



Latvia

Trends, Recent Developments, Active Inclusion and Minimum Resources

First Semester Report 2006

Tana Lace
Riga Stradins University



On behalf of
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This report aims to analyse the characteristics in the situation in social inclusion policy in Latvia. The main focus of the report is on the years 2004 and 2005.

1. Key trends (situation analysis)

This Chapter presents basic information and a more detailed description of those areas that:

- influence social exclusion risk groups;
- justify the necessity and topicality of the described policy measures in the national context;
- have the most direct impact on objectives and priorities prescribed by the JIM and NAPincl Latvia (2004-2006).

Demographic changes

Data from the Central Bureau of Statistics show that the number of residents in Latvia continued to decrease in 2005. In early 2006 there were 2 million 295 thousand residents or less than 11,8 thousand in comparison with figures one year ago. The population decrease rate in 2005 was slower than previously. In comparison with 2004 (0,55%) the rate now was 0,51%. The number of residents due to natural population movement (number of deceased persons outnumbered the number of persons born) shrunk by 11,3 thousand, emigration outweighed immigration decreasing the total number of population by 0,5 thousand persons.

EUROSTAT forecasts show that also during the next decades there will be evidence of a further decline in the number of the population in Latvia, and during the period from 2004 till 2050 the number of the population in Latvia might decrease from 2.319 million to 1.873 million.

Table 1

Key comparative demographic development indicators

	2000	2004	2005	2005 in % (against 2004)
Registered number of marriages	9211	10370	12544	121,0
Per 1000 residents	3,9	4,5	5,5	122,2
Number of divorces	6134	5271	6341	120,3
Per 1000 residents	2,6	2,3	2,8	121,7
Number of new borns	20248	20334	21497	105,7
Per 1000 residents	8,5	8,8	9,3	105,7
Number of deceased	32205	32024	32777	102,4
Per 1000 residents	13,6	13,8	14,2	102,9
Number of infant deaths	210	190	168	88,4
Per 1000 live newborns	10,4	9,3	7,8	83,9

In 2005 the number of newborns equalled 21.5 thousand which is 1163 more than in 2004. The birth rate per 1000 residents increased by 5.7%. The number of newborns for 1000 residents was 9.3 which is the highest indicator in the last 11 years.

The summary birth coefficient^[1] in 2005 versus 2004 increased by 4% and equalled 1.29. The average birth coefficient was 14.2 dead persons per 1000 residents which is 2.9% higher than a year before.

Along with decreasing numbers of the total number of residents in Latvia the number of national group representatives has changed, as well as their proportion in the total number of residents while major changes in the ethnic composition of the residents have not taken place since 1999. Latvians account for the majority in terms of the national composition of total residents (2004 58.6% from the total number of residents) followed by Russians (2004 28.6% from the total number of residents)^[2].

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 %, while in 2005 GDP increase was even higher – 10.2%

The growth rate was largely due to high domestic demand. Opportunities to obtain bank loans (like a loan to cover personal expenses for consumer needs, mortgage loans as well as loans for renovation) account for the increase in the volume of private consumption.

The uneven regional development must be noted when speaking about economic growth. In 2003 more than 65% of the total GDP generated in the country was produced in the Riga region^[3]. In comparison with the indicators from previous years, the proportion of Riga region for the output of the total GDP has increased, while that of the other regions – decreased.

Even though the study on regional development in Latvia^[4] analysed data for the year 2002, official statistics show that the respective trends in 2004 remain unchanged.

According to *Eurostat* data, in 2004 and 2005 Latvia showed the highest inflation rate among the EU Member States. The inflation rate in Latvia in the year 2005 reached 6.7%.

The increase of inflation is mostly due to increase in food prices, changes in taxes, higher regulated prices, oil product price increase and other factors like investment in modernization, continued strong credit growth, inflow of funds.

Data from the Central Bureau of Statistics show that consumer prices increased by 7.0% in 2005 (7% for goods and 6,9% for services). In 2004 this showing was 7.3%. The increase of fuel prices had the largest impact on consumer price increase in 2005.

As to the data of the Central Statistical Bureau of Latvia (CSB), almost all the food products showed a price increase, particularly dairy products, bread, cereal products, meat and fish.

[1] The average number of children that a woman could give birth to during her lifetime, if the current birth level was maintained.

[2] CSB "Demogrāfija", 2004

[3] Here regarding regions figures are given for so called planning regions.

[4] Research „Reģionu attīstība Latvijā”, Rīga, 2004

In 2005 housing expenses have increased substantially. Price increase in this group was mainly predetermined by the administrative price regulation increase for heating, natural gas, rental costs, water supply and waste collection. A significant price raise was noted for solid fuel and liquefied natural gas. Last year fuel costs increased by 19.4%.

Taking in consideration that expenses for food in 1st and 2nd quintile households exceeds 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.

The government has declared that its plans for decreasing inflation impact will not negatively affect the situation of the poorest residents. Imposition of loan tax was proposed as one of the actions to improve the situation. As to the Latvian experts, this kind of solution will not help to significantly change the inflation level. Government's proposal to solve this problem at the expense of the private sector instead of decreasing governmental spending is yet another reason for criticism, as bank loans might not be the main drivers behind inflation. The high inflation rate will hinder Latvia's integration into the Euro zone in 2008. As the increase in the inflation rate in 2005 was slower as in previous year, it has been decided that the government will not implement any measures contained in its plans for decreasing inflation. However, both in 2004 and in 2005 the government failed to implement specific measures for reduction of inflation. In early 2006 the Bank of Latvia and the Committee on Finance and Capital Markets put inflation reduction related issues in the spotlight, particularly, with regard to finance and capital markets.

Employment and unemployment

In comparison with the indicators of the year 2004, both the number of employed persons as well as the proportion of person employed out of the total number of residents increased further in 2005. Employment rate increased from 60.4% (in 2002) to 63.4% in 2005

In 2005 female employment rate reached 59.4% (by 1,1 percentage points if compared to 2004. Male employment rate reached 67.6% (increase by 1,2 percentage points).

Employment- unemployment also shows regional disparities, mostly due to insufficient job creation and skills mismatches.

The highest employment rate is in Riga region (67,3% in 2004), Kurzeme (62%), Latgale (53.61%). Employment in Zemgale and Vidzeme has decreased from 60.6% to 60,2% and from 62.2% to 59.6% respectively.

The proportion of self-employed persons in the total population in 2004 was low – 13.3% (ES-25 – 15.9%, ES-15 – 14.9%).

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 study^[5], 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

[5] I.Indāns, A. Lulle, M.Laizāne-Jurkāne, L.Znotiņa, Latvija un brīva darbaspēka kustība: Īrijas piemērs", [*Latvia and the free movement of the workforce: the example of Ireland*], 2005.gada novembris-2006.gada janvāris

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. Exact data on the total number of Latvian residents abroad is missing. As to the data available, there are 35-50 thousand residents working outside Latvia.

Like in the majority of EU member states the demographic situation of Latvia is characterized by a low birth rate and a rapid aging of the society. When comparing data about the distribution of the population in the age group of 0 – 14 years of age and in the age group of over 65 years of age in the Baltic and European countries, it must be noted that Latvia is one of the demographically oldest countries. According to the forecasts undertaken by demographers, demographic ageing can be changed rapidly neither by a higher birth rate nor a lower mortality rate. Trends in the demographic development testify that without a considerable increase in of the immigration level the low birth rate in Latvia will result in a considerable decrease in the workforce resources in future. In the condition of the ageing of the population the integration of residents into the labour market as well as a later exit from the labour market should be stimulated.

Even though since Latvian accession to EU only a small number of EU-15 member states (3) had opened their labour markets during the reporting period, the migration of the workforce has already become a significant factor that should be taken into consideration by policy makers and employers. The problem of the out-flow of the workforce will grow in the next few years. The problem of workforce migration has already surfaced in Latvia as there are areas where shortage of professionals is observed and as there is lack of workforce with lower qualifications. If the Latvian working conditions will remain unchanged, the outflow of the workforce will continue. The outflow of medical professionals abroad gives ground for particular concern, as the number of health care professionals with medium level education is already insufficient in the health care system. Other industries also start reporting difficulties in attracting labour. Not only low-qualified work- force is leaving, particularly from the rural areas; highly qualified professional and experts in areas like IT, engineering science are leaving as well as qualified construction specialists.

As the Human Development Report 2004/2005 noted, the low administrative capacity of municipalities is affected by the lack of such specialists as lawyers, economists, finance specialists, specialists on human resources, territory and development planning specialists, project managers. The lack of human resources is limiting not only the implementation of direct functions and assignments, but it also restricts municipalities in focusing on development planning.

The unemployment rate (harmonized) in Latvia continues to decrease gradually (2004 – 9.8%; 2003 – 10,4%, 2002 – 12,6%). Labour Force Survey data shows that in 2005 in Latvia unemployment rate was 8.9%. In comparison with the previous year, in 2005 the number of job seekers has decreased, and the same is noted regarding the unemployment rate (in 2004 - 10.4%). 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.

Long-term unemployment rate (at 4.2% in 2005) has not been sufficiently tackled and still remains high. The proportion of persons in long-term unemployment in the economically active population has decreased from 7.9% in 2000 to 4.2% in 2005. Regional disparities and the main trends have remained practically unchanged – the highest long-term unemployment rate was observed in Latgale. Slightly more than two fifths (45.5%) from the total number of unemployed were long-term unemployed. In cities the number of persons seeking employment was higher than in rural areas – 9.3% and 7.4% respectively. Partial explanation to the lower unemployment

rate in rural area could be the fact that a person is considered „to be employed” who rely on their in-farm or private agricultural activities for personal consumption as significant source of subsistence.

