



Latvia

“Feeding in” and “Feeding out”, and Integrating Immigrants and Ethnic Minorities

A Study of National Policies

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or the Member States.*

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1. Key trends and developments

The present Report will not provide an additional analysis of the current situation due to several reasons. First, a detailed analysis of the situation is presented in two earlier Reports where new developments and trends in the policy development process have been described and statistical and research data presented concerning the overall social and economic situation, laying a special emphasis on issues pertaining to social exclusion risk groups. The analysis presented in the said Reports has been based on the data and information available at the beginning of October 2006.

Second, no significant changes have taken place during the period since the submission of the last Report until the formulation of the present Assessment Report. During the said period no new relevant policy documents have been enacted, possibly, under the influence of the closeness of Parliament elections as well as work on the establishment of the new Government.

2. Feeding in and feeding out analysis

As the information provided in the Report on Progress in Implementation of the National Lisbon Programme of Latvia for 2005-2008 (hereinafter Report on Implementation) does not give a complete description of the projected and implemented measures as well as the planned objectives and the achieved outcomes, then the National Lisbon Programme of Latvia for 2005-2008 itself has been used in the present Report alongside with the Report on Implementation. In the author's opinion it allowed to make a more comprehensive and complete assessment of the implementation of the Lisbon Programme as well as to give a more detailed and objective analysis about the projected and implemented measures in this area.

2.1. Feeding in analysis

Stakeholders' involvement in the National Lisbon Programme of Latvia for 2005-2008

Practically all ministries and secretariats (except the Ministry of Defence) as well as several other institutions were involved in the formulation of the National Lisbon Programme of Latvia for 2005-2008 and the Report on Implementation.¹

The co-ordination of development of the Report was ensured by the *Supervisory Board of the Lisbon Strategy*² as well as the *Advisory Working Group of the Lisbon Strategy*. The Board was established in

¹ The Report was developed by the Ministry of Economics in co-operation with the Ministry of Foreign Affairs, Ministry for Children and Family Affairs, Ministry of Finance, Ministry of Education and Science, Ministry of Welfare, Ministry of Regional Development and Local Government, Ministry of Transport and Communications, Ministry of Justice, Ministry of Health, Ministry of Environment, Ministry of Agriculture, Ministry of Culture, Secretariat of the Special Assignments Minister for Social Integration, Secretariat of the Special Assignments Minister for Electronic Government Affairs, Latvian Investment and Development Agency, Competition Council and Public Utilities Commission.

² The Board is chaired by the Ministry of Economy and it includes with the right to vote: the Minister of Finance, the Minister of Education and Science, the Minister of Welfare, the Minister of Regional Development and Local Government Affairs, the Minister of Transport, the Special Assignment Minister in electronic administration matters, the Chairman of the Parliamentary Committee on National Economy, Agrarian, Environmental and Regional Policy, the Chairman of the Parliamentary Committee on Education, Culture and Science, the Chairman of the Parliamentary Committee on Social and Labour Affairs, the President of the Latvia Employers' Confederation, the Chairman of the Brae Trade Union Association of Latvia, the Chairman of the Union of Local Governments of Latvia, the Chairman of the Trace Council and the Chairman of the Council of Small and Medium Enterprises and Crafts.

August 2005 and its main tasks are to coordinate the development of the National Lisbon Programme of Latvia, involving public agencies, the Parliament, municipalities and social partners in the process as well as the monitoring of the procedure of implementing the National Lisbon Programme of Latvia and the information of the community about the implementation of tasks prescribed by the National Lisbon Programme of Latvia in the country.

In the preparation of the Report the Ministry of Economy relied, in most part, on the activities of ministries, without directly involving NGO that are related to the resolution of social exclusion problems and the representation of interests of social exclusion risk groups. In order to prepare the Report on Progress in Implementation of the National Lisbon Programme of Latvia the Ministry of Economy sent questions to all involved parties and summaries the information that it received. There was no special working group established for the preparation of the Report.

