostly increase the GMI level only by some LVL. In fixing a higher GMI level, the municipalities act with circumspection pleading shortage of funds, though in reality the genuine reason is lack of political support and the wish to continue granting large amounts of benefits prescribed by the binding rules of the relevant municipalities which do not need income test. As the other reason for keeping so low level of GMI could be mentioned - these programs tend to be less politically attractive than education, health and other competing priorities.

The GMI benefit at the level established by the Cabinet of Ministers is paid to those individuals who do not have any incomes, e.g., the homeless, ex-convicts released from penitentiaries – people who do not work anywhere and who do not have other income. Upon filling out a form (declaration) at the municipality they receive LVL 37 in cash per month during nine months of the year⁷.

In order to stimulate benefit recipients to gain incomes from paid employment and to prevent their dependence on benefits, a restriction has been imposed – the maximum benefit amount for the family. The GMI benefit for a family must not exceed the total amount of three state social insurance benefits (currently LVL 135). Although the restriction of the maximum payable benefit amount has been established at the rate of LVL 135, the municipality has the right to pay a benefit that exceeds the given restriction to families with children where all family members that are able to work, perform co-participation obligations.

1.4 Time duration

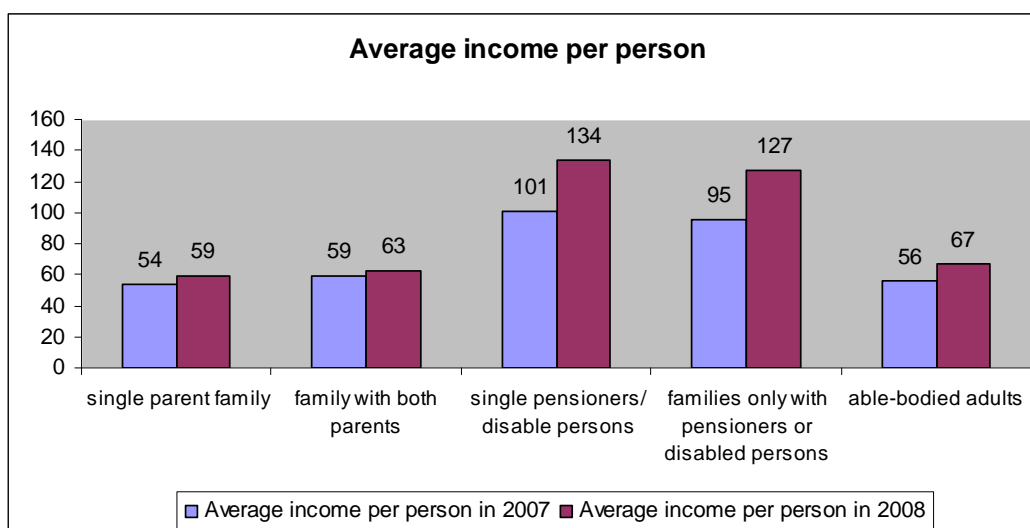
According to legislation the GMI benefit is granted for the duration of the period while the family (person) has been granted the status of a poor family (person) but not more than for a period of three months. After the expiry of the said period the family (person) may repeatedly submit an application to the municipality requesting the allocation of the benefit. However, until now the total period of the payment of the GMI benefit could not exceed nine months in a calendar year. But responding to the economic crisis, amendments were made in the Law on Social Services and Social Assistance and since 1st July 2009 these restrictions were abolished. For example, information collected by the Riga Council on GMI benefit recipients in 2008 shows, that more than 50% of the GMI benefit recipients are long-term clients, of whom 4.6% are recipients of the old age pension, 4.3% - recipients of a disability pension, 65.6% - families with children, 25.4% -

⁷ <http://www.lv.lv/index.php?menu=doc&sub=temas&id=189524>

persons able to work. In 2008, 43% of the total number of GMI benefit recipients in the country has been granted the benefit repeatedly.

On the one hand, the requirement for the regular review of the status of a poor person and subsequently also a regular request of the GMI benefit after every 3 months may serve as an instrument for municipal social services to follow changes in the economic situation of benefit recipients on an on-going basis, and possibly to prevent the abuse of the benefit. However, on the other hand, the request for a repeated assessment of incomes of a person, in particular in the current economic situation for some groups of the population, is not useful from the point of the investment of administrative resources and the view of the client. In view of the fact that as of 2009 pension indexation has been cancelled, it is not likely that there might be any changes in the financial situation of those GMI recipients who receive old age pensions, during the period for the review of the allocation of the GMI benefit prescribed by legislation (3 months), might change. According to the information provided by the Riga Council, the lowest growth of incomes can be observed in families with children, only for an average of 2% per year (see Chart 1).

Chart 1: Average income per person per month prior to requesting means-tested benefits in Riga, LVL



Source: Welfare Department of the Riga Council. "Report on the Operation of the System of Social Assistance and Social Services in 2008"

1.5 Conditionality rules attached to minimum income schemes

One of the conditions for the receipt of social assistance, including the GMI benefit and the apartment benefit, for persons of the working age is the performance of co-participation obligations, if necessary – the involvement in social rehabilitation activities.

GMI benefit granting conditions include two conditions aimed at increasing the activity of the beneficiary. First of all, benefit granting conditions require the GMI benefit recipient co-participation obligation (based on the assessment of the client's situation). For instance, working-age unemployed residents must register with the State Employment Agency (with exceptions in respect of specific groups of the population). Secondly, a possibility is provided to decrease the GMI benefit amount if the benefit recipient is not compliant with co-participation requirements.

Interviews with social workers at municipalities reveal that only part of GMI recipients fulfills the co-participation requirements. These requirements could be seen as positive as they stimulate the involvement of the inactive groups either to participate in active labour market measures or in municipality organized employment promotion activities and facilitate social activity of these groups.