Income and poverty indicators

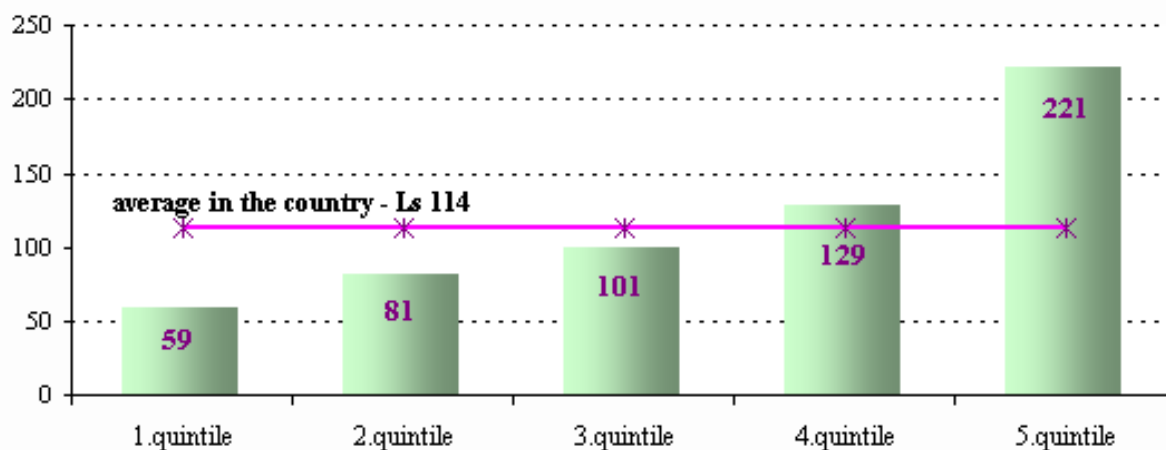
Two main sources of household income have remained unchanged in the course of several years: salaries and social transfers. The two mentioned sources account for 60% and 30% from household income respectively. The average income at the disposal in Riga (based on household budget survey in 2003) was 44% higher than the respective total national indicator; in all other regions it was lower than the average income in the country.

Consumption expenditure of 20% of the poorest households (1st quintile) constituted LVL 59 on average per one household member. Of their consumption expenditure, these households spent on food and housing and utility services 41% and 13%, respectively. Consumption expenditure of 1st quintile households comprising one fourth of the total number of persons belonging to households in the country constituted only 51% of the average level of household expenditure. Consumption expenditure of 18% of richest households (5th quintile), however, comprised LVL 221 per household member and was 2 times higher as the average indicators and almost 4 times higher as the indicators of the lowest quintile.

Picture 1

Consumption expenditure by quintile group

(average monthly per household member, LVL)



Data source: CSB (provisional results of HBS year 2004)

At the disposal of 20% of the poor households was 9,4% of the total household income, 26% of the total number of household members came from these poor households in 2003. It must be noted that since 1996, around 38% of children from the total number of children in households are brought up in the first quintile group (as to income). In 2004 the proportion had decreased only by 1% (37.4%). The 20% of the best-off households possessed 43% of the total household income amount.

In the period of time from 1996 to 2004 at-risk-of poverty rate has not decreased while the 2004 Household Budget Survey data showed that the rate has increased significantly.

Table 2
Changes in at-risk-of poverty rate in Latvia

	1996	1997	1998	1999	2000	2001*	2002	2003	2004
total	16	15	17	16	16		16	16	19
male	15	15	18	16	17		16	15	18
female	16	16	16	15	16		16	17	21

*no HBS in year 2001

Data source: CSB

In the period 1996 - 2004 significant changes in the ratio of persons in the 1st quintile households (in 1996 – 26.4% and in 2004 – 25,2%) have not been observable.

At-risk-of poverty rate in single parent families with one or more dependent children, due to the high rate of inflation and the low incomes in these families, has significantly increased in 2004. In 2002 and 2003 it equalled 35 and 2004 increased up to 41.

As to the statistics, the minimum monthly wage in Latvia (LVL 80 in 2005) is among the lowest in the EU member states as well as among the other Baltic states. In 2005 the number of employed persons with salaries up to the minimum wage and around that amount were 82.9 thousands, which equals 12% of employees, from which 75.3 thousand persons (91%) were employed in the private sector (high share of undeclared work) and 7.6 thousand persons (9%) – in the public sector. People in the lowest income groups are worst affected by the inflation and consumer price growth.

Without the minimum monthly salary increase the impact of the inflation on the level of living and purchasing power of the residents will increase as is also demonstrated through 2004 HBS data. In 2005 the minimum wage in Latvia was only 37.0% from the gross monthly salary (in 2004 – 41.7%). Earnings inequality in industry and services in Latvia is very pronounced.

The tax burden on labour is also comparatively heavy and particularly affects low income groups (40.8% tax wedge on low paid workers in 2003). It must be noted here that the salaries of persons employed in Latvia are very low versus the EU average – in many areas they amount to 15-20% only.

The Latvian pension system is directly linked to the state economic situation. Due to a significant proportion of shadow economy activity and the high level of unemployment, pension amounts are frequently inadequate as they depend on social insurance contributions. In such cases the state has defined the minimum income threshold for pensions as well as the guaranteed minimum income for social assistance purposes.

Currently the main priority of pension policy is to improve the living standards of pensioners, providing adequate pension amounts, reaching a replacement rate of 40-60% of previous income.

In conformity with the Latvian National Action Plan for Reduction of Poverty and Social Exclusion (for 2004 – 2006) old people are identified as one of the groups at risk of social exclusion. The studies on poverty carried out in late 90-ies showed that the poverty risk for retired persons was smaller than for other groups like families with children. Nevertheless, a Survey on Household Budget shows that during the last few years the poverty risk for retired persons has increased dramatically (see table 3).

Table 3
At-risk-of poverty rate for persons at age 65+
 (including income-in kind)

	2000	2001*	2002	2003	2004
total	6		10	14	23
male	3		6	7	14
female	8		13	17	28

*no HBS in year 2001

Data source: CSB

The increase in the poverty risk from 2002 to 2004 is even higher in 1 person household (65 years old and older). In 2002 the figure was 17 while in 2003 – 28, but in 2004 – as high as 53.

The main changes in the pension policy in the years 2004 and 2005 related to the governmental decision to prolong early retirement option for women until the year 2008. Since 2002 the issue of the abolishment of early retirement has repeatedly increased its topicality. First it happened, in 2002 when the issue was postponed for revision in 2005. Then for the second time in 2005 when the government adopted a decision on early retirement till 2008. Initially it was hoped that the transitional provision at the moment will serve as an instrument for solving labour market problems. In fact, this decision facilitates problem solving in employment by using the national social insurance system. In 2004 the numbers of persons taking early retirement increased by 5.4% (the pension benefit in the case of early retirement amounts to 80% of the total amount).

The Ministry of Welfare was against this decision and stressed the importance of employment as such along with the significance of long employment record in determining the pension amount. Given the great public pressure and interest to take early retirement as well as the political "sensitivity" of the issue, the consequences of abolishing this norm are hard to predict. A solution to the problem would be facilitating the development of optimal employment forms and support measures for unemployed persons in pre-retirement age.

In analogy to household income, the pension amounts show regional differences, highest pensions are granted in the Riga region, while Latgale has the lowest amounts among all.

According to expert's estimates, the share of undeclared work is high. The estimates of the Institute of Economics of the Academy of Sciences of Latvia^[6] the potential increase in personal income tax revenues is hundreds of millions of LVL per year (320 mil. LVL, if it is assumed that greatest part of personal income is formed by income from wages). The potential increase in social insurance contributions is more than 320millions of LVL per year.

Possible effect of undeclared work and under-reported wages in future may increase the numbers of population, especially in depressive areas, who live on minimum pension.

The feminisation of poverty is also typical to Latvia. Females more than males are affected by the risk of poverty. As females on average receive lower wage than males (84.4% of males' wage in 2004), during pregnancy and parental leave are outside the labour market, taking care after sick and old family members, more often than males work part-time, accordingly lower social insurance contributions are being made, which finally results in lower pension amounts (in 2004 average amount of old age pension was by LVL 11.28 lower than for males). Situation is being

^[6] Study „Konceptijas projekta „Par fizisko personu ienākumu gūšanas kontroles pilnveidošanu” ekonomiskais novērtējums”, Rīga, 2005

worsened by the fact that many females are single (like divorced, widows) and their pensions are often inadequate for satisfying the needs (rental, food, medicine and other).

Females' return to the labour market after parental leave is being hampered by the depreciation of skills and qualification after the parental leave as well as by low accessibility of child care institutions (especially in Riga), as well as working hours in these institutions. Employers consider, that caring for children decreases female's productivity and in the same time are not motivated to allow the employed female to work part-time and to do the work at home

Social exclusion risk groups

The initially in JIM and NAPincl identified risk groups of social exclusion remain the same in period under research (2004 -2005), namely:

- families with three and more children;
- single-parent families with children;
- children and young people (drop-outs, with low education and vocational qualification, with various addiction problems etc.)
- the unemployed persons, especially long term unemployed;
- disabled people;
- old persons especially single pensioners;
- ex-prisoners;
- homeless people;
- ethnic minorities especially Roma;
- victims of human trafficking.

Additionally to previous mentioned groups, risk of social exclusion exists for persons with various addictions (alcohol addiction, drug addiction), young people from orphanages, persons in the pre-retirement age whose health has deteriorated but who does not qualify for disability status.

All these risk groups of social exclusion require support in employment sphere; education; health care and social services, besides, it must be noted that within one group there may be several problems and their causes need solutions.

As it was noted previously families with three and more children and single-parent families with children, old persons especially single pensioners, the unemployed persons are subject to increased poverty risk.

The long-term unemployed persons, young unemployed persons with low basic skills and without working experience, persons in pre-retirement age as well as women after child-care leave are the groups that may be most affected by unemployment.

Disabled

In early 2006 in Latvia there were more than 111 thousand disabled persons and more than 9 thousand among those were children. In Latvia a single uniform registration system of persons with disabilities does not exist, therefore data is only approximate.

Persons with special needs face difficulties to receive good quality education (including professional and higher education). Until now there has been a very low level of integration of children with special needs into the general education schools. As the main problems are

connected with an environment that is unfriendly to the disabled, significant financial resources are necessary to deal with existing problems. Persons with special needs as a risk group of social exclusion are largely subject to several risk factors mainly dependent on the specific kind of disability.

People with disabilities are characterised by low employment rates, hence the majority of the income is from disability pensions and their income level is below the national average income level. In 2003 75,9 thousand persons received disability pensions and the average amount of pensions was 55,79 LVL. The average amount of disability pensions in 2004 was 60,2 LVL and in 2005 – 66,9 LVL.

Homeless persons

As until now there have been no national measures to counter the problem of homelessness in Latvia, neither there have been similar scale activities for homelessness prevention; but, activities which exist on municipal level, mainly aimed at increasing the number of shelters for the homeless people, then one should not be surprised that the problem of homelessness is getting even more topical. The problem is at its worst in the capital, Riga.

The lack of data on the total number of the homeless people and other characterising parameters are the heart of the problem, hindering efficient measures planning. The only available data and the basis for comprehending the topicality of the problem are the data from municipalities regarding the homeless persons who have used night shelters and shelters for the homeless. In 2003 1491 homeless persons had availed of the temporary housing opportunity in Riga shelters, whereas in 2004 the number had increased to 1716. In Riga shelters and in night-shelters provided by contracted organizations, the social workers consultation is available.