The participation of public agencies only in the preparation of the said Report without the involvement of other relevant stakeholders as well as the fact that the Report was not discussed at greater length by the society, are, to certain extent, reflected in the content of the Report. The view of public administration institutions only narrows the presented insight into the range of offered measures as well as the overall assessment of the situation on matters of particular relevance for the society. For example, issues that concern the reduction of inflation and shadow economy, migration and shrinking labour supply as well as taxation policy are discussed superficially.

Social Inclusion /Social Protection challenges

The National Lisbon Programme and the Report on Implementation do not reveal explicitly links with the social security and social inclusion process. In some sectors and in the definitions of priority areas of action the mutual link of both processes is presented in a formal manner, however, no specific outcomes that are to be achieved (quantifiable targets and indicators) have been identified. On the other hand, pension reform has been accomplished and reform of health institutions is underway, therefore the critical issues that remain are adequacy and access, especially for poor. The Lisbon Reform Program (annex with indicators and targets) included an ambitious target to reduce at –risk – of poverty to 11% by 2008, which has disappeared in the Implementation Report.

Only the description of projected activities and the procedure of their implementation outline more clearly the link between the National Lisbon Programme, the Implementation Report (the list of measures in Annex 1) and SI/SP processes, for example, the raising of the retirement age threshold planned within the frame of activity 1.3, the implementation of active employment policies, planned within activity 3.1 and aimed at promotion the inclusion of the unemployed and employers into the labour market, the amplification of the accessibility of social and professional rehabilitation services, planned within the frame of activity 3.2 as well as the expansion of the accessibility of educational services for social exclusion risk groups planned within the frame of activities 3.5.2 and 3.6.5.

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

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

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

Further on the report analyses activities planned in the Lisbon Programme in the context of social exclusion risk groups. The basis for the analysis is the table annexed to the Guidance for the chapter on feeding in and feeding out analysis of the third 2006 Report. Taking into consideration measures included in the National Lisbon Programme, the report assesses the correspondence of measures to the priority objective „to increase access to employment of vulnerable groups”. Measures included in the National Lisbon Programme refer, to a much lesser degree, to such objectives as „Eliminate child poverty” or „Reduce homelessness”.

Employment policy

The following three main directions of activity can be outlined in the area of employment:

- 1) support to the promotion of employment, in particular emphasizing the training and retraining of the unemployed;
- 2) the strengthening of the capacity of institutions involved in implementing the labour market policy (the improvement of the administrative capability of institutions, research studies on the labour market, the development of a long-term forecasting system, the improvement of cooperation among involved parties);
- 3) support activities for employers and employees.

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

In actual fact, all the planned activities continue initiatives and activities started within the frame of the existing policy programmes, expanding or consolidating the existing policies. No radically new policy measures or political standpoints have been projected. It must be emphasized that measures offered in the area of employment for addressing current topical problems are, at times, one-sided or concern aspects of the problem only indirectly. For example, in order to reduce undeclared employment it is planned to increase the minimum wages, to raise the minimum non-taxable minimum and to strengthen the capacity of the State Labour Inspectorate. There is a risk that in territories with a low business activity level and a high unemployment level (in the underdeveloped regions) the above measures may achieve the reverse effect. If only the minimum wages are increased, neglecting the overall taxation policy concerning SME, the unemployment rate can increase; as a result it will be low wage earners and small and micro enterprises who will be the losers. The discussion on sharp minimum wage increase also did not take into account that taxation on labour is rather high and that wages (notably for low qualified) grow significantly. Higher increase in tax free minimum, and lesser, but more regular and foreseeable in minimum wage would have been beneficial to make taking up work pay.

The strengthening of the capacity of social partner organizations within the projects “Strengthening of the capacity of the Latvia Employers’ Confederation” and “Strengthening of the capacity of the Latvia Free Trade Union Association” in the ESF National Programme cannot be directly linked to the reduction of undeclared unemployment. This measure may have an indirect link however, it does not

have a direct impact on changes in the situation as in the given projects the representation of SME is very minimal.