According to legislation, the applicant for the GMI benefit has to conclude an agreement with the social service office on his/her liability to participate in solving his/her problems. An agreement is one of the ways the social work specialists can use to motivate their clients to engage in solving their problems. In 2006, agreements were concluded with 37.1 % of GMI benefit recipients. Compared to 2005, the proportion of the total number of agreements concluded had grown by 5.2 percentage points. In 2008, the proportion of the total number of agreements achieved 44 % of all GMI benefit recipients. Specialists of the Welfare Ministry indicate that⁸, the implementation of agreements is rather slow, as benefit recipients are comparatively passive and the procedure of contract planning and implementation monitoring is complicated. It has to be noted that the assessment process of contractor performance is time-consuming and requires adequate knowledge on the part of the assessor. One of the participation measures of the GMI benefit recipients in addressing their problems is engaging in active employment events. The cooperation of the municipalities and the State Employment Agency in engaging benefit recipients in the active labour market programs is insufficient.

Specialists of the Welfare Ministry point out⁹ that approximately half of GMI benefit recipients are persons able to work (in 2006 – 20.6 thousand persons from 41 thousand, in 2007 – 14.1 thousand persons from 26.8 thousand while in 2008 – 13.0 thousand persons from 27.4 thousand GMI benefit recipients). In 2006 agreements were concluded with 13.2 thousand such individuals who are not involved in the labour market while in 2007 – with 9.2 thousand persons or 34.3% of GMI benefit recipients. However, as until now municipalities experience shortage of professional social workers, this norm is not complied with in full (in 2006 agreements were concluded with 15.2 thousand people able to work or 37,1% of GMI benefit recipients, in 2007 – with 5.1 thousand persons or 19.0% of cases) (see Table 4).

⁸ Ministry of Welfare of the Republic of Latvia „Social Report for 2007”, Riga, 2008.

⁹ Ministry of Welfare of the Republic of Latvia. Social Report for 2007, Riga, 2008.

Table 4: Co-participation level of GMI benefit recipients in 2007

	Number of the population in 01.01.2008	Including persons who have received the GMI benefit		Agreements concluded	
		Number of persons	% of the number of the population	Number of agreements	% of the number of GMI benefit recipients
TOTAL:	2 276 282	26 793	1,2	5 103	19,0
Riga planning region	1 101 022	9 833	0,9	3 049	31,0
Vidzeme planning region	238 155	2 306	1,0	1 060	46,0
Kurzeme planning region	304 280	1 735	0,6	654	37,7
Zemgale planning region	28 4030	3 436	1,2	1 502	43,7
Latgale planning region	348 795	9 483	2,7	4 453	47,0

Source: Board of Social Services

Co-participation obligations at municipalities are determined by the social work specialist in cooperation with the client. In order to promote a more active co-participation of the GMI benefit recipients in addressing their problems, a relevant prerequisite is professional social work specialists and an efficient cooperation network among various public and municipal institutions.

1.6 Governance arrangements

The main conditions for minimum income schemes (GMI benefit) are defined at the national level. Municipalities as implementers of this policy have the right, upon the assessment of their possibilities and the situation in the specific territory, establish a GMI level that is higher than the nationally approved level either for all groups of the population or for specific groups of the population.

As concerns the definition of conditions for the receipt of the apartment benefit, it must be pointed out that the law accords an extensive discretion to municipalities. They are authorised to establish the amount of the apartment benefit, the procedure of payment as well as individuals who are entitled to receive the given benefit. In view of the practice to date, the apartment benefit is paid to the poor residents.

Although in the formal sense there is the condition that public or municipal institutions do not require any information or data from persons that can be received at other public or municipal institutions or official registers, however, in practice this condition is not complied with in full. Problems are caused by the incompatibility of various IT systems as well as by the unresponsiveness of institutions and lack of cooperation among various institutions. It is not possible to speak about the implementation of the one-stop-shop approach in respect of the receipt of the GMI benefit in Latvia. In separate municipalities elements of this approach are implemented gradually, however, it would be too early to speak of any efficient delivery.

The most up-to-date websites where more detailed information can be found on the above are:

- www.lm.gov.lv;
- www.socpp.gov.lv;
- www.ld.riga.lv.

2. Assessment of minimum income schemes

2.1 Coverage and take-up

The purpose of the implementation of the GMI benefit was to optimise the municipal social assistance benefit system and to provide assistance to the poorest of the population. Until the implementation of the GMI, research studies, conducted with the support of the World Bank and the UNDP revealed that municipal social assistance was not received by groups of the population that had been recognised to be the poorest of all – families with children but by pensioners and other groups of the population whose incomes according to the data of the Household budget survey in the 90ties of the 20th century exceeded the average incomes of families with children. After the introduction of the GMI in 2003 families with children became the main category of GMI benefit recipients, constituting the highest ratio against the total number of GMI benefit recipients during the whole GMI benefit payment period. In its turn, in 2008 new trends have emerged – the ratio of pensioners and the disabled in the total number of GMI benefit recipients is on an increase which corresponds to the information given in Chart 3. As show changes in the at-risk-of-poverty rate during the period of 2005-2007 in households of various demographic types, the poverty risk has consistently and significantly increased for pensioners and in particular single pensioners while the growth of the poverty risk for families with children in 2007 has stopped and has even slightly declined.

It must be pointed out that upon the summary of data of benefits allocated by municipalities in Latvia; there are comparatively restricted possibilities of describing all social exclusion risk groups which receive benefits. When collating data, municipal social services must provide information on the breakdown of the number of persons by gender, there is separate information on the number of the population able to work, describing the number of working and non-working population as well as the number of people on childcare leaves. There is information separately on children and disabled children among them as well as adult disabled persons and pensioners. Thus, it is possible to acquire data on the unemployed, pensioners, the disabled and families with children. A negative aspect that should be mentioned is that it is not possible to get data from these reports on the description of families with children – if they are single-parent families with children or family with many children; it is possible only to establish the number of children in the total number of benefit recipients.