Ex -prisoners

A significant group at risk of poverty and social exclusion is ex-prisoners. The number of persons freed from imprisonment has remained relatively constant - more than 2,5 thousand persons annually and an average of 90% of the total are male. In 2002, 2,517 persons, including 129 women, were released from places of imprisonment. In 2003, 2,578 prisoners were released, but in 2004 – 2645 persons.

Only a small part of the in-mates (around 5%) in 2004 were involved in vocational education.

Reintegration into society and in the labour market is hindered both by the negative attitude and by the lack of employers interest to hire former in-mates, these problems are also due to the problems of ex-imprisoned themselves – lack of sufficient social skills for daily life, low educational level and lack of professional education. Among this group of people there is a lack of trust in state and municipal institutions; therefore they are rarely used as liaison, solving social and employment issues.

Ethnic minorities -Roma

In Latvia, the population census in 2000 reported 8204 Roma residents, which represents 0,3% of the population. The other sources (during research - field trips, interviews with the Roma and their leaders) indicated that real number of Roma is more likely 13000-15000.

It is small minority with old roots in Latvia and the overwhelming majority of whom, in contrast to the large Slav minorities in Latvia, are citizens (92%) and speak fluent Latvian (66%).

According to survey results many people in Latvia base their attitudes toward the Roma on stereotypes and prejudice. Which, in their turn, are based on a lack of contacts and information about this minority group. Research done by Latvian Centre for Human Rights and Ethnic Studies in 2003 "The Situation of Roma in Latvia" is the most serious one done since Latvia gained independence in 1991.

Education and employment are the two most important problems for the Roma in Latvia.

Among Romani people 15-years old or older 24.3% have not completed the 4th grade. (In the country as a whole – 2,1%). More than 40% of Roma have 4th grade or lower education, many are illiterate. 25.2% of Roma respondents did not state their level of education, which suggests that the number of the Roma with a level of education of a few grades might be as high as 60%. In several towns up to 30% of Roma children do not enrol in first grade. In all schools attended by Roma children, significant attendance problems can be noticed. A secondary education (general or specialised), has been completed by only 7.9% of the Roma. Solution till now - formation of separate Roma classes which have official status of pedagogical correction class (pedagogical or social adjustment classes).

Official employment not exceeds more than 5% of Roma in working age. But only 10% of Roma are officially registered as unemployed. This limits the possibilities for Roma to receive social assistance, the lack of official work record (and insurance contributions) means that retirement age Roma generally receive only minimum pensions.

Even those who want to work and are registered as unemployed at National Employment Agency, are not able to participate in professional training, retraining and qualification – raising courses – as in practice, these courses are open only to those who have completed an elementary education while in most cases, a secondary education is required. There are very limited opportunities for using existing active labour market measures offered by National Employment Agency to help Roma to be involved in labour market. Temporary public jobs are the most often used active labour measures among Romani people.

Territorial differences

There are essential regional disparities in economic and social development. The personal income tax per residents indirectly characterises the quality of life and welfare level of residents. As it was noted by the authors of Latvian regional development study^[7], in 2003 the average personal income tax per person in Latvia equalled 114 LVL. In the context of personal income tax per resident in 2003, the Riga planning region held the lead position nationally (148,0 LVL), followed by Kurzeme (96,5 LVL), Zemgale (91,0 LVL) and Vidzeme (85,0 LVL), Latgale planning region being the last (66,1 LVL). In the course of the last few years regional differences in revenues from the personal income tax have remained present and an increasing regional gap has been noted here.

[7] Research „Reģionu attīstība Latvijā”, Rīga, 2004

There are substantial differences in the changes of dynamics in the numbers economically active companies and business entities in various Latvia regions. Since 1999 the number of economically active companies in Riga region has increased by 28% while being 3 and 4 times lower in other regions.

According to afore mentioned study data, regional differences in terms of economic growth rate have increased in the period 1999-2003.

For the purposes of socioeconomic development characterization and for comparative purposes, Latvia relies on special regional development index, calculated on annual basis.

Table 4
Regional overall development index

Region*	Development index				
	1999	2000	2001	2002	2003
Riga	1,427	1,443	1,477	1,475	1,540
Kurzeme	-0,320	-0,333	-0,416	-0,385	-0,535
Zemgale	-0,685	-0,624	-0,580	-0,511	-0,541
Vidzeme	-0,787	-0,821	-0,936	-0,986	-1,046
Latgale	-1,263	-1,327	-1,317	-1,358	-1,396

*Regions are ranged in decreasing order in terms of development index in 2003.
CSB data, National Regional Development Agency calculations.

Table 4 shows that only Riga region shows positive development indices, while the rest of the regions show various negative figures.

At the moment the country has special support program for economically weaker territories, which lack adequate output. The program for territories in need for particular support, as is noted by study authors, lacks in terms of volume to attain dramatic changes for the development of territorial balance and for creation of the respective preconditions. If socio economic territorial equalization shall continue equally slowly, attainment of satisfactory results will require several decades.

There is a need for finalisation of the Administrative and Territorial Reform (ATR) and Implementation of the Regional Reform. The ATR was launched in 1994. Since then, the government has repeatedly postponed decision making on completion of the reform on the grounds of municipal resistance and lack of support for the respective decision. A draft law in 2nd reading has been submitted to *Saeima* defining the procedure for ART completion. The result of the lack of consistency and political will in the area is a situation when national administration institutions plan the infrastructure and service allocation nationally on the basis of different criteria or needs of specific groups of residents instead of having uniform territorial conditions.

Education

Even though basic education in Latvia is compulsory and it is being considered to be free of charge, current situation analyses show a number of problems. In 2004 the number of children aged 5-15 and out of school has increased. As to the data of the Ministry of Education and Science (MoES) in 2004 5% of the persons benefiting from education system did not proceed with their education after acquisition of basic education. It is alarming that the number of pupils,

who do not continue education past the basic level, has increased for more than two times in 2004. Unsatisfactory performance and expulsion may be regarded as wide-spread phenomena (see table).

Table 5
Expelled from school in general day schools

School year	Girls	Boys
1997./98	3582	5386
1998./99	3786	5292
1999./00	4152	5420
2000./01	4261	5466
2001./02	3974	5082
2002./03	3968	5314
2003./04	4242	6000

Data from the MoES

According to the data provided by MoES, the numbers of drop-outs from vocational educational establishments has also increased (during 2004-6974; 2003-6698). More than 60 percent of them are boys.

In Latvia the number of children out of school and without basic education is quite large. Comparing the data on mandatory school age children in the Residential Registry and the actual number of children registered in educational institutions in 2004, 2592 children were not into the mandatory educational programs (in 2003 – 2526)^[8]. It must also be noted that this accounts only for a part of the children as the situation with children not registered in educational institutions is not fully under control (the number of children residing in Latvia but studying abroad is not registered definitely, the same goes for children residing in Latvia but not attending the school, or not attending school due to other reasons).

The number of school children graduating with low grades must be singled out as yet another problem along with the above-mentioned. As to the MoES data from 2004, the centralized exam results in the secondary educational establishments showed that 27.2% young people graduated with low or very low basic skills. The level of results was particularly low in vocational education school (49.5%) and in night-educational institution (36,4%) graduates.

The problem of education system later on manifests itself in labour market as unemployed persons with low education, school drop-outs possessing no formal school qualifications or persons possessing skills which do not correspond to labour market needs. There is no sufficient evidence of providing second chance or response to the needs of low-skilled.

In highest education institutions the number of students was among the highest not only on the European, but also on global level. The number of students per 10000 residents in early school year 2004/2005 was 556, which is the one of the highest indicator in EU. At the same time, it must be pointed out that the main problem in the higher education is the lack of funding for study places along with the negative trend in the number of faculty members and in the respective age structure. One of the most essential Latvian problems is the lack of correspondence between the structure of the Latvian educational system and long-term requirements in the labour market, the

^[8] „Pārskats par bērnu stāvokli Latvijā 2004.gadā”, (*Report on children's situation in Latvia in 2004*) Ministry on Children's and Family Affairs, 2006

current education is one-sided and only one fifth of the students are studying engineering and natural sciences.

Health

On the whole, the health status of population in Latvia is unsatisfactory.

Mortality rates in recent years are rather constant. Mortality of relatively young people has impact on life expectancy indicators, which in Latvia are among the lowest in Europe: 67.1 years for men and 77.2 years for women in 2004 (the average indicators in the European Union are 8 years more for men and 4 years more for women.).

Table 6
Life expectancy at birth

	2002	2003	2004
Male	65,4	65,9	67,1
Female	76,8	76,9	77,2

The most prevalent cause of death is the diseases of circulatory system. In 2004, these diseases accounted for 17.9 thousand deaths or 56% of the total number of deaths. The next biggest group of causes of deaths are neoplasms. In 2004, they accounted for 5.8 thousand deaths or 18% of the total number of deaths.

The third leading cause of deaths in the structure of causes is due to external causes (accidents, poisoning, injuries) – they account for 3.2 thousand deaths in 2004 compared with 3.4 thousand in 2003. Last year 561 persons committed suicide, 538 deaths were attributed to traffic accidents, 263 died of cold, 238 deaths were due to alcohol poisoning, 218 were due to assaults, 190 were caused by fire.

The situation is critical with regard to TB, HIV and AIDS morbidity rates. In the course of the last few years, TB morbidity rates have decreased while still remaining quite high. TB morbidity rates per 100.000 residents has decreased from 73,4 in 2001 to 63,7 in 2003. Even though since 2002 the number of newly diagnosed HIV cases is decreased, the total number of persons infected remains relatively high.

Mental health indicators in 2003 versus the respective data in 2002 have worsened; the abundance of mental diseases, alcohol and psycho-active substance addiction has increased.

The fear of being unable to pay for medical care ranks first among the concerns of the Latvian population. The high share of out-of-pocket payments for health services directly disadvantages vulnerable groups. The share of out-of-pocket payments for health services amounting to an estimated 47,5% of total health care funding in 2001.^[9] In addition, the existence of quotas for services, high expenses for pharmaceuticals and informal payments hamper the access of vulnerable groups, stressed in the study done by German Development institute^[10]. Researchers conclude that not only people living on an income below the poverty threshold, as defined by the Latvian Cabinet of ministers have problems with access to health care services, but also "individuals with an income just above this threshold and thus ineligible for a number of

^[9] WHO: Latvia Country Indicators, 2004,
<http://www3.who.int/whosis/country/indicators.cfm?country=lva&language=en#economic>

^[10] "Transforming the Latvian Health System. Accessibility of health Services from a Pro-poor Perspective", 2005

exemptions and reimbursements are particularly vulnerable, and so are groups with high health needs, such as the elderly and chronically ill. Catastrophic health costs – which exceed the individual's ability to pay – may even affect better-off parts of the population.”^[11]

Waiting lists to receive state reimbursed health care services are the consequence of the quota system, this, in fact, is the main problems in access to health for persons from the low-income group. This yields a two-tiered health system in which better-off patients pay for health care services, especially specialists, out-of-pocket, while the poor have to wait to obtain treatment. This results in cases of delayed treatment and chronic diseases for the vulnerable.