In this area objectives have been set in line with the common objectives of the EU in the field of employment, by using structural indicators. In respect of social exclusion risk groups this programme does not set any specific quantifiable objectives, characteristic for the Latvian situation. In most part objectives identified in the National Lisbon Programme have been formulated in the form of input targets that show the financial investment but not the output targets of measures. It is possible that in specific policy planning documents like the Concept on the Minimum Wages, national quantifiable objectives have been set; however, it is not reflected in the given documents.

Employment targets that Latvia has subscribed to are rather soft, as the target for employment rate for year 2010 remains below 70%, notwithstanding the developments and constraints in the labour market.

In addition to national budgetary resources a very considerable amount of finances for the implementation of employment activities is attracted from the European Social Fund especially till year 2006. Out of the 31 activities planned in the area of employment, 25 activities can be referred to employment; 20 activities of the above 25 are supported by the ESF.

In general measures to be implemented in the area of employment may have an impact on the reduction of gender inequality; however, a failing that should be mentioned is the fact that specific measurable indicators and objectives by gender are not identified in the NRP implementation report. All institutional levels in policy formulation as well as policy implementation have been included in the implementation of measures.

Economic policy

Only one of measures planned in the economic area can be referred to social exclusion risk groups – the raising of the monthly non-taxable minimum amount and the relief for dependents. The question to what extent the planned measure has a positive impact on the situation of all risk groups is disputable as it is applicable to those risk groups that earn incomes from salaried employment. Other measures are more focused on ensuring the stability of the macroeconomic environment, the development of research and innovations which have an indirect link with the improvement of the situation of social exclusion risk groups.

Income: tax, social protection

No special activities that would be focused on social exclusion risk groups are planned in this field. The measure that provides the raising of the monthly non-taxable minimum and the relief for dependents, and which analyzed under the set of economic issues, can be referred to social exclusion risk groups only partially as they are general measures and relate to all wage earners.

Education and Training

Alongside with general measures planned in the area of education and training, special measures, focused on social exclusion risk groups, are planned. They are as follows:

- 1) the improvement of professional career development and professional education services;
- 2) the improvement of professional rehabilitation services;
- 3) the availability of ICT services at schools, public and municipal institutions, in particular emphasizing regions.

Like in the area of employment, it is not planned to start any new activities in this area either. The emphasis is laid on increasing the accessibility of current services.

In the Lisbon Programme one of the objectives has been identified in this context – to reduce the number of pupils expelled from educational institutions. In its turn, the Implementation Report does not say anything about the number of pupils expelled, but discusses pupils who graduate educational institutions only with a school-report. As the number of expelled pupils tends to increase, the use of an inaccurate indicator does not characterize the actual changes in the situation and the essence of the problem.

Measures planned in the area of ICT, which are implemented within the frame of the ERAF National Programmes, have been started only recently, thus it is premature to speak about the impact of these measures.

All planned areas of activity are co-financed by resources from the EU Structural Funds.

As concerns such areas as Housing, Environment and Basic Services; Culture, Sport and Leisure; Financial and Legal Services; Non Discrimination and Gender Equality the National Lisbon Programme does not plan specific measures that would be directed towards social exclusion risk groups. In these areas measure bear a general character and concern mostly the improvement of the system or are not planned at all.

Health and Social/ Family Services

Measures planned in the area of health, like the development of the emergency medical health care services, the optimization of health care services, in their essence, are not linked directly with the improvement of the employment of social exclusion risk groups. Measures planned for the reconciliation of work and family life are in part also directed towards addressing problems of gender equality.

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

It must be pointed out that these measures duplicate measures planned in the NSR and no new areas of activities are planned by the National Lisbon Programme, that is directly reflected in the Implementation Report.

2.2. Feeding out analysis

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

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

Therefore a very large number of factors should be taken into consideration that may influence the achievement of the new overarching objective of OMC for social protection and social inclusion (economic growth, better jobs and greater social cohesion) in the course of implementing the NRP.

Employment and possible impact on social exclusion risk groups

It is essential in the context of the social inclusion policy to try to assess if the creation of new jobs is benefiting groups at particular risk of poverty and social exclusion (such as jobless households, the very long-term unemployed, single parents, large families).