According to the data of the study “Causes and Duration of Unemployment and Social Exclusion”¹⁰, while examining data of the Board of Social Services (BSS) about families which have been granted the GMI benefit in 2005 and 2006 (the relevant data about 2004 are not publicly available) it can be seen that most recipients are families with children age d 0-17 (including) and one or more able-bodied adults (53–54%) and families without children and one or more able-bodied adults (38%). The division of these types of families has remained practically the same in 2005 and 2006 (see Table 5). SSB data show that 50-51% of recipients of the GMI benefit in 2005 and 2006 were able-bodied adults, 41–42% – children at the age of 0–17 (including), 4–5% – disabled adults and 4% – retired people. On average 13–14% recipients of the GMI benefit were working people, 32–34% – non-working able-bodied people and 4% – people on the child care leave. Thus almost half of recipients of the GMI benefit are incapable

¹⁰ Agency of the University of Latvia „Institute of Philosophy and Sociology of the University of Latvia”, Society „Baltic International Centre for Economic Policy Studies”, „Institute of Sociological Research”, Ltd., “Causes and duration of unemployment and social exclusion”, Riga, 2007, p.390.

people and approximately one tenth is working people whose wages do not provide the necessary income for their families.

Table 5: Characterization of the recipients of the GMI benefit in 2005– 2006

Family type	2005		2006	
	Number	Percentage (%) from all recipients of the GMI benefit	Number	Percentage (%) from all recipients of the GMI benefit
Family with children and one or more able-bodied adults	12 364	54%	8 447	53%
Family with children and no able-bodied adult	500	2%	351	2%
Family without children and one or more able-bodied adults	8 732	38%	611	38%
Family without children and no able-bodied adult	1 232	5%	1 005	6%
Total	22 828	100%	15 914	100%

Note: Able-bodied people – people of age excluding disabled people and pensioners. Children – people at the age of 0-17 (including).

Source: Section “Statistics and Information” of the homepage of Social Service Board

According information of the Ministry of Welfare in 2008 families that received social assistance benefits had 54 129 children, 20% of them or 10 849 children received Guaranteed minimum income (GMI) benefit. In 2008 families that received social assistance benefits had 80 494 pensioners (2% of them or 1631 pensioners received GMI benefit) and 20 122 disabled persons (9,5% of them or 1904 disabled persons received GMI benefit). 56 004 persons in working age received social assistance benefits, from them GMI benefit have got 13 038 (23,3%) persons in working age, in their turn from them 69,5% or 9 062 persons were unemployed.

Riga as the largest and richest municipality in Latvia may serve as a case study that shows significant changes that have taken place in 2008 in comparison with the preceding years and which according to forecasts of specialists, tend to grow in 2009.

As it has been indicated in the Report of the Welfare Department of the Riga Council on the Operation of the Social Assistance and Social Services System in 2008,¹¹ the ratio of social benefit recipients has not undergone significant changes, with the exception of the apartment benefit which was received by 41% of the total number of social benefit recipients in 2007 while in 2008 it was received already by 62% of the total number of social benefit recipients.

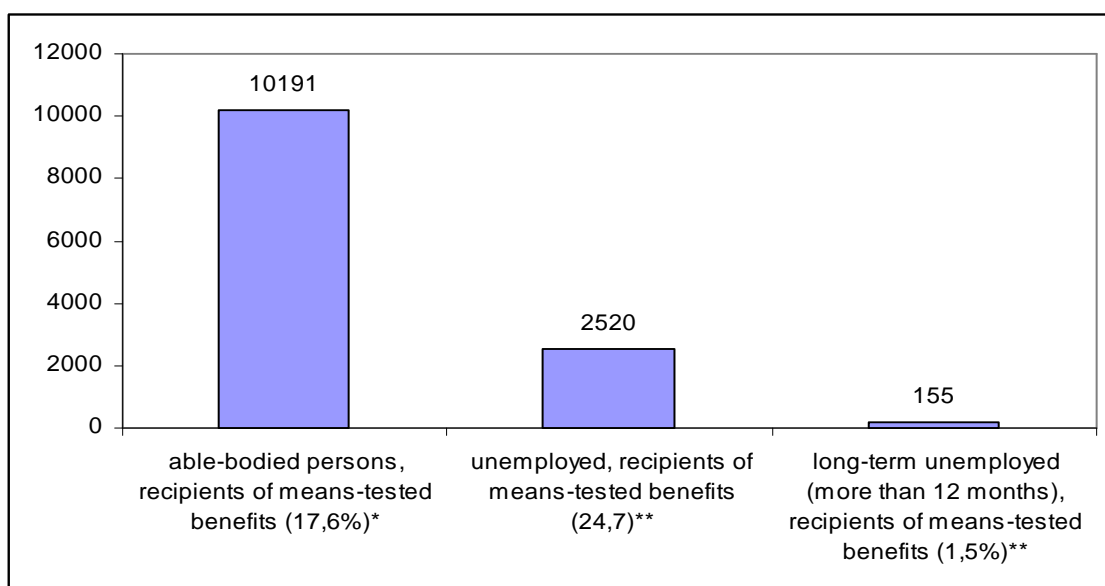
In Riga recipients of means-tested benefits (benefits that are granted upon the assessment of the incomes and the material situation of applicants for the benefit) are mostly individuals who receive old age or disability pensions. The analysis of the number of means-tested benefits by average income before the request of social benefits shows that in most part incomes of

¹¹ Welfare Department of the Riga Council, Report on the Operation of the Social Assistance and Social Services System in 2008, Riga, 2009, p.4.

pensioners/the disabled are above the income level of a poor person, while incomes of families with children are at the level of incomes of a poor person. In 2008 poor persons constituted 25% of all social benefit recipients.

A disturbing development is the fact that in Riga in 2008 $\frac{1}{4}$ of all able-bodied social assistance recipients do not work. However, the comparison of the number of able-bodied non-working social assistance recipients (2520) with all social assistance recipients (57 940) shows that it constitutes only 4%. It means that $\frac{3}{4}$ of able-bodied social assistance recipients are employed individuals with low incomes (see Chart 2).