Lack of consistent and predictable links between the treatment institutions and VOAVA is aggravating for the population as the issues on access to health care services have not been clear in the longer run. Often residents perceive the widely discussed administrative problems (for instance – contracts on public procurement that are not signed on time) as threatening in receiving the required assistance.

The residential lack of awareness on their rights as patients as well as their respective obligations is insufficient, so is their knowledge on the costs of health care services.

As the above-mentioned study authors suggest, these problems largely stem from political context. The Latvian political landscape is characterised by a short duration and high volatility of governments and coalitions. Consequently, the health system is subject to very different strategies, ranging from radical reforms such as the proposal to introduce a private health insurance system similar to the one in the United States, to maintaining the current tax-financed system.

The issue of emergency care availability has become even more complex after April 1, 2005. As to the legislation – in case of unnecessary call for emergency aid, a person must cover full costs of the treatment (from 7 to 40 LVL). The interpretation of the very term – substantiated/unsubstantiated call for emergency aid has raised heated debate. As a result, residents avoid calling for the ambulance even in cases of severe health complications in fear of their being potentially unable to cover the service costs. Hence it is estimated that they soon would get into the hospital with more acute health problems.

Housing

Denationalization of real estate, privatisation of state and municipality owned houses has resulted in dramatic changes to the structure of housing. In late 1990, the proportion of private sector presence in housing resources accounted for 31% and until late 2004 it increased by 85% from the total housing resources. In comparison to the EU states, Latvian housing quality is lower, residential houses are comparatively old and lacking in quality, particularly in terms of heating efficiency. 71% of the housing resources in Latvia were built in the period of time from 1946 to 1990.

According to the CSB data, as of January 1, 2005, 12347 persons were registered in the municipal register for housing improvement; the aforementioned figure includes 4755 persons under priority consideration for housing allocation. In the course of a year 3973 persons received housing, including 2128 persons receiving housing with facilities. At the same time it must be

^[11] Et als, p.88

noted that the municipal action in the area is far from satisfactory as in comparison to the earlier data, municipalities' allocated 170 apartments (or 4%) less than in 2003.

In the course of a year, the number of social houses has increased only by 2 and as of January 1, 2006, there were 84 social houses in Latvia, providing residence to 3,1 thousand persons. Municipalities show increasing activity for granting the status of the social housing to places of residence of socially unprotected, but some decrease in that tendency is seen in 2005. The number of social apartments on January 1, 2006 amounted to 1,2 thousands, housing 2,8 thousands of persons. In 2005 the social houses and social apartments were provided to a number of persons that was only by 136 (2%) higher. On January 1, 2006, 35% of all the residents of social houses and social apartments were retired, 25% - children.

The planned abolition of ceiling for rent payments will increase housing problems as well as the need to develop solutions (problems for big cities, in particular for the capital of Latvia). As it has already been emphasised in the Joint Inclusion Memorandum and in the NAPincl Latvia, these problems are especially affecting households with low incomes, pensioners and other vulnerable groups. In year 2004 a governmental working group was formed with the aim of searching for solutions.

Failing to find a solution to this problem, the government decided to extend the operation of "rent ceiling" on a certain, pre-defined level for 3 years. Association of Houseowners contested this decision in Constitutional Court. In the first quarter of 2006 the Court ruled for the abolition of rent ceiling as of 2007 by giving the government the task to take the required measures to solve the situation with the lease holders in denationalized buildings.

In order to solve problems of lease-holders in denationalized houses, for the first time in the national budget for the year 2006 funds were earmarked for solution of housing problems. One of the instruments in this is state and municipality financial support for covering purchases for persons who would free residential space in denationalized house. It is forecasted that the largest part of this amount would go into benefits for Riga city residents. As to the information made available by Riga City Council 795 lease-holders in denationalized buildings had applied for this benefit till May 2006.

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.
- Alongside with the rapid growth of inflation during the preceding two years, the poverty risk has increased to a considerable degree in general and in particular for several social exclusion risk groups (large families with many children, single-parent families, single pensioners).
- A low level of the minimum wage and average salary is characteristic for Latvia.
- Latvia is also characterized by very pronounced regional and urban/rural differences, thus regional differences can be observed also in the labour market.

- The unsatisfactory availability of housing for inhabitants with low incomes, a high apartment rent which together with the insufficient traffic infrastructure largely determine the low internal mobility of the workforce.
- Features of gender discrimination can be observed in the labour market as well as the feminization of poverty.
- Latvia has a quite high proportion of the long-term unemployed, the economic activity of the population and the number of the self-employed are low.
- Lack of the workforce can be felt; the problem is aggravated by the outflow of the workforce abroad, mostly to Western Europe.
- In the area of education considerable problems are related to the high proportion of pupils with a low level of basic skills and an insufficient proportion of pupils with a high competence level; there is a high level of drop-outs, which tends to increase.
- The undeveloped system of life-long learning and lack of clear life-long learning policy in Latvia.
- The health status of population in Latvia is unsatisfactory. The situation is critical with regard to TB, HIV and AIDS morbidity rates.
- The fear of being unable to pay for medical care ranks first among the concerns of the Latvian population. The high share of out-of-pocket payments for health services directly disadvantages vulnerable groups.
- No improvement of the situation and the decline of the social exclusion risk have been observed for a range of social exclusion groups (Roma, the unemployed, ex-prisoners).

2. Key policy measures

Promoting employment, access to resources, rights, goods and services

In general – characterising the policy promoting employment in 2004 and 2005 the support from EU Structural Funds has significantly increased the amount of active employment measures which has allowed involving more persons from social exclusion risk groups in all regions of Latvia. During last two years policy measures mainly focused on the increasing the quality of the existing measures instead of diversifying the services, hence making the available more accessible and more corresponding to the needs of various risk groups. The principle that the SEA is gradually adopting, aims at providing services delivered “as close to the place of residence of clients as possible”. Detailed information with illustrations of specific measures for facilitating the integration of risk groups into the labour market is outlined in the chapter “Active inclusion and minimum resources”.

Amendments to the Labour law in 2004 were made with an aim to strengthen principle of provision for equal opportunities as well as establish legal protection mechanism for the employees, in case the employer would fail to meet requirement to provide equal treatment. Amendments to the Labour law specified the definition of the discrimination in the legal terms with regard to employment relationship.

Another activity to promote the stabilization of income and decreasing the impact of inflation for residents is the governmental decision to increase, as of 2005, the untaxable income threshold for collection of personal income tax (from LVL 21 to 26) and increasing the exemption from personal income tax for each dependant (from 10,5 LVL to 18 LVL).

In 2004 the government took a decision to postpone revising minimum wage amounts for year 2005 (contrary to what was envisaged in the Concept Paper on the Minimum Wage). Instead, the

untaxable income threshold was increased. Only on January 1, 2006 the government increased the minimum wage from LVL 80 to LVL 90 per month.

Problems related to access to housing for social exclusion risk groups were mentioned as one of the immediate JIM activities, while in 2004 no essential changes or solutions were offered. Demand for social housing exceeds supply. There are certain activities introduced in Riga while in the smaller parish and town municipalities' possibilities to find solutions are limited.

In August 2005 there were four Regulations of the Cabinet of Ministers adopted stipulating the procedure how municipalities granted national earmarked subsidies for solving the housing issues both for the construction of social housing and for reconstruction of municipality owned residential buildings or block houses the construction of which was brought to a halt previously, or, alternatively for renovation of residential houses that are not currently rented. As to these regulation municipalities could apply for earmarked subsidies if persons residing in their territory had registered and who qualified for receipt of housing urgently and as a priority.

Both JIM and NAPincl planned for preparation of life-long learning strategy as a priority. The strategy drafting process has started just at the end of 2005.

IT development is being mentioned as one of the essential areas in national development while the planned e-programs are being implemented slowly. ICT use is limited due to lack of adequate infrastructure in the remote Latvian regions as well as by the relatively low computer skills among certain groups of population particularly in socially marginalized risk groups. As of September 2004 there were 7 computers per 100 pupils. This indicator is more than two times lower than that in EU average figure. On the whole the number of computer per 1 pupil has decreased. An unsatisfactory figure is the fact that computer supply for various regional and city schools is dramatically different.

The majority of Latvian Internet users reside in Riga, in the vicinity or in the largest Latvian towns.

According to the survey by CSB only 25% of households possessed a PC. ^[12] Only 15% can accede internet from their homes. Home and work are the most popular places where computers are being used.

Regularly (almost on every-day bases or at least once a week) computers are being used by more than 1/3 of residents, while internet is being regularly used by 27%. The majority of users is among young persons, persons with highest education, students and economically active.

The lack of comprehensive research on labour market and social exclusion in Latvia has limited the evaluation of implemented policy and policy planning. In 2005 Latvia with support of European Social Fund started extensive and comprehensive labour market studies. Results of these researches could serve as the basis for forecasting labour market demand, legislation development, and improving cooperation mechanisms as well as for the development of the new policy initiatives and measures. During the EU Structural Funds programming period 2004-2006, the total funding granted for labour market research reaches LVL 4,363,895. European Community Initiative EQUAL is also aimed at the development of new policy initiatives in employment policies and in reduction of social exclusion.

^[12] CSB of Latvia, "The Use of Computers and Internet in Households and Enterprises", 2004.

Eliminating of child poverty and assistance to families with children

The amount of the family state benefit is low (LVL 6 for the first child, for the second child the benefit 1,2 times higher and for the third - 1,6 times higher while for the fourth and subsequent children - 1,8 times higher than for the first child in the family); besides, the benefit has not been reviewed since 2003.

In 2004 governmental decision to increase benefits for families with children and to facilitate situation improvement for recipients of small-pension amounts raised large political and public debate. As the governmental intention to significantly increase child-care and child-birth allowance, as well as to introduce additional payments for the recipients of small-pensions, was first communication in 2003 and the respective decision making was postponed explaining this with lack of funding, the issue gained large public attention. Further postponing was impossible.

As of October 1, 2004, the childbirth benefit amount was increased to LVL 296 (from LVL 196) The Regulation of the Cabinet of Ministers adopted on December 2004 stipulated from 2005 significant increase in child care benefit amount for persons taking care of children until age 1. This situation indirectly stimulates participation in national social insurance system, as the benefit amount calculation is linked to the contributions made by the person (at 70% from the average social insurance contribution wage during 12 months before child birth) The benefit itself is non contributory. The benefit amount has minimum and maximum limits. Thus the minimum support is provided to parents who have not made contributions to social insurance system and opportunities for abusing the system are excluded (like when the social insurance contributions are artificially increased for a very short period of time).