One of the crucial objectives identified by the NRP is the promotion of employment, however, note should be taken of the fact that in Latvia the increase in employment and the decrease in unemployment could be explained not only by the effectiveness of active labour market measures, economic growth and creation of new jobs, but that it is also very much due to labour emigration and also due to the raising of the retirement age for women.

The NRP has defined objectives and certain measures are projected for the improvement of the overall situation, however it is possible to forecast that such social exclusion groups as jobless households, the very long-term unemployed, single parents, large families will gain little from the creating of new workplaces upon the implementation of the NRP program.

In the study „Specific Problems of the Labour Market of Latvia and its Regions” the summary of the most recent statistics available by regions of Latvia (data for 2004) gives grounds for the conclusion that on the average the number of vacancies in Latvia constituted 4.8% of the required amount. The highest number of vacancies is found in the Riga region which should be linked with the level of economic activity in Riga. The lowest number of vacancies is in the Zemgale and Vidzeme regions.³ The analysis of ratio of the number of the registered unemployed and the number of vacancies⁴ in the Riga region shows that in 2004 the number of vacancies in Riga constituted 25.8% of the required number of work places, while the number of vacancies in the vicinity of Riga constitutes only 0.8% and it is undeniably far too little to provide work to the registered unemployed; in the Vidzeme region the same indicator is only 0.8%, in the Kurzeme region – 2.5%, the Zemgale region – 1.8% but in the Latgale region – 1.6%.

³ It must be taken into consideration that the ratio in percentage terms has been calculated against the number of the registered unemployed as in the Statistical database gives data by region about the registered unemployment rate and the number of the unemployed.

⁴ Central Bureau of Statistics of the Republic of Latvia, "Regions of Latvia in Figures in 2005", 2006

Data of the Central Bureau of Statistics testify that at the end of the first quarter of 2006 there were 16.8 thousand vacancies in the country. However, according to the workforce survey conducted by the Central Bureau of Statistics, in the first quarter of 2006 there were 89.2 thousand jobseekers in Latvia or 7.8 % of the total number of the economically active population. In this context particular attention should be paid to those individuals in the group of economically inactive population who are potential jobseekers but who have lost hope to find a job or do not know where and how to look for a job. Results of the survey show that in the first quarter of 2006 there were 20.3 thousand people who had lost hope to find a job, amounting to 3.1 % of the number of the economically inactive population. It means that the number of vacancies (taking into account also those people who have lost hope to find a job) constitutes 15.3 % of the required number.

Although there is evidence of some progress, still the insufficient number of work places that the State Employment Agency (SEA) operates with and can offer to the unemployed, is one of the problems that creates a risk for representatives of social exclusion risk groups concerning their successful integration into the labour market, even though they participate in active employment measures organized by the SEA. On the other hand, the shortage of the workforce is felt increasingly more frequently and an increasingly more active discussion develops concerning the necessity of opening the labour market to inhabitants from other countries, in particular focusing on the former USSR republics (Belarus, the Ukraine, Russia).

Data show that job opportunities for representatives of social exclusion groups differ in various regions of Latvia. Taking into consideration the limited inter-regional mobility for representatives of these groups (the limited availability of public transport, lack of financial resources, problems of the availability of housing etc.), a considerably more extensive real support would be necessary for the promotion of business activity in regions and for the balanced development of regions.

Another aspect that influences employment in families with children specifically, is lack of measures promoting the reconciliation of work and family life, for example, possibilities of using a flexible working time schedule or part-time options, out- of-family childcare services, i.e., an insufficient development of a family-friendly infrastructure.

Still another problem where the solution has until now has been ineffective, is the development of business activity in the underdeveloped and depressed regions. Researchers point out that restructuring processes that took place during the last decade, have stimulated the decline of employment in rural areas, in particular agriculture which until then had been one of the most important areas of business activity in rural areas. A considerable part of the population are incapable of providing independent and economically profitable management in agriculture, at the same time due to lack of capital and knowledge these inhabitants find it difficult to start business activity or to find some occupation in other sectors of national economy. The NRP has projected activities for the promotion of the diversification of rural economy and the development of favourable preconditions and the necessary infrastructure (the diversification of economic activity in rural areas, the establishment of consulting services for farmers), however, the Program for 2005-2008 earmarks financial resources only until 2006 which creates certain vagueness about the further resolution of these problems.