Chart 2: Able-bodied recipients of means-tested benefits in Riga



* % of all 57 940 social assistance recipients

**% of able-bodied 10 191 recipients of means tested benefits

Source: Welfare Department of the Riga Council

Authors of the Report conclude that in 2008 the trend observed during the preceding years that the main group of social benefit recipients is pensioners/the disabled, continues to persist in Riga. Of all recipients of means-tested benefits 57% were pensioners/the disabled while of all recipients of the apartment benefit 64% were pensioners/the disabled. Pensioners/the disabled (35%) have mostly requested the apartment benefit and the health care benefit, while families with children (36%) have applied for the GMI benefit and the apartment benefit, which indicates that families with children have considerably lower means of livelihood than pensioners/the disabled. Note should be taken of the fact that authors of the Report speak of those individuals/families who seek assistance from the local government. Even though the poverty risk for pensioners is higher than for families with children, at risk of poverty rate does not show the depth of poverty for each group. Therefore, such a conclusion made by authors of the Report of the Riga Local Government can be explained by the fact that the assistance of local governments is sought by those families who have encountered serious problems and where one of the parents or both parents are unemployed. In their turn, pensioners, in particular if they are not single pensioners, upon receiving their monthly pensions, even in Riga where the GMI level has been established at a rate that is higher than the national average, do not qualify for the receipt of the GMI benefit.

56% of all social benefit recipients in Riga are long-term clients, of whom 63% are pensioners/the disabled but 20% are families with children. The new as well as long-term clients are mostly recipients of the old age pension. For a long time families with children have received only the GMI benefit. It is mostly families with children that have again applied for the GMI benefit to social services. 21% of all social benefit recipients are new clients, which confirm that the population is well informed about possibilities of receiving municipal social assistance as well as the decline of options for the population itself to address their social and economic problems.

No special studies have been undertaken in Latvia for the analysis of causes or for describing the number of individuals or families that would be eligible for the receipt of the minimum income schemes but who does not apply to the municipality for the receipt of the said benefit. Certain social exclusion risk groups, in particular the homeless who do not personal identity documents or any documentary proof of their domicile, even if they are informed about the possibilities of receiving assistance, do not seek assistance due to their passiveness, timidity or due to some other reasons. In such cases the professional activity of municipal social services would play a significant role in activating and consulting the above risk groups. Until now typically social assistance has been received mostly by informed and active individuals who apply for assistance themselves.

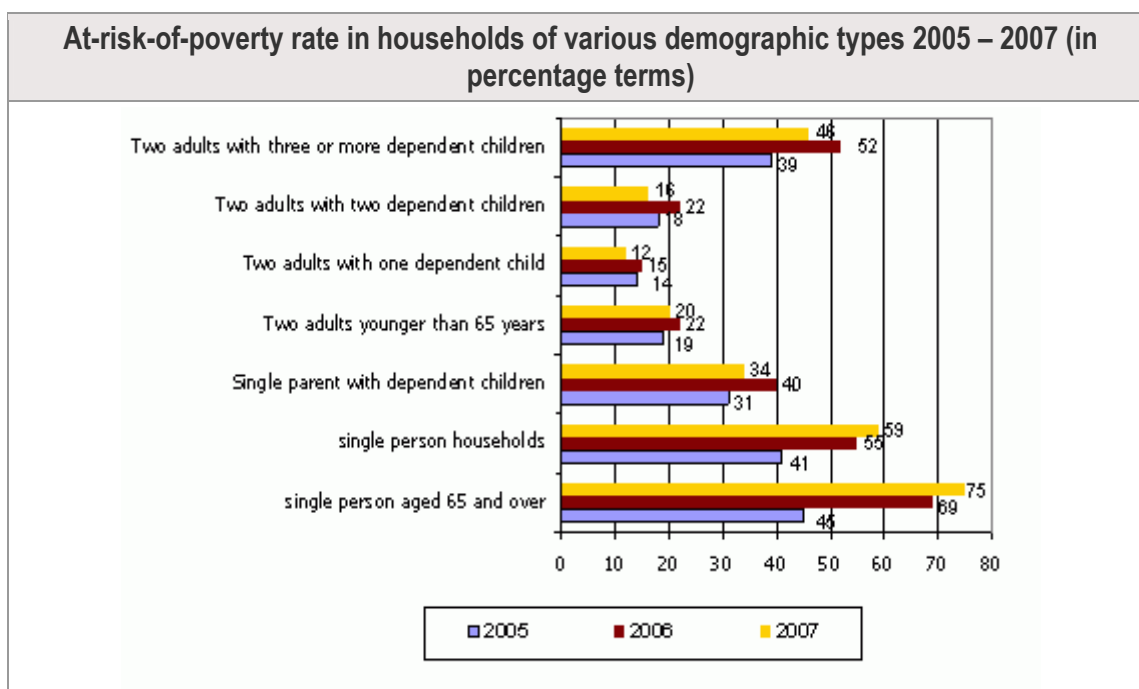
2.2 Adequacy of minimum income schemes

In Latvia the at-risk-of-poverty rate according to the EU-SILC data is one of the highest in the EU member states and it has tended to grow all the time.¹²

The given indicator declined slightly only in 2007. In view of the overall decline of the living standards of the population due to the economic crisis, it is possible that relative poverty indicators will not reflect the depth of poverty and they may remain at the present level or even improve. In 2007 income data of 2006 were used in calculating poverty indicators, and at-risk-of-poverty threshold was calculated on the basis of the said data.