One of the requirements of conditions for granting the child-care benefit required that eligibility for child-care benefit was not compatible with active employment. A person caring for a child younger than 12 months was not allowed to combine work and benefits. This provision was countered by several mothers of young children in Constitutional Court and on November 4, 2005 the Constitutional Court announced this provision to be incompatible with the Constitution, and void as of March 1, 2006. This decision must be noted as a positive development, because it is facilitating parental (women's particularly) re-integration into the labour market and diminishes the risk of losing the required professional skills and knowledge. The earlier legal provision to some extent stimulated unregistered unemployment. Child-care benefit for a child aged 1 to 2 years amounts to 30 LVL a month both for employed and unemployed persons independent on the length of employment.

As of January 1, 2004, a paternity benefit was introduced. The introduction of such benefit was provided for in the legislation already several years ago, nevertheless, real payments were started from 2004 (on the basis of availability of funding). This year 26% of the fathers of newborn children received paternity benefit.

In order to facilitate child-rearing in family environment, in 2004 2 new benefit payments were introduced for persons adopting children – namely, benefit for care for an adopted child and a lump-sum benefit for adoption. Measure did not bring about the desired effect; as the decision to adopt is linked to more complex conditions, not only availability of benefits and their amounts.

On 2004 the Alimony Guarantee Fund was launched. According to the data of the Alimony Guarantee Fund administration, in April 2006 the Fund provided means of sustenance for 15,135 children, attributing these means to 10,341 parents, including 154 single fathers.

On January 1, 2006 along with the increased minimum wage the minimum amount of sustenance resources also increased which is the respective amount that a child must receive

notwithstanding the parental income and material situation. As to the Regulation of the Cabinet of Ministers, children younger than 7 are entitled to receive 25% of the state defined minimum wage, while children in the age group from 7-18 are entitled to 30% of the minimum wage. Hence, if the previous minimum sustenance amount for children younger than 7 was LVL 20, then as of the new year the amount is going to be 22,5 and for children aged 7-18 the amount to receive would be 27 instead of the previous LVL 24.

Efforts are made to recover from parents the funds spent on child maintenance. As was noted by social workers in municipalities, the positive impact from the activities of the foundation were felt even now, as there are more and more single parents, particularly – women who turned to the foundation to required means for children's sustenance. The existence and activity of the foundation has had an „educational” impact on a part of the divorced parents who had avoided paying maintenance money before, while now, with their awareness on the obligation to pay their due to the state with the respective "lapse charge" that could last a life time, they have started paying subsistence amount for children.

In order to support families where a child has the diagnosis of celiac disease, a LVL 50 a month benefit was introduced (effective from January 1, 2005) which is equal to the amount of additional payment to the state family benefit for disabled child.

Even though the GMI is too low to attain the objective behind the allocation of this benefit (especially in urban territories), a positive trend to be noted here is that fact that the GMI level is being regularly reviewed and gradually the benefit is being increased (in 2003 – 15 LVL, in 2004 – 18 LVL, in 2005 – 21 LVL). Since 2006 amount of GMI benefit is 24 LVL per month per family member. A positive trend here is that economically developed municipalities have set the GMI higher than the respective minimum level set nationally.

Overcoming discrimination and increasing the integration

A positive step has been taken by approving of the Program for implementing gender equality 2005-2006 in the Cabinet. (08.09.2004), although financial resources allocated are quite small. The focus of the program is on educating the public (state) sector employees, information for society on different aspects of gender equality, improved understanding among specialists of the issue of violence in family. The activities within the Community Program project “The role of mass media in re-distribution of power” (information campaign, co-operation with the portal “Policy”) have proved to be successful.

In 2005 a new policy planning document "Policy Guidelines for Reduction of Disability and its Consequences for the 2005–2015" was developed and adopted in the government. This document provided for the development of social protection system for disabled persons, aimed at changing the ideology of disability definition and new approach to solving the problems of disabled persons. That is, more active action in preventing disability is foreseen, focusing specifically on timely rehabilitation and other services that would decrease the risk of disability or the degree of its severity and hence – would stimulate social integration and employment of the disabled.

In order to expand the social rehabilitation service spectrum in 2005 there were amendments introduced in the Law on Social Services and Social Assistance providing for new social rehabilitation services along with group houses – half-way houses for persons with mental disorders. The state provided for a 50% funding to municipalities towards the group housing and

half-way house building and installation costs. It is planned that this service will be delivered to adults since year 2007.

In 2004 the National program for prevention of trafficking in human beings for 2004-2008 was adopted. Unfortunately national funding for social rehabilitation services of 14 victims of trafficking in human beings was granted only after January 1, 2006. In 2004 within the program framework the work started only with the launching of an informative campaign while in 2005 a legal basis was prepared for social rehabilitation service receipt, adopting the Regulations of the Cabinet of Ministers on the procedure governing the receipt of social rehabilitation services to victims of trafficking in human being and requirements for social rehabilitation service providers.

Gradually, the reintegration of persons in imprisonment is being discussed particularly focusing not only on the period of their release from imprisonment, but on timely basis. Unfortunately the opportunities offered are still limited. Hence, in 2004 opportunities to education were given to 10 out of 15 prisons, while even in the prisons where the training was given, only a part of the imprisoned persons could have access to the training.

Along with the establishment of National Probation Service, permanent work has been launched for facilitating the social integration of the former prisoners. Several EU Structural Funds supported programs have been aimed at support for this group. In 2004 and 2005 the number of social rehabilitation programs for persons out of imprisonment has increased. In year 2004 assistance received only 114 persons.

In 2005 the development of State program for integration of Roma into society has started. It is planned to adopt the program in the government in 2006.

The activities foreseen in the action plan that are aimed at the homeless persons, vagrant children, are more in the scope of NGO and municipality initiatives and are supported mainly by attracting external funding (for instance, *Phare*).

Mobilising all relevant bodies

Successful tackling of problems of poverty and social exclusion is impossible without the involvement of all relevant actors in the respective policy drafting, implementation and monitoring.

In 2004 several measures were taken for the involvement of various stakeholders in decision making processes.

In order to stimulate discussions at the highest levels on the issue of disabled people, all the relevant Ministers and high level government officials from other institutions, as well as representatives from NGOs have been involved in the work of the National Council of Disabled Persons Affairs.

As the promotion of employability is considered to be a precondition for the reduction of social exclusion, the establishment of consultative councils at every branch office of the State Employment Agency can be assessed as a positive and significant step. Every council includes representatives of NGOs, employers, municipalities and state institutions and their task is to develop specific suggestions to promote employability in their own regions.

The signature of Memorandum on June 15, 2005 between the NGOs and the Cabinet of Ministers must be mentioned as it was an important step in the process of formation of civil society. The document on behalf of the government was signed by Prime Minister Aigars Kalvitis. More than

50 NGOs participated in the event. The goal of elaborating this document was to improve state administration, to make it more effective and responsive to the needs of society, to involve civil society into the decision making processes.

For NAPincl implementation monitoring a Monitoring Committee was established in December 2004. The Monitoring Committee includes representatives from the *Saeima (Parliament)*, ministries, municipalities, regions, NGOs and social partners^[13]

In 2005 there were 5 Monitoring Committee meetings in which the project of The Implementation Report of the Latvia National Action Plan for Reduction of Poverty and Social Exclusion (2004–2006) in year 2004 was discussed along with analysis of the identified problems and the possible solutions for the development of national social inclusion policy, ministerial monitoring reports on the respective measures were delivered, discussed funding allocations for planned measures along with some other issues.

The Implementation Report has been submitted to the Cabinet of Ministers by the end of April 2005. The Prime Minister forwarded it to the line ministries for information.

The Implementation Report was presented to social partners, in the departments of Riga City Council, in various seminars. The report is available on MoW home page.

It should be mentioned that cooperation with social partners in addressing issues of poverty and social exclusion at the national level could be described as comparatively active, and the cooperation of social partners with the government is legally regulated. However, there is lack of the activity of social partners, in particular trade unions, as well as their actual influence in the private sector and in rural territories where problems of illegal employment are more acute.

In year 2004 activity for information and involvement of stakeholders' from municipalities was quite low, but much more active measures have taken place in the year 2005.

In January and February 2005 Ministry of Welfare organized 8 regional seminars for social workers from local municipalities to inform them about NAPincl Latvia, stressing the role of social workers in the implementation of the plan and tasks to make people from social exclusion risk groups more active. In April 2005 a two-day seminar for regional social work coordinators was held, during which participants were informed about Lisbon strategy, NAPincl Latvia, Joint Inclusion Report conclusions with regard to Latvia and EU in general.

A number of MoW organized events were aimed at awareness raising of the involved bodies and on the development of the new NAPincl, that must be prepared in Latvia until September 15, 2006 in Latvia, alike other EU Member States.

In order to promote cooperation with municipalities on solving the problem of social exclusion, the MoW in June mailed a questionnaire to all regional councils and city municipalities (86 in total) and to NGOs (21) representing the interests of social exclusion risk groups. Questionnaire was aimed to assess the situation of risk groups of poverty and social exclusion in regions and the

^[13] Parliamentary Committee on Social and Employment Affairs, Ministry for Children and Family Affairs, Ministry of Internal Affairs, Ministry of Education and Science, Ministry of Culture, Ministry of Transportation, Ministry of Regional Development and Municipalities, Ministry of Justice, Ministry of Health, Ministry of Agriculture, Secretariat of the Special Tasks Minister on Social Integration, National Probation Service, Latvian Association of Municipalities, Regional Development Agencies, Latvia Association of the Free Trade Unions, Latvia Federation of Pensioners, Cooperation Organization for Disabled Persons "Sustento", Latvian Children's Foundation, Roma Association "Gloss" and others.

required measures for improvement the situation. Regional Councils were most active in providing responses, while only 38 local municipalities out of 532 responded and only 4 NGOs expressed their opinion.

MoW in liaison with UNDP Latvia on October and November 2005 in all regions of Latvia and in Riga organized 6 discussion seminars on the theme of national and municipal cooperation and on policy regarding reduction of poverty and social exclusion. The aim of the regional seminars was to strengthen the links between the policy makers on national level and the policy implementers on the local level, as well we on strengthening the link between the NGOs, state and municipalities; they also were focused on the exchange of opinions regarding the current and necessary future measures for reduction of poverty and social exclusion.