Although statistics on registered enterprises testifies to the increase in the number of economically active enterprises in all regions, still Riga and the vicinity of Riga are leaders in the number of economically active enterprises in the country. Note should be taken of the fact that micro enterprises constitute the largest proportion (~88%) in the total number of enterprises. The number of large enterprises is very low – only 0.3% and they mostly operate in Riga (211 enterprises in 2004). A more significant support should be provided to the development of SME not only concerning possibilities of

getting loans which is not free of problems, but also during the first years of their operation. The development of business incubators is also important.

Businessmen are not sufficiently motivated to employ the disabled. If until 2006 businessmen had tax exemptions if they employed the disabled, as of 2006 these exemptions do not exist any more. As it is not possible to speak about the development of corporate social responsibility of business in Latvia and no special measures are envisaged in this area in respect of social exclusion risk groups, then it is not possible to hope for a rapid improvement of the situation in the area of employment for the disabled during the operation period of the NRP Latvia 2005-2008.

Although representatives of groups at risk of social exclusion might be those who benefit most from the increase in employment, it is essential that the public and private partnership is developed, in particular in regions with low business activity. However, the NRP has planned only a study, the establishment of a webpage and the organization of seminars on various aspects of public-private partnership that are required however insufficient for the resolution of the problem.

Wages and tax policy and possible impact on employment of social exclusion risk groups

The NRP outlines the following measures as the most significant in the area of improving the remuneration and tax policy: first, the raising of the minimum wages; second, the gradual raising of the monthly non-taxable minimum and the tax relief for dependents.

Neither until now nor in the NRP till 2008 have any measures been planned for the improvement of the taxation system that would be aimed at achieving specific economic or social objectives. Although in Latvia the political agenda has sometimes raised the issue about the necessity to introduce the progressive income tax, until now no changes have been made in the currently existing system and the calculation of the proportional tax rate has been retained. Thus, the tax burden on labour is also comparatively heavy and particularly affects low income groups.

Both the above NRP measures in this area would be significant in the formal sense not only for the promotion of employment but also for stimulating getting out-of-poverty of the low-income population. However, the comparatively low minimum wage and the non-taxable minimum amounts should be mentioned as the main factor diminishing the effectiveness of the said measures to really improve the situation of social exclusion risk groups.

In actual fact, the non-taxable minimum is that part of the income which should provide resources necessary for human existence at a minimum level. It means that resources ensuring the existence of the individual at the minimum level should be excluded from taxation with the personal income tax. In Latvia the non-taxable minimum amount is very low (LVL 32 per month or LVL 384 per year). It remained unchanged during the period from 1997 till 2006. One of calculation indicators characterizing the minimum amount of resources necessary for the individual is the full value of the average monthly per capita subsistence minimum basket of goods and services in LVL that has been calculated by the Central Bureau of Statistics. In September 2006 it amounted to LVL 118.86, being 3.7 times higher than the monthly non-taxable minimum.

In addition to the deduction of the non-taxable minimum from the taxable income personal expenditures may be allowed that are directed towards the payment of consumption costs of social character, for example, payments into pension funds, payments of life insurance premiums, expenditures for education, payments for health care services, donations. In Latvia the personal income tax system

provides deductions of such expenditures from the non-taxable minimum. As it has been indicated in „Guidelines for the Development of the System of Taxes and Fees”, as during the same period the non-taxable minimum had declined contrary to other indicators (inflation, the minimum wages etc.), tax payers have started increasingly more frequently to use their right to declare justified expenditures that reduces the total income that is taxable by the personal income tax. This way tax-payers with higher incomes can reduce their taxable income as they can afford to pay for various types of services, subsequently declaring them as justified expenditures. It means that inhabitants with higher incomes are those who gain the most significant benefit by tax reduction as they can enjoy these tax advantages.