¹² http://www.csb.gov.lv/csp/events/csp/events/?lng=en&mode=arh&period=11.2008&cc_cat=471&id=5763

Chart 3



Source: Central Statistical Bureau

As it can be seen from the chart above, not all groups of the population have stood to gain. The situation of single persons and pensioners has deteriorated, irrespective of the fact that these groups of the population have been among the most frequent recipients of municipal social assistance and over the recent years their ratio against the total number of GMI benefit recipients (see Chapter 2.1). Although the poverty indicator for families with children has improved, it has not been determined by the adequacy and efficiency of minimum income schemes but by a considerable increase in state social benefit amounts for families with children as well as the overall increase in the average wages of the working population.

Upon the assessment of the adequacy of the GMI benefit, it must be pointed out that the largest problem is that in actual fact, the GMI level is not tied to any of indicator characterising incomes – neither the minimum wages established in the country nor the average household budget incomes, nor the subsistence minimum calculated by the Central Bureau of Statistics. The GMI level is an indicator established through compromise and negotiations between the Ministry of Welfare and representatives of municipalities, which does not characterise the living standards of the population but describes the position of municipalities and their possibilities to provide support to the poorest population.

Upon the beginning of the implementation of the GMI benefit, the definition of the GMI level was one of the most difficult and most discussed stages in the process of optimising the system of social assistance benefits. There were several issues that had to be taken into account during the formulation of the concept for the new GMI benefit, as well as that of the related regulatory enactments. Firstly – benefits had to reach the poorest municipality inhabitants. In conformity with results of surveys undertaken earlier, a large segment of the poorest population consists of families with children and it is precisely this group of society that until now has received less municipal support than other segments of society. Secondly – the GMI benefit amount had to be such that it would provide support to the recipient, without creating, at the same time, a desire to prefer the benefit to a paid job. Thirdly – since the benefit is to be paid from the local budgets, the

benefit amount must be such that it would not create critical consequences for these local budgets.

As there are considerable differences in Latvia as concerns the financial possibilities of municipalities and their readiness to undertake the optimisation of the social assistance benefit system, during the initial stage of the reform as well as during the period following the implementation of the GMI benefit there has been evidence of a pronounced desire of municipalities to establish a possibly lower GMI level. Such an approach obstructs the raising of the GMI level to the amount that would in a more adequate way ensure the addressing of problems of the poor population in the territory of the municipality.

As a result of the pressure exerted by municipalities in 2003 the Cabinet of Ministers was forced to set the GMI level nationally at LVL 15 per month. This was not only by LVL 6 less than the GMI level established earlier by the strategy and tested in pilot projects, but also more than by LVL 6 lower than the maximum amount of the social assistance allowance for poor families effective until the end of 2002. This significantly reduced both the expected effectiveness of the GMI benefit as well as the number of persons who were entitled to apply for the GMI benefit.

In order to expand of the body of GMI benefit recipients and to increase the scale of support for the low-income population, in 2008 the Ministry of Welfare formulated a draft concept "On Possibilities of Increasing the Guaranteed Minimum Income Benefit". With a view to improve the existing system it was proposed to establish a differentiated GMI rate for various groups of the population:

- Pensioners and the disabled – 100% (LVL 90¹³) of the income level of a poor person;
- One adult with capacity for work in the household and a single person household – 70% (LVL 63) of the income level of a poor person;
- For each next person - 50% (LVL 45) of the income level of a poor person.

A person with dependents who are all minors, is established an additional payment in the amount of 50% (LVL 45) of the income level of a poor person.

Such an approach would increase support to families with children and single person households as well as would allow including a larger number of pensioners and the disabled with low incomes into the system. The establishment of a uniform approach at the national level would also ensure more equal opportunities for all residents to satisfy the minimum needs by establishing the GMI level that would be more in line with the actual situation.

However, it must be pointed out, that the government took into account objections of representatives of municipalities and did not support changes in the establishment of the GMI benefit, and mandated the Ministry of Welfare to continue the existing practice and to establish the GMI level through negotiations and agreement with municipalities.

The consequences can be felt even now. According to estimates of specialists of the Ministry of Welfare, in 2008-2009 approximately 120 thousand people in Latvia correspond to the status of a poor person, however, the GMI benefit is received by only one fourth of the number of the poor

¹³ Amounts of benefit indicated in brackets confirm with level established in 2009.

population. A disturbing development is the fact that the ratio of the GMI benefit in local budget expenditures on social assistance benefits has a marked tendency to decrease (see Table 6).

Table 6: Indicators characterising local budget expenditures for social assistance benefits and the GMI benefit

	2003	2004	2005	2006	2007	2008
Local budget expenditures for social assistance benefits, in LVL thous.	15 620,6	18 591,4	19 545,6	21 572,0	22 253,5	31115,3
Including the benefit for ensuring the GMI level	2 556,6	3 497,1	3 404,5	2 822,1	1 713,2	2008,2
<i>% of the total municipal expenditures on social assistance benefits</i>	16,4	18,8	17,4	13,1	7,7	6,45
GMI level, LVL per person, per month ¹⁴	15,0	18,0	21,0	24,0	27,0	27,0
Number of GMI benefit recipients, in thous. of persons	68,5	74,7	58,2	41,0	26,8	27,4
Average GMI benefit amount per recipient per year, LVL	37,3	46,8	58,5	68,8	63,9	73,2
Income level and the material situation of a poor (family) persons, LVL ¹⁵	35,0	40,0	40,0	45,0	60,0	80,0

Source: Data of the Board of Social Services and the Ministry of Welfare

Unfortunately no data are available in Latvia that would allow assessing the ratio of the GMI benefit against the average income of a person or family or the ratio of benefits against the minimum wages. However, taking into account calculations undertaken by the World Bank on the average level of social assistance benefits received by recipients in comparison with minimum wages, which show that even the sum total of all social assistance benefits paid by a municipality, constitute a very insignificant ratio against the minimum wages – only 2 percent of the minimum wages, it may be assumed that the ratio of the GMI benefit will be even smaller.