It must be noted that NGOs involvement in the development and evaluation of poverty and social exclusion reduction policy is increasing. On November 23, 2005 a "Latvian Civil Alliance", an NGO in liaison with the MoW organized public debates on the next NAPincl for 2006-2008 during which NGO proposals were presented regarding the most urgent measures in 2007 and 2008 targeted to different groups of social exclusion. The discussion involved NGOs, MoW, MoES and IUMSILS, Riga City Council and representatives of other institutions.

Proposals for the new NAPincl NGO and every interested person could send not only to the MoW but also to the home page of the Alliance.

As representatives of MoW noted, the proposals expressed during the seminars, public debate were counted and outnumbered 100 in total. They will be looked into during the new NAPincl development.

On November 2005, the Monitoring Committee discussed the new NAPincl plan and development schedule, however, the further work was hindered by the introduction by the European Commission new guidelines for National Reports on Strategies for Social Protection and Social Inclusion approved only on March 2006.

With support of EU Information Centre, at the beginning of 2006 an informative booklet "Social Inclusion" was published in Russian and Latvian. In order to make the booklet available directly for the representatives of the social exclusion risk groups, it was distributed through the network of the SEA, social services, State Social Insurance Agency branches in the municipalities.

Given that the involvement of public and municipality representative has increased in NAPincl development, the involvement of all the interested bodies and establishment of institutional arrangements, cooperation at national, regional and local level may not be viewed as satisfactory in terms of implementation of social inclusion policy.

The use of EU Structural Funds

EU structural funds play an important role in solving the problems of poverty and social exclusion. The ESF support in facilitating social and economical integration of socially excluded groups is particularly significant here.

Until December 31, 2004 Latvia had attracted 55,9% or 52,148,212 LVL for European Social Fund (ESF) projects from the total funding available. The ESF project implementers were paid 5,38% or 5,022,521 LVL from the total ESF funding. Initially ESF funding use was delayed in the

first programming period which created risk for successful implementation of ESF planned activities.

The small percentage of the funding for EU repayment must be attributed to the fact that during the lengthy project selection stage, the projects were started on the second quarter of the year 2005 and their implementation term was up to 2 years. That means that the majority of repayment applications will start coming in during the 2nd and 3rd quarters of 2006 when the first project implementation reports will be approved. The implementation is also hindered by the fact that the project approval process is very bureaucratic and often the period from project submission to approval was longer than 6 months. These procedures should be simplified and adjusted to become more time-efficient as this is creating risk that the project information is outdated, the planned costs due to inflation are unrealistic and there are difficulties in project implementation process.

Even though ESF project linked funding in terms of per cent has increased, in the year 2006 Latvia still is under obligation to attract yet more 40% of the available funding. Given the specificity of the ESF supported activities, one must take in consideration certain risks in ESF spending.

In public tenders, grant schemes and national programs the great amount of filed project applications shows the topicality of problems as well as points to public interests and preparedness for solving social exclusion problems.

Some problems in absorbing ESF could stem also from the fact that implementation procedures were drafted based on the experience suitable for businesses and tested in the work with pre-structural funds (SAPPARD). For example, the issue of receiving financing- banks do not provide loans to NGOs. Also, in accordance with the rules, nothing can be changed in the project during the negotiation process on agreement. Still, the content and activities are very different in ESF and ERAF projects. It must be taken into consideration that ESF projects have a different meaning- to help others and not to look for own profit. If the system works efficiently in relation to ERAF, there are problems with ESF projects. This is why the system meant for ERAF cannot be directly applied to ESF.

Regulations No. 389 of the Cabinet of Ministers, adopted in June, 2005 posed additional difficulties for the smaller municipalities and NGOs. The Regulations of the Cabinet of Ministers that were in force until now did not regulate the funding procedure for the ESF grant schemes, while the new regulations do not allow for advance payments providing a possibility to make payments for individual invoices. This is creating an additional administrative burden for project implementation. Taking in consideration the weak financial capacity of the NGO sector and the small municipalities, particularly in rural areas and regions, one could forecast that the large organizations in the larger towns will be in favourable position, while the opportunities to introduce ESF supported grant schemes in rural areas will be limited.

3. Challenges Ahead

The situation analysis and the assessment of the policy implemented in reducing poverty and social exclusion gives grounds to identify a set of challenges that should be addressed by Latvia.

Regarding policy:

- The fact that the precondition to the successful implementation of the social inclusion policy is the allocation of proper resources (institutional, human and financial resources) should be considered. This will enable the development and implementation of new and targeted measures for social inclusion and will prevent former praxis to include the measures ministries are implementing within the framework of their branches without linking them with social inclusion policy. It will make the policy monitoring system more effective and will enable more effective ways of reacting to changes as well as enabling better evaluation of the impact of policy measures on the reduction of poverty and social exclusion;
- Harmonized and mutually supportive policy making in various areas focused on specific problem solution-finding would account for larger effect. Real support and implementation for the set priorities is required in contrast to the current, formal way of defining them);
- Approaches and forms of service should be developed in a more preventive direction, so that people in danger of social exclusion can be identified earlier than is now the case;
- Also, those farthest away from labour market require special approaches?
- The existing problems of poverty and of exclusion mean that more targeted measures (as to groups, territories) are required in addition to the services and income security provided.
- Addressing the impact of inflation on low income groups.

Housing development:

Wider scope of services for families who find it difficult to pay for their housing are necessary; a possibility to exchange the apartment, status of social housing for a limited period of time, accessible bank loans, etc. As regards tackling the issue of social housing stressed in NAP incl. it must be noted that insufficient number of social houses and limited municipal housing resources negatively affect social service area as well as housing owners and managers.

Education:

Quality improvement in educational programs is required, so is the necessity to meet the labour market demands for certain skills and professions; forecasts of demand?, setting the goals and priorities for national economy development is required as well.

Provision of access to education and decreasing the number of pupils discontinuing schooling in general and vocational educational institutions, as well as building a life-long learning system, as life-long learning strategy is a challenge that fails to be solved for a long period of time.

Co-operation with social partners needs to be developed in order to better meet the labour market requirements.

Alternative care development:

The spectrum of alternative care is still inadequate and the regional coverage in this is uneven. Social services to persons with mental disorders must be developed; the number of social and professional rehabilitation services must be increased.

Regarding the target groups – targeted activities aimed at the following groups are needed:

- an increase in the employment rates (including for disadvantaged groups);
- homelessness;

- vagrant children;
- Roma;
- reductions in the proportion of drop-outs from schools.

Regarding monitoring and evaluation:

- an assessment of the extent to which actions undertaken have ensured real progress towards the achievement of each common objective and the identification of approaches that seem to be particularly effective or ineffective;
- the extent to which the gender dimension has been taken into account in each policy area.
- any significant examples of good practice should be identified in each domain.

As a topical problem for which solution finding failed, the following must be mentioned:

- 1) the development of support related housing needs;
- 2) the improvement of the emergency medical health care system;
- 3) the decrease in the consumption of alcohol, drugs and psychoactive substances;
- 4) decreasing the number of pupils failing to continue schooling (drop-outs);
- 5) building life-long learning system;
- 6) integration of children with special needs in general and vocational educational institutions.

Both the social and professional rehabilitation service development for various social exclusion risk groups has been unsatisfactorily.

In the current situation activities in improving access to health care for resident with low and average income must be viewed as priority areas.

4. Active inclusion and minimum resources

This chapter deals with issues, raised in the European Commission Communication (COM(2006)44final) on active inclusion of the people furthest from the labour market.

The chapter is focused on policy measures in Latvia directly or indirectly aimed at integration of working age persons especially those of socially excluded groups into the labour market. Additional information is done regarding measures and services that serve as stabilisers for socially excluded groups' income level and availability of services that have impact on the activity of these groups.

The policy measures are:

- provision of guaranteed minimum income (GMI) benefit;
- active and passive labour market measures for unemployed persons;
- social and professional rehabilitation, motivation programs for social exclusion risk groups;
- support measures having impact on exclusion risk groups active inclusion.

Minimum Income schemes

Guaranteed minimum income (GMI) benefit

GMI benefit payments started in 2003. The granting of the benefit is regulated by the Law on Social Services and Social Assistance. GMI benefit is one of the benefits stipulated in the municipalities and it is an income tested benefit. The GMI benefit is granted for a period up to 9

months. A person may re-apply for GMI after 3 months. It is legitimate to set a higher GMI level on local level. Some municipalities have opted for this approach.

The aim of the benefit is not only to provide support for the poor residents but also to guarantee a uniform support in all municipalities. As to the Law, a municipality has the right to pay a single benefit in emergency situation as well as to pay other benefits according to municipality binding regulations, in case the municipality has satisfied poor residents' applications for GMI benefit.

Table 7
GMI benefit payments in municipalities

	2003	2004	2005
GMI amount in LVL	18	21	24
Number of GMI recipients (thousands)	68,5	74,7	58,2
GMI rate, % from the poverty level ^[14]	42,9	45,0	52,5
Amount of resources spent for GMI benefit (thousands LVL)	2 556,6	3 497,1	3 404,5
Ratio of resources for GMI benefit in the municipal social benefit structure, (%)	16	19	17

Data source: MoW

Information regarding 2003–2005 from the Social Services Board and Ministry of Welfare shows that the majority of municipal financial costs for benefits went to other kinds of benefits than that of GMI. As to the information gathered and made available^[15], in 2004 on the average municipalities in Latvia have paid less than 20% from municipal social benefits for the GMI. In a number of municipalities data is not being gathered regarding the number of persons having received the benefit repeatedly, which does hinder the benefit efficiency evaluation opportunities.

GMI benefit granting conditions include two conditions aimed at increasing the activity of the benefit recipient. First of all, benefit granting conditions require the GMI benefit recipient co-participation obligation (based on assessment of client's situation). For instance, working-age unemployed residents must register with SEA. Secondly, a possibility is provided to decrease the GMI amount if the benefit recipient is not compliant with co-participation requirements. Only part of GMI recipients fulfils co-participation requirements.

These requirements could be seen as positive as they stimulate the involvement of the non-active residential groups either in active labour market measures or in participation in municipality organized employment promotion activities and facilitate social activity of these groups. However, even if partaking actively the GMI recipient fails to find the job (there is no work place corresponding to person's knowledge, skills and opportunities; restricted geographical mobility due to insufficient traffic infrastructure, high transport fares and high rental costs) then GMI benefit is only a short-lived solution that fails to be effective. The low amount of GMI benefit, first, does not stimulate a good part of residents to apply for GMI. Secondly, the low GMI benefit level excludes a good part of poor residents who could look at the benefit not only as to a kind of material support but also to a kind of activation instruments even for the active employment measures or in lifelong learning.

^[14] Income level per person in a month so that this person (family) is recognized as poor.