The establishment of the minimum wages is a crucial instrument in involving the potential workforce into the labour market as well as for the raising of the wage level of those who are employed in the national economy. Certainly, the raising of the minimum wages alone, without addressing issues concerning the improvement of working conditions, the living conditions, possibilities of reconciling work and family life etc., will not resolve problems of the shortage of the workforce. However, it could serve as the basis for attracting the workforce from other countries as well as to stimulate the return of individuals working abroad to Latvia.

Alongside with the above it is necessary to point out also negative aspects that are identified by specialists of the Ministry of Welfare as well as employers interviewed within the frame of the research study „*Wages and factors of influence*” (hereinafter the study of the Ministry of Welfare. Namely, a rapid increase in the minimum wage amount may have a negative impact on small enterprises which would compensate the necessity of raising the wages by laying off employees. Results of the study of the Ministry of Welfare show that the optimum assessment of the minimum wages and the non-taxable minimum depends on the region where the enterprise operates, the size and development level of the enterprise. In regions with lower indicators of economic and social development (Kurzeme, Zemgale, Latgale) employers support the establishment of a lower minimum wage amount than employers in the capital of Latvia and in its vicinity.

Although currently the minimum wage amount is so low that it does not stimulate the inclusion of employees into the labour market (see a more detailed analysis in Chapter 3), the planning of its increase should be commensurable with other measures promoting business activity and employment. Otherwise both measures projected by the NRP should be assessed as necessary but without any impact on specific changes.

The growth and possible impact on social cohesion

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%. Data of the Central Bureau of Statistics show that the rapid growth rates continue if compared to the corresponding period of the previous year, gross domestic product (GDP) in the 1st quarter of 2006 increased by 13.1% that has enabled Latvia to shed the status of the poorest country in the EU.

Although in the recent years the economy of Latvia has experienced a very dynamic development, and there is evidence of rapid GDP growth rates, still the macroeconomic policy that has been implemented has not stimulated the decline of poverty and social exclusion. According to data of the CBS the poverty risk has grown from 16% in 2003 to 19% in 2004.

The polarization of society persists in remaining high and the Gini coefficient in 2004 was 0.36, however, according to the opinion of experts, there is an emerging trend for the quintile share ratio (S/80/20) to stabilize.

According to HBS data the consumption expenses in year 2005 of the most indigent 20% (1 quintile) of the households made up in average Ls68 per one household member per month. From their income, those households spent 39% for food, and 12% for housing. The household expenses of 1st quintile made up 53% of the average expenditure level of all households. In 20% most indigent households reside about 25.5% of the whole number of persons belonging to households in the country. At the same time, slightly more than one-third (36%) of the total number of children in all households reside in households of 1st quintile. On the other hand, the consumer expenditures of 20% of the most prosperous (5. quintile) households per household member were Ls245, exceeding the average figure by 1.9 times. About 17.8% of the total household population of the country resides within this quintile.

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

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

It must be taken into account that for employees, in particular in the medium and higher income group, incomes have grown dynamically over the recent years, the increase in the income level for employees of these groups has been considerably more rapid than for those representatives of social exclusion risk groups whose income from salaried employment is low or for those who are outside the labour market and live on social transfers. The result is the growth of the poverty risk which makes the achievement of the goal set by Latvia – to reduce the risk-at-poverty rate to 11% - unrealistic. It must be pointed out that in the Report on Implementation this set goal is not mentioned at all, neither is any analysis presented on problems in achieving the same goal.

As concerns the development of credit policy the NRP emphasizes activities aimed at providing the accessibility of credit resources to SME. The NRP does not analyze the need of special measures and it does not include specific activities concerning the credit policy for the population and the regulation of the accessibility of loans at the national level. Experts as well as businessmen are positive about the need of support activities for SME for starting business. However, it must be pointed out that the overall taxation policy in the country is not „friendly” towards the small enterprises thus more attention should be paid to the planning of support activities in the subsequent stages of the development of business activity.