2.3 Effectiveness of minimum income schemes

As it has already been mentioned in the chapter 2.2 on the adequacy of minimum income schemes, in Latvia the established benefit level is so low that it can satisfy only the very minimum of basic needs (mostly food). As it has been indicated by specialists of social work, the support provided by the current GMI benefit amount cannot serve as an effective instrument for poverty reduction; at best it maintains benefit recipients at the same income level, preventing an even further deterioration of the living standards of these groups of the population.

The high decentralisation degree of minimum income schemes in Latvia restricts, to a certain degree, also the efficiency of this scheme. Experts of the World Bank recognise that Latvia has one of the most decentralized social assistance systems among the new member states¹⁶. This may explain the variation across municipalities, if poorer municipalities are less capable of

¹⁴ Regulation of Cabinet of Ministers No.693 (09.12.2003.) on Guaranteed Minimum Income Level and Amount of Benefit ensuring Guaranteed Minimum Income Level.

¹⁵ Regulation of Cabinet of Ministers No. 97 (25.02.2003.) on Recognition of a Family or a Separately Residing Person as Poor.

¹⁶ Social Assistance in Central Europe and the Baltic States, February 14, 2007, Document of World Bank.

providing benefits. In 2004, around one-half of program recipients came from the poorest quintile. However, municipalities in relatively richer regions, such as Riga and Jelgava, have considerably more funds available to spend on these programs than those in poorer regions. This results in a perverse outcome. More than 40 percent of total social assistance transfers in Latvia go to people living in Riga, even though they are, on average, considerably better-off than those residing in other parts of the country.

This illustrates the dilemma in the municipal financing of social assistance benefits. On the one hand, the principle of subsidiary decision-making in the provision of social assistance is desirable. It helps ensuring that municipalities formulate their budgets and expenditures with due care, and that they do not end up lobbying the central government for large transfers. On the other hand, however, municipalities with the most funds are not necessarily the ones whose residents are most in need of social assistance.

Minimum income schemes have a significant role to play for the poor, and have a potentially wider impact on welfare beyond income support. The close links between poverty and the labour market, and particularly the serious issues of long-term unemployment and working poverty have implications for the policy design.

In view of the situation of the profound economic and financial crisis with a constantly increasing unemployment rate in Latvia, there are not grounds to hope that the current measures will help social exclusion risk groups to solve their problems. According to the data submitted by local governments to the Ministry of Finance, in March 2009 local governments had already expended 78.91% of the planned GMI benefit amount (in kind and in cash) and 94.23% of the planned housing benefit amount (in kind and in cash) for 2009. In 2009 local governments have planned LVL 1 440 348 for the GMI benefit (for 2008 – LVL 2 008 209), while resources for the housing benefit amount to LVL 4 040 748 (in 2008 – LVL 10 615 015). Moreover, it must taken into consideration that for 2009 local governments had planned by half less resources for social assistance that for 2008. Thus, for example, if in 2008 local governments had allocated a total of LVL 31 115 290 for social assistance, then the total amount of allocations planned for social assistance in 2009 is only LVL 14 259 507.

In the conditions of the crisis budgetary cuts for local governments may cause problems in the payment of municipal social benefits, however, as it has been pointed out by the staff of municipal social services “there is nothing left but to waive all other benefits to be able to pay benefits (the GMI benefit and the apartment benefit) prescribed by the state as mandatory”.¹⁷ It means that local governments may run short of financial resources for the payment of other municipal social benefits that could result in a critical situation, in particular taking into account the fact that other municipal social benefits have constituted a considerably larger portion of the total amount of benefits paid by the local government.

The GMI benefit is of critical importance for the long-term unemployed, as unemployment benefits in Latvia have time limitations, in particular after amendments of 2008 to regulations on determining the duration of the payment and amount of the unemployment benefit. If until 1 January 2008 all unemployed persons could receive the benefit for a period of 9 months, then after amendments the length of the payment period for the unemployment benefit is differentiated depending on the length of the person’s insurance period:

¹⁷ http://www2.la.lv/lat/latvijas_avize/jaunakaja_numura/saimnieciba/?doc=53946

- a) if the insurance period is from one to nine years (inclusive) the period of the payment period of the unemployment benefit is 4 months;
- b) if the insurance period is from ten to nineteen years - 6 months;
- c) if the insurance period is from twenty years upwards - 9 months.

It must be taken into account that in 2008 and 2009 a rapid increase in the unemployment rate has continued and the largest ratio in the number of unemployment benefit recipients in 2007 was constituted by insured persons with the insurance period of 1 to 9 years (117.2 thousand or 28.8%). As the length of the unemployment benefit payment period for this group has been considerably reduced (from 9 months to 4 months) and in the current situation there is practically no possibility of finding a job, this particular group of the population will constitute potential GMI benefit recipients in the near future and the support provided within the frame of minimum income schemes will be the main source of income for these groups of the population. What gives rise for concern is that these are young people.

The significant level of working poverty indicates that net wages may not be high enough to keep people out of poverty. This, in turn, highlights the risk of poverty traps. If the GMI benefit is close to wages, some people may opt to stay out of the labour market to remain eligible for benefits, leading to serious issues of welfare dependency. It is most typical in a situation with the able-bodied family members in a family with children receive the minimum wages or work in underpaid jobs.

In addition to GMI benefit design issues (and other social assistance benefits), current tax and social policy regulations appear to discourage formal sector employment in Latvia. Unemployment traps – measured as the share of gross earnings, which is taxed away through a higher tax and social insurance contributions and the withdrawal of social benefits – in Latvia are even higher than in the older EU member states. In Latvia they have even increased in recent years. As it has been calculated in the Report of the World Bank¹⁸, in Latvia the effective marginal tax rate for an unemployed person returning to work is around 80 percent of gross earnings – including the effect of taxes and reduced benefits. The World Bank experts also emphasize that the high unemployment traps for low wage workers and families suggest the need for tax credits and other in-work benefits (IWBs) which can support low-income households and facilitate the transition into employment without reinforcing dependency.