^[15] <http://www.socpp.gov.lv>

Other municipal social benefits

As was already mentioned earlier, the existent legislation allows municipalities to grant a one-time benefit payment and other benefit payments within the limits of regulations that are binding for the municipality, on a condition that all earlier GMI applications have been answered. Municipalities take individual decisions regarding additional benefit payments to be granted; they also decide on the conditions for granting any benefit payments on the basis of their financial opportunities and municipal priorities. The most frequently granted benefit payments are apartment support payments, payments for health care related cost coverage, children's education and up-brining and free-lunch payments at kindergartens and schools for children. No doubt, these benefits provide for certain support, at the same time one has to admit that the benefit amounts in various municipalities are very different. During last two years the total amounts for benefit payments are increasing, but the number of benefit recipients indicates a decreasing trend. During last two years the total amounts for benefit payments are increasing (see Table 8), but the number of benefit recipients indicates a decreasing trend. In 2003 municipality social benefits^[16] in Latvia were paid to 448 thousand residents; in 2004 the number was close to 390 thousand while in 2005 the number of recipients increased up to 402 thousands. The benefit amount granted in cities is different from that in rural areas; the difference is greatly affected by the city of Riga where the benefit payment is the highest. An average of 15% from the residents in cities around the Republic of Latvia and an average of 23% of regional town residents and parish municipalities are receiving social benefits.

Table 8

Expenditures for municipal social assistance benefits , LVL

Types of Social Assistance		2000.	2001.	2002.	2003.	2004.	2005.
GMI (Guaranteed minimum Income) or poor families		1 065,4	1 066,0	897,3	2 556,6	3 497,1	3 404,5
Benefits for extraordinary situation		596,8	605,0	649,9	902,6	1 113,8	875,8
<i>Benefits defined in the law, total</i>	LVL	1 662,2	1 671,0	1 547,2	3 459,2	4 610,9	4 280,3
	%	11,7	10,8	9,7	22,1	24,8	21,9
Housing benefits		4 549,2	4 820,5	4 854,8	4 673,3	5 123,0	5 953,1
Benefits for medical services		1 503,6	2 067,3	2 337,4	2 166,4	1 843,1	2 915,4
Benefits for child-rearing		1 184,7	582,7	636,8	661,9	450,7	642,8
Benefits for transportation					878,5	748,3	543,7
Benefits for orphans and foster-families			10,1	10,2	131,0	175,5	244,9
Other purposes		5 360,2	6 338,7	6 586,4	3 650,3	5 639,9	4 965,4
<i>Benefits defined in municipal. total</i>	LVL	12 597,7	13 819,3	14 425,6	12 161,4	13 980,5	15 265,3
	%	88,3	89,2	90,3	77,9	75,2	78,1
Total		14 259,9	15 490,3	15 972,8	15 620,6	18 591,4	19 545,6

Data source: MoW

[16] Including GMI benefit

Active labour market policies

In 2004-2006 in the employment area along with the state support, significant ESF resources were contributed for training and retraining of various groups of unemployed. Active labour market measures in Latvia are gaining popularity, hence—these services become much more accessible and better meet the needs of both the residents and the respective territories/municipalities. In 2004 and 2005 a positive trend continued to offer active employment measures targeted at certain social exclusion risk groups, that is, at disabled persons, persons in pre-retirement age, young people without work experience and women after child-care leave.

According the Law on Unemployed Persons and Job Seekers the following active employment measures are defined:

- 1) professional training, retraining and raising of qualifications;
- 2) activities to increase competitiveness;
- 3) paid temporary public work;
- 4) measures for certain social exclusion risk groups:
 - labour practice for young unemployed people with employers;
 - subsidized workplaces for pre-retirement age unemployed people;
 - subsidized workplaces for unemployed disabled people,
 - activities for promoting the mobility of unemployed disabled people,
 - social enterprises in the labour market for ensuring work for less competitive unemployed people, etc.

In 2004 80,555 unemployed persons were involved in the active employment measures. Out of the total number of unemployed involved in active employment measures 75.3% took part in competitiveness raising activities, 18.5% unemployed got involved in paid temporary public works, 4.7% of the unemployed - in professional training, retraining and raising of qualifications courses while 1.5% - in activities for specific target groups.

Table 9
The number of unemployed persons involved in active employment measures in Latvia regions (2004)

Region	Professional training, retraining and raising of qualifications	Paid temporary public work	Activities to increase competitiveness	Measures for certain risk groups
Rīga	1 415	3 023	23 031	268
Kurzeme	448	1 696	9 471	224
Latgale	968	5 297	13 322	335
Vidzeme	460	2 704	7 631	163
Zemgale	480	2 174	7 258	187
Total	3 771	14 894	60 713	1 177

Data source: SEA

In the course of 2005 the number of unemployed persons involved in professional training, retraining and raising of qualifications programs has increased noticeably (in 2004 – 3771 unemployed persons ; in 2005 – 10345 unemployed persons).

Table 10
**Number of unemployed from social exclusion risk groups
involved in the active employment measures (2004)**

	Professional training, retraining and raising of qualifications	Paid temporary public work	Activities to increase competitiveness	Measures for certain risk groups	Total number of unemployed from social exclusion risk groups
Long-term unemployed	548	7900	6993	320	15761
Young persons (age 15-24)	759	931	10329	380	12399
Disabled	146	410	1745	462	2763
Released from imprisonment	18	95	319	2	434
Persons after child-care leave	445	534	6246	51	7276
Women in pre-retirement age*	83	1126	2384	168	3761
Men in pre-retirement age*	24	1067	1147	158	2396

* Persons who have five years or less before retirement as stipulated in the national requirements.

Data source: SEA

According to the SEA data, in 2004 72.9% of the unemployed persons found employment in the course of six months after a professional training, retraining and qualification improvement training programs.

In 2004 and 2005 the main changes in training the unemployed and persons seeking employment were related to improving the quality of active labour market (ALM) measures. In order to provide flexible and fast response to demands in labour market, changes were introduced in conditions that define the modular training and retraining for the unemployed. In contrast to the aforementioned legal provisions that allowed for training in every 3 years, now retraining is allowed every year. Besides, there is an opportunity to train as few as 1 single unemployed person if there is a known demand for certain training or profession.

Practical experience shows that measure - subsidized workplaces for persons with special needs would be a more efficient option provided the application term of this practice was extended. Initially in legislation stipulated 10 months period for subsidized workplace provision was too short to allow the disabled person to re-integrate in the labour market and to regain the required professional and social skills. On one hand the measure was a positive thing, on the other – it was a short-term solution only as Latvian legislation did not encourage employers to hire persons with special needs, neither does it oblige hiring persons with special needs after the end of state support for employment to the disabled. In order to solve the above problem as well as given the degree of concern from the side of employers and disabled people, the duration of the activities was extended to 24 months (from the initial 10 months).

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 means that awareness raising and activation measures must be more active, targeted at unemployed persons in order to solve the problems in long-term unemployment. 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. Using complex approach for these people part of them could be integrated into the labour market.

Life-long learning opportunities and their role in solving problems of socially excluded groups are not being used to the 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.

In order to promote participation in professional training, retraining and raising of qualifications courses the legislation provides for a scholarship, lodging and transportation cost reimbursement for all unemployed persons partaking in these activities. However, the current practice showed that the support was not been sufficient for socially excluded to use these active employment measures and limited their opportunities. Therefore, in 2005 legislation changes were introduced to increase the amount of the scholarship for the unemployed as well as the amount of the lodging and transportation costs to be reimbursed. These amendments could stimulate service accessibility for socially excluded groups. Along with that, amendments were introduced in legislation, providing for the right for the unemployed to receive scholarship for participation in adult education courses.

Unemployment benefit is important not only as an instrument ensuring social security in case of loss of income but also as a one that has influence on the unemployed persons' interest in entering or re- entering the labour market.

The procedure for granting the unemployment benefit is stipulated in the Law on Insurance in Case of Unemployment. A person is entitled to the benefit only if s/he qualifies for the status of an unemployed person (following registration at the SEA); the total insurance period is at least one year and provided that during the period before applying for the status of an unemployed social insurance contributions for 9 months have been made. The amount of the benefit payment depends on the registered gross salary, the length of period of insurance and it is paid not longer than for 9 months in a 12 month period. Every three months the amount of the benefit is being reduced (respectively – 100%; 75%;50%).

According the data of the State Social Insurance Agency, in the period from 2001 to 2005 the average number of unemployment benefit recipients has decreased insignificantly while the average amount of the benefit is gradually increasing.

The fact that the benefit is limited in time as well the gradual reduction of the benefit amount is meant to stimulate the unemployed to find a job. Overall, this benefit is viewed as being sufficient and stimulating instrument for inclusion into the labour market particularly for those unemployed who are entitled to receiving it.

However, not all persons out of work are in fact receiving the benefit payment. A part of the person in the risk group for social exclusion, for instance, the long-term unemployed, young people without work experience, former in-mates and similar categories are entitled to the GMI benefit after registration with SEA. For persons receiving the GMI benefit, the motivation to partake in training or retraining courses could be significantly lower but circumstances make them choose between paid temporary public works or rely on temporary jobs around, or to be a part of the unregistered employment.

Along with the ESF support for 2004-2006, financial resources for active employment measures have significantly increased. Within the context of raising funds an issue of efficient use of the resources already invested is very topical as is that of the sustainability of the results attained.

There is a risk that those groups of residents that have been inactive for a sustained period of time and are currently outside the labour market may not be reached through active employment measures. Therefore, cooperation and coordination of activities with SEA and social services must be enhanced.

Better access to services

In order to stimulate employment, to encourage professional choice that is compatible with individual's abilities and interests and to promote competitiveness in the labour market, any permanent resident of Latvia, including unemployed persons, have access to free counselling services at the State Agency for Professional Career Guidance. Since 2004 the number of persons from the risk groups of social exclusion has increasing who used career guidance and counselling services. Access to services has improved as the number of counselling offices has increased in regional areas.

Motivation of certain groups of socially excluded people to change their status has not been developed enough (dependence on benefits, since it is difficult to find a job, the wages are low).

One of the solutions to promote activation of passive working-age persons from the risk groups and further their involvement in the active employment measures or into the labour market is the implementation of adequate motivation measures and programs. Until the year 2004 such programs supported by the state, targeted at passive risk groups of social exclusion have not been implemented either at the national or municipal levels. This kind of support instrument is being funded since year 2004 attracting ESF resources within a grant scheme "Motivation programs for social exclusion risk groups".

These programs are aimed at people who are further away from the job market, including people with disabilities, lone parents families with little support, ex-prisoners, long term unemployed persons in pre-retirement age and others. Not for all employment will be achievable goal, but these programs facilitate empowerment of clients. The number and scope of social rehabilitation programs for socially excluded groups significantly increased as well contributing funding from ESF. Wide spectrum of different partners (NGOs, municipalities, different state institutions, entrepreneurs) are involved in development and implementation process of the motivation and social rehabilitation programmes and could be viewed not only as very crucial for the target groups but also as significant experience in partnership development at the local level.