Implementation of NRP and possible impact on Social Inclusion policies

In view of the above, it is possible to assume that a successful implementation of the NRP would stimulate the development of Latvia; however its impact on Social Inclusion policies and the achievement of their objectives might be considerably less significant. The policy implemented until now

as well as measures planned by the NRP have been more focused on the development of Latvia on the whole, mostly focusing on ensuring macroeconomic stability and the development of microeconomic policy, emphasizing the promotion of knowledge and innovations, competitiveness.

The NRP mentions the reduction of social exclusion only in relation to the improvement of active employment policies and their diversification for several social exclusion risk groups, the improvement of accessibility of professional and social rehabilitation services for the disabled and the accessibility of education for pupils with a low level of basic knowledge, providing educational services to children with physical and mental disorders, as well as children with motoric disorders. Although the NRP contains certain beginnings concerning active inclusion – still until now they have been assessed as insufficient.

In general, the NRP is more focused on economic growth, to a certain extent, „sacrificing” the social cohesion aspect.

2.3. Analysis of the Integrated Guidelines

The NRP and corporate social responsibility of business

It would be important to include into the NRP activities directed towards the development of the corporate social responsibility of business. The area of work planned by the NRP for improving labour security and working conditions would be a significant aspect in developing the corporate social responsibility of business in relation to social inclusion policy issues, however, the offered measures lay the main emphasis on the expansion of control functions performed by the state as well as the strengthening of the direct capacity of administrative institutions.

It is possible to speak in Latvia about separate positive examples of the corporate social responsibility of business as concerns the reconciliation of family and work life; however, the NRP as well as the Implementation Report do not include the advertising and support of such practice in specific measures.

Integration of the three overarching objectives in NRP

In the NRP and in the Implementation Report context it is not possible to speak about a clearly defined set of measures that would aimed at a balanced achievement of overarching objectives (full employment, improving quality and productivity at work, and strengthening social and territorial cohesion). To a certain extent, the measure planned in Clause 2.9.1 and aimed at promoting business activity in less favoured areas touches upon these objectives. It is envisaged within the frame of to enhance economic activity in sectors and regions, taking into consideration the set of social and economic conditions in each area. The link is weakest between projected measures and the objective concerning improving quality and productivity at work. Possibly some measures plan activities for the achievement of the said objective, however, the version of the document that is presented, does not allow assessing it objectively.

Objectives defined by the NRP – to reduce undeclared employment, to stimulate the start of business activity and geographic mobility in underdeveloped regions; to improve and diversity active employment policies and preventive measures roe reducing unemployment – are relevant for social inclusion and social protection policies, however, measures included in the NRP correspond to the defined objectives only in part. In order to promote geographic mobility in the least developed regions several measures

are planned - promotion of business start-ups, the improvement of state road network's condition, conducting study about geographic mobility, but no sufficient, support to commuting are included, like to transportation costs is not envisaged. No new measures have been included in the Implementation Report and Annex 1.

Thus, there is a risk that the implementation of the said measures may fail to give the expected outcomes, especially as funding for active labour market measures is planned to reduce for the next planning period.

Promoting a lifecycle approach to work

As it was already pointed out in Chapter 1, the mutual connection between the NRP and the NSR have not been shown explicitly.

If the NSR gives at least a reference to the National Lisbon Programme of Latvia for 2005-2008 and the mutual link between the documents, then in the NRP and the Report this reference does not appear at all. The link between the said documents does not appear in the definition of policy targets (quantified) and indicators, however, it can be, in part, perceived in the level of specific measures and activities.

When analyzing the mutual link of NSR and the NRP in the context of the priority objective "access to education and labour market services for children and youth at risk of poverty and social exclusion", it must be pointed out that the planned measures coincide in essence – the inclusion of social exclusion risk groups into the educational system, the implementation of active employment policies, the adaption of the educational system to needs of the labour market. Elements complementing the NRP are as follows:

- The extended range of target groups, encompassing all social exclusion risk groups and all the unemployed and jobseekers;
- The improvement of professional career guidance as one of measures promoting employment;
- The emphasis on life-long learning and the improvement of the system of higher education alongside with issues that pertain to the acquisition of general and professional education.