¹⁸ Social Assistance in Central Europe and the Baltic States, February 14, 2007, Document of World Bank.

3. Link between minimum income schemes and other two pillars of the active inclusion strategy

3.1 Support to MI recipients in terms of employment and training

The co-participation obligation included in the conditions for the receipt of the GMI benefit and the gradually introduced practice to conclude co-participation agreements with benefit recipients can be treated as an indirect support instrument for promoting a more active involvement of these persons into the labour market, motivating them to seek employment or to improve their qualifications and skills with the support of active employment measures provided by the State Employment Agency.

However, a system has not developed in Latvia that co-participation conditions are coordinated not only with the social work specialist and the GMI benefit recipient but also with representatives of the State Employment Agency; likewise no additional bonuses or any advantages are offered to the MI recipient upon the receipt of the SEA services. Thus MI recipients are not subject to special record-keeping or are singled out among persons involved in active employment measures.

The following active employment policy measures are available in Latvia that promote the competitiveness of the unemployed and job-seekers on the labour market:

- Vocational training, re-training and the upgrading of qualifications;
- Measures for improving competitiveness;
- Activities for specific groups of people;
- Paid temporary public work;
- Activities for starting commercial activity or self-employment;
- Trial periods at the work place which gives an opportunity to establish professional suitability;
- Training with the employer;
- Complex support activities.

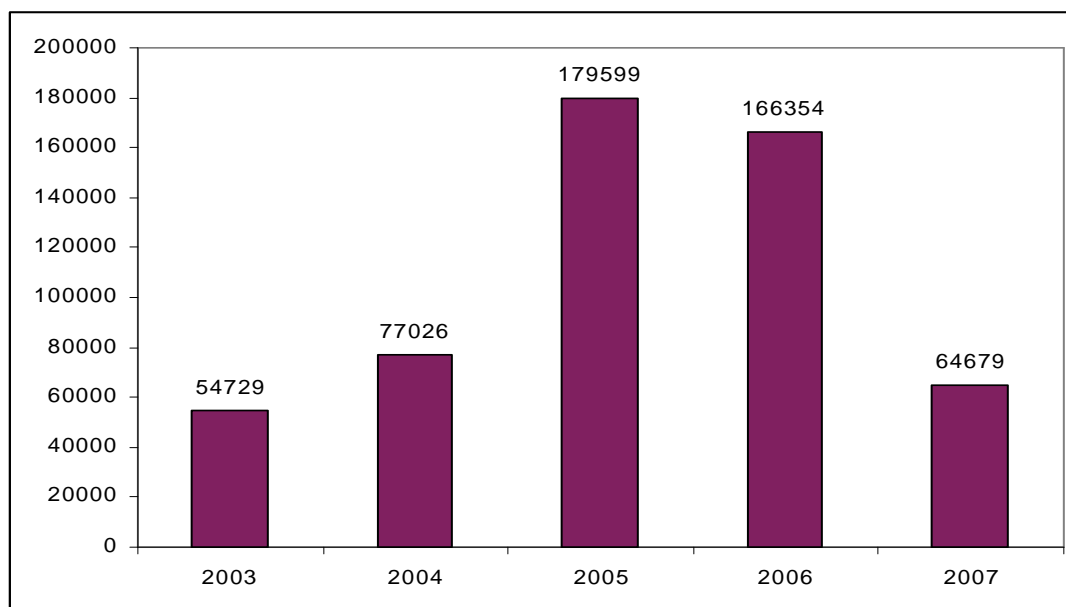
A significant support for promoting employment during the 2004-2006 programming period was provided by the European Social Fund. During the given period a large number of the unemployed, among them also MI recipients could get involved in activities organised by the State Employment Agency.

However, during the 2007-2013 planning period the situation has changed significantly. Already at the beginning of the planning period the European Commission pointed out to Latvia that it was necessary to increase funding planned for activities of the European Social Fund. However, the government of Latvia held the opinion that investments into the infrastructure were a more important priority and unemployment would continue to decline. It must be pointed out that during the said planning period of the EU funds; Latvia has had one of the lowest amounts of the use of the ESF among EU Member States.

Specialists of the Ministry of Welfare explain the decrease in the number of cases of the involvement of the unemployed in active employment measures in 2007 that can be observed in Chart 4 by a significant decrease in the number of the unemployed as well as the decrease in the

funding in comparison with 2005 and 2006 as well as by the existing tendency for the unemployed to get involved in longer-term active employment measures.

Chart 4: Number of cases of the involvement of the unemployed in active employment measures