It is important to foresee the sustainability of programs targeted to needs of different social exclusion groups and aiming at social activation and empowerment of people from the target groups excluding the risk of finishing that kind of measures with the end of the 1st programming period in Latvia.

Notable is the fact that Latvia National Lisbon program for 2005-2008 provides for motivation programs for persons after child-care leave and for long-term unemployed persons. However, the fact that funding has been indicated only to the year 2006 gives grounds for concern.

Social and professional rehabilitation has an important role in activating the risk groups of social exclusion, to stimulate their getting closer and/or integration into the labour market. Social rehabilitation services and professional rehabilitation service provision, qualification and funding principles are regulated by the Law on Social Services and Social Assistance and by the

respective Regulations of the Cabinet of Ministers outlining quality requirements for the social services provided.

The state ensures social rehabilitation for persons with sight and hearing disorders, for children - victims of violence, children with drug addictions, children addicted to toxic or other addictive substances, for persons having partaken in Chernobyl nuclear catastrophe liquidation, for former politically repressed persons, persons with functional disabilities. Services are provided by service providers selected in the course of a competition.

The Latvian Association of Blind People through its regional branches provides Social rehabilitation services for persons with sight disorders. In 2004 1200 persons received services. The Latvian Association of Deaf People through its regional branches provides social rehabilitation services for persons with hearing disorders. In 2004 9000 persons received services. Social Integration Centre provides social rehabilitation services for persons with functional disabilities. In 2005 1020 persons received the service while on April 1, 2005 more than 1500 persons were in line to receive the service.

Even though the necessity to receive professional rehabilitation services is identified for more than 1000 persons a year, national budget resources in 2004 allowed for provision of these services on average 250 disabled persons a year in 12 programs.

Accessibility of social and professional rehabilitation services, particularly for persons with severe disability is not sufficient for reducing of social exclusion. Hence, many representatives from the risk groups of social exclusion have no opportunity to approach the labour market.

One of the obstacles preventing employment among certain residential groups (for instance, among long-term unemployed) is drug addiction or even more - addiction to alcohol. Without rehabilitation and treatment programs, the integration of alcohol addicted persons in the labour market is practically impossible. In the interviews, many municipal specialists admit that active employment measures alone are not efficient for these groups. There are no state supported social rehabilitation programs in Latvia for adult drug addicts and alcohol addicts till now. In awareness of the problem's severity, amendments to the Law on Social Services and Social Assistance have been submitted at the Parliament (Saeima), providing for rehabilitation programs for adult addicts as well.

It must be noted that access to education is not sufficient for residential groups under risk of social exclusion. Training and educational opportunities must be expanded for persons with lower educational level, low qualifications through development of life-long learning.

Activation policies can be successful only when policies are oriented to reconciliation of work and family life. Poor families with children have no resources to contribute for babysitting services, but 276 (52%) local municipalities have no pre-school educational institutions (kindergartens); this means that municipalities at their own expense are unable to comply with requirements in the Law on Municipalities. In the largest towns and regional towns there are queues as the number of places at kindergartens is limited. At the beginning of school year 2005/2006 there was 15,080 pre-school children in line to attend kindergartens. Disregarding the fact the attendance of 5 to 6 year olds at pre-school educational programs is guaranteed (97% or 98% as pre-school education is compulsory), the provision of kindergarten places for 2-4 year olds is insufficient. This situation provides for additional risk for employment as the situation when people are unable to reconcile work and family life may prompt to leave the territory or to give up full-fledged working life.

Therefore, with the use of public and municipal funding kindergartens, playgrounds and developmental centre networks must be strengthened, babysitting services need adequate development. The involvement of employers in reconciliation of work and family life problem solving is essential. Latvia National Lisbon program for 2005-2008 provides for promotion of children's day care centre establishment at work places, which at the moment is limited only to development of methodological recommendations for employers.

Health and building healthy life styles are essential for successful integration of socially excluded groups into the labour market. Given the situation described in the previous chapter, particularly, details on health care, medical service accessibility for socially excluded groups may not be seen as satisfactory.

Risks and challenges for active inclusion in Latvia

It is a positive development that Latvia has established the minimum/guaranteed income amounts to provide protection for the population against the social risks and to guarantee a minimum life quality (the minimum wages, guaranteed pension amounts, the GMI benefit), however, the minimum material support mechanisms provided by legislation are not available to all those who need them most of all, besides, they amount are very low.

Although legislative provisions concerning the receipt of services and benefits lay increasingly more emphasis on the social and economic activation of the recipient (conditions for co-participation, registration with the SEA, a gradual reduction of benefit amounts etc), the question remains open to what extent these motivation and activation conditions have a motivating nature, taking into consideration the earlier incomes of the individual and the actual impact of services on the resolution of the individual's problems and an actual change of the situation without changing the social economic environment where he/she lives.

Another problem to be mentioned is the fact that the application of active employment measures is, to a large degree, dependant on the activity of recipients themselves. No mechanisms have been developed in the country to ensure against the situation that an active unemployed person or a job-seeker receives training several times while a large part of the long-term unemployed do not receive any support at all.

Until now a part of the ESF support has been directed to territories where there are sufficiently active local governments and/or project developers who are capable of attracting projects. It is of paramount importance that policy measures financed with the ESF support are accessible to those target groups and local governments where it is most needed.

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. For example, SEA organized employment measures for the disabled - is a short-term measure, however there is no supportive taxation policy, educational system; occupational rehabilitation services are not available on the required scale etc.

Crucial role in implementing active inclusion approach play social workers, their professional skills and qualifications.

Legislation provides that each municipality must have at least one social worker per 1,000 residents. There is a trend that the number of municipalities with Social Service or with permanent social worker is increasing. In 2003 75% municipalities had their Social Service or a permanent social worker employed.

A successful implementation of social inclusion policy particularly in working with socially excluded groups (further from the labour market) is impossible without professionals – social

workers. Even though the number of social workers is increasing, in early 2005 only 397 out of 1254 had specialized education in the area while 32% were still studying to obtain the required education. In some 130 municipalities, the heads of municipalities, municipal secretaries and other employees carried out the functions of a social worker as an additional professional obligation. It should be stressed here that the number of professional workers in municipalities for working with socially excluded groups is insufficient. Technical facilities should also be characterised as very limited, as in 2005 only 22% of municipalities' stored information about clients using computers, while only 12% used special software.

Therefore, it is essential that the Professional Social Work Development Program for 2005–2011 adopted on 2005 would be implemented consistently. Serious reason for concern is the fact that the budget of 2006 did not grant the requested additional resources for the implementation of this program; the MoW is planning to apply for additional funding for the program implementation in 2007.

Active inclusion cannot be successful without close cooperation among different institutions involved in policy implementation. Establishment of the regional consultative councils as step forward in improvement of cooperation should be mentioned. SEA has 28 branch offices in Latvia ensuring service provision close to/in the place of residence. In order to promote cooperation at the inter-sectoral level (state, municipalities, private sector, NGOs) every regional branch office has a consultative council. It gathers representatives from municipalities, regional NGOs, local entrepreneurs etc. The main task of these councils is to develop suggestions for promoting employability that are best suited to the local territory.

As municipality representatives revealed in interviews, councils mainly provides for information exchange among the stakeholders. This definitely is a positive thing; however, as interviewed experts suggest, in the future more attention should be paid to coordination and evaluation of measures implemented in local level by different institutions.

Given the high poverty figures, the high long-term unemployed rates, the prevalent apathy in a part of socially excluded groups, distrust towards to national and municipal institutions regarding their ability to provide assistance make active inclusion under question. Due to the insufficient capacity of social service workers at the municipality level, the weak cooperation and coordination between various stakeholders both at the national and municipal levels, the provision of individual complex approach for working with clients in active inclusion is challenging. The problem is aggravated by essential regional disparities as well as by essentially different capacities in municipalities especially in rural areas in active inclusion implementation.

In order to implement this approach, complex activities must be consistently developed in the coming years, as policy implemented till now was not focused on the people furthest from the labour market. The political will of Latvian government will be crucial in solving this issue, particularly, governmental willingness to reduce poverty and social exclusion in Latvia, allocating the proper resources for policy implementation.

A number of planned policy measures in Latvia National Lisbon Program could be considered as a movement in the direction of the development of active inclusion approach in Latvia.

The role of monitoring and evaluation of active inclusion is crucial not only for ministries that are directly dealing with social policy matters, but also for ministries - Economics, Finance, Transportation and others dealing with macroeconomic policy issues.

Best practice

As one of the examples of best practice could be mentioned the program (June 2005 – October 2006) that is implemented within the grant scheme “Motivation programs for social exclusion risk groups” in Jelgava region. The target group in the program is that of out-of-employment parents, particularly long-term unemployed persons and those who are not registered as unemployed; parents after the child-care leave, single parents, parents of large families.

In order to stimulate their interest and readiness to join the labour market or the life-long learning a complex of activities are put to use – training for social workers, pre-motivation measures, activities of motivation groups, that focus on training in raising self-confidence, team-work, presentation skills, basic computer skills, information on work and training opportunities, labour rights and similar activities. Training is delivered in each municipality where representatives of target groups live.

The project partners are: Jelgava Regional Council, Jelgava Regional Adults Education Centre, Jelgava Regional Psychological Assistance and education Centre. The activities are headed by Latvian University of Agriculture faculty members, professionals from Crisis Centre, psychologists, businessmen, school computer teachers, municipal specialists, State Labour Inspection, State Employment Agency, Adults Career Guidance Agency Zemgale branch. In the course of program implementation the results are good and the interest in continuing the activities is demonstrated not only from the side of the target audience, but also from that of municipal leaders, therefore the project continuation is submitted for approval under the title „Development and implementation of the support system to self-employed in Jelgava region”.

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Annex

New legislation and key documents (2005-2006)

Latvijas nacionālā Lisabonas programma 2005.–2008.gadam, apstiprināta MK 2005.gada 19.oktobrī [*Latvia National Lisbon Program 2005-2008*].

Profesionāla sociālā darba attīstības programma 2005.–2011.gadam, apstiprināta MK 2005.gada 28.jūnijā [*Professional Social Work Development Program for 2005–2011*].

Invaliditātes un tās izraisīto seku mazināšanas politikas pamatnostādnes 2005.-2015.gadam”, apstiprināts MK 2005.gada 10.augustā [*Policy Guidelines for Reduction of Disability and its Consequences for the 2005–2015*].