Source: Data of the Employment State Agency

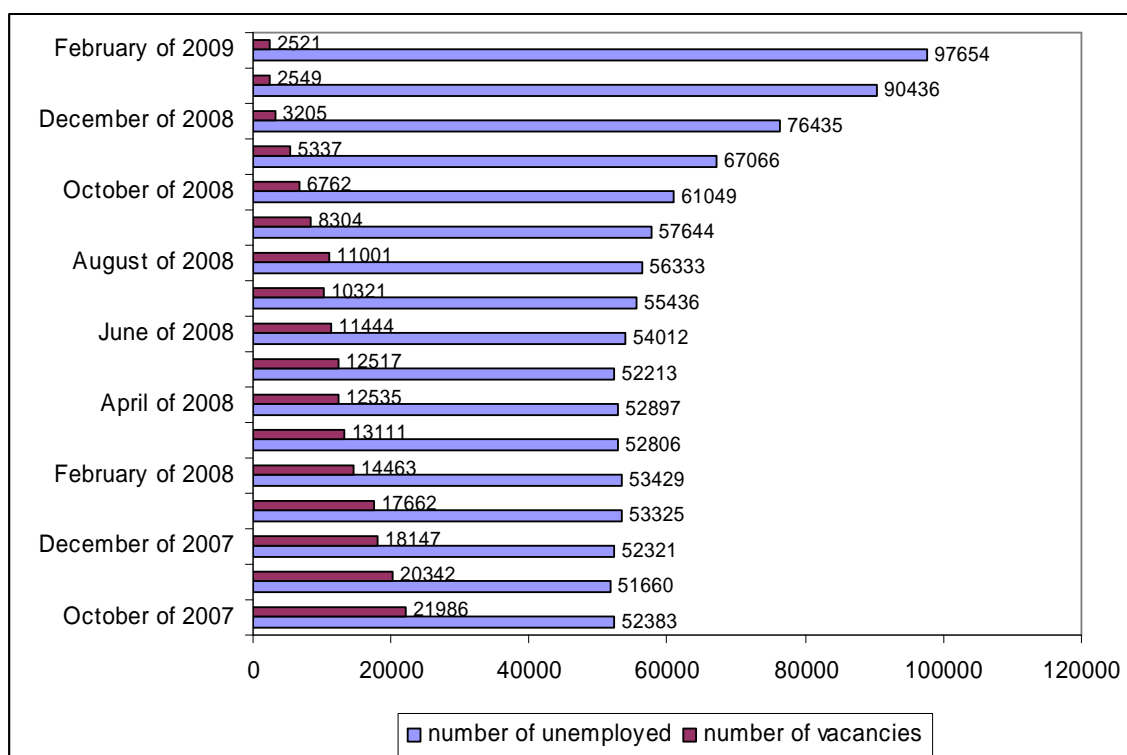
One of the risks to be mentioned is the relatively high proportion of unemployed persons involved in the paid temporary public works versus the number of unemployed in the training and retraining activities. This trend has persisted for several years. Social work specialists point out that GMI benefit recipients get most actively involved in paid temporary public work, most typically it manifests itself in rural municipalities. This means that awareness raising and activation measures must be more active, targeted at unemployed persons. Paid temporary public works must be viewed as a temporary solution partially stimulating the passive target groups however; it is not and cannot be considered as the key instrument for increasing the competitiveness of the social exclusion risk groups in the labour market.

Life-long learning opportunities and their role in solving problems of socially excluded groups are not used to their full extent in Latvia and neither are they sufficiently appreciated. Now the key focus is on the active employment measures and in-formal life-long learning holds a weak position in this context. Partially it could be attributed to the undeveloped system in life-long learning and lack of clear life-long learning policy in Latvia.

Specialists of social work in Riga indicate in the interview, that during the period until the middle of 2008 the requirement of performing co-participation obligations that was included in the eligibility conditions for the receipt of the GMI benefit, served as an instrument for involvement into the labour market and the staff of the municipal social service in cooperation with representatives of the State Employment Agency supervised the execution of co-participation obligations. More attention was paid to the supervision of those groups of GMI benefit recipients who were further away from the labour market or had been outside the labour market for a long time – ex-convicts, alcoholics, the long-term unemployed.

However, at the end of 2008 and the beginning of 2009, with the high unemployment rate (registered unemployment data presented) in Latvia and the very restricted possibilities for a GMI benefit recipient to find a job (see Chart 5), the co-participation obligations for individuals of the working age, incorporated in the minimum income schemes, acquires a formal character.

Chart 5: The number of unemployed and the number of vacancies



Source: The State Employment Agency

The effectiveness of co-participation conditions is influenced negatively also by the reduction of the budget earmarked for active employment measures and the dramatically growing number of the unemployed who lay claim to participation in active employment measures. Thus these people do not have any opportunity of properly performing co-participation obligations.

3.2 Support to MI schemes in terms of access to quality services

In Latvia support mechanisms for recipients of MI schemes in terms of access to quality services can be assessed as insufficient. There are very few support instruments established at the national level. One of them is the release of the poor from patient's payments that has been established at the national level. However, due to the reduction of the health care budget as of 1 March 2009 the Ministry of Health has established the co-payment for the poor for the patient's payments in the amount of 50%. Thus support for health care services has also been reduced and it will be most acutely felt by those GMI benefit recipients who are of the retirement age and whose health condition is worse. It is possible to forecast that the growth of health care service costs for the poorest groups of the population will create an even larger burden for the local social assistance budget.

To ensure the availability of health care services for the poor residents, part of municipalities provides the issue of health insurance policies for these groups of the population. This approach served not only as a support in covering additional expenses but also as a preventive instrument in reducing the morbidity of the poor residents. This current positive practice has also come under a threat because with the growth of the number of the poor, municipalities will run short of funds for the purchase of policies. Besides, as it has been pointed out also by specialists of social work in Riga, in the current economic situation there is a very high risk that it will be necessary to give up the issue of health insurance policies that will result in an increased demand for benefits for the coverage of health care expenses and in a much lower availability of health care services for the poor population.

The majority of municipalities direct a significant part of social assistance to ensuring the accessibility of educational services for families with children. The most widespread support instruments are free meals at school for children from poor families, benefits to poor families with children of the schooling age, in cash or in-kind before the beginning of school-year for the purchase of text books and other material necessary for school. An indirect support instrument for children of the schooling age from poor families, that should be mentioned, is the payment for free meals from the national budget to all pupils of Grade 1 starting with the 2008 study year and for pupils of Grade 2 as of the 2009 study year.

Another support mechanism of municipalities for poor families with children is the practice of municipalities to cover in part or in full all kindergarten costs for poor families with children. Upon the assessment of its financial possibilities, each municipality determines the size and type of support, for example, part of municipalities cover all or part of costs related to catering, part of municipalities pay for the kindergarten for children from poor families in part or in full.

A similar practice exists at municipalities also concerning promoting the accessibility of transport services for the poor families/persons. In some cases municipalities cover transport service costs for the poor families, if they are related to the attendance of activities organised by the State Employment Agency or a visit to a doctor, while some municipalities cover only transport costs for children of poor families to get to educational institutions. It should be mentioned that the limited availability and comparatively high prices of public transport particularly in rural areas seriously limit access to services for poor persons, for example, access to the health care for elderly.