As concerns the link of the NSR and the NRP in the context of the priority objective "the accessibility of resources and services to families, in particular large and single-parent families", it must be pointed out that practically all measures planned in the NRP duplicate measures planned in the NSR - the increase in the financial support to families with children, support to the reconciliation of family and work life. The only element complementing the NRP is measures focused on raising the motivation of individuals after the child care leaves to promote a more successful inclusion of representatives of the given group in the labour market.

The comparatively weak is link of the NRP and the NSR to the priority objective of the social inclusion policy "the accessibility of resources and services for retired persons, in particular single pensioners". Two areas may be outlined in relative terms that deal with support to pensioners in both documents. They are – health care and social services.

Measures planned in the area of health care in the NRP are more general than those planned in the NSR and their objective is the improvement of the health care system in general. Thus measures planned in the given area may be viewed as mutually complementary.

In the area of social services both documents provide the improvement of the accessibility of social rehabilitation services to individuals with functional disorders. Only the NRP has expanded the range of target groups who are beneficiaries of these services, including not only pensioners with functional disorders but also other individuals with functional disorders. Special measures for these target groups appear in the Implementation Report.

The NRP plans also several measures for older workers – active employment policies for people of the pre-retirement age and activities of professional career development. Unfortunately, measures planned by the NRP for older workers are, in most part, focused on individuals who are already outside the labour market than on their longer presence in the labour market. In actual fact, the measure that envisages the raising of the retirement age can be treated as only one of regulating instruments for keeping an individual in the labour market for a longer time rather than a measure stimulating motivation to stay longer in the labour market.

As concerns measures for the reconciliation of family and work life a negative trend that should be mentioned is the fact that the development of playgrounds is emphasized, however nothing is said about the construction of kindergartens or the expansion of the existing set of kindergartens as there are about 15 thousand children, in particular in cities, waiting in the queue for kindergartens. 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 solving the problem of the reconciliation of work and family life is essential. The National Lisbon Programme of Latvia for 2005-2008 provides for the promotion of establishing children's day care centres at work places, which at the moment is limited only to the development of methodological recommendations for employers. In its turn, the analysis presented in the Implementation Report covers only measures concerning the establishment of sports and playgrounds.

Ensuring inclusive labour markets

The areas of activity defined in the NRP and analysed in the Implementation Report could be characterized, in formal terms, as concordant with social inclusion and social protection objectives, still it should be mentioned that active employment policies for the unemployed youth as well as measures planned for the reconciliation of family and work life are duplicated by the NAPIncl Latvia and the NRP. Measures could be regarded as hardly sufficient to expand the labour supply and reduce tensions in the labour market. Participation rates are quite average, there is a high regional and long term unemployment.

Measures that within the frame of the Report on Implementation are directed towards promoting an inclusive labour market, are, in most part, oriented towards such social exclusion risk groups as the unemployed youth individuals after the child care leave, mostly, women; people of the pre-retirement age; the disabled. In part active employment measures are including also representatives from other social exclusion risk groups, for example, ex-convicts; however, no special measures have been projected for other groups.

Measures of the NRP are implemented within activities defined by the Law on Unemployed Persons and Job Seekers. In 2—5 within the frame of active employment measures the SEA has started several new pilot projects – work of an un employed person for an employer for a period of 1-3 months (in actual fact, the trial period), where, as it has been pointed out in the Report on Implementation, the employer as well as the potential employee have an opportunity to test the person's professional suitability for the specific job. During this period the employer receives grants for the remuneration of the unemployed

and for the additional payment for the foreman. In my view, the usefulness of the given measure and its actual impact on the improvement of the professional qualifications of the unemployed and the individual's further integration into the labour market are doubtful. In its turn, the new measure "Supported employment, facilitating the integration of individuals with mental disorders into the labour market, should be assessed positively.

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

Very few of measures offered for the promotion of an inclusive labour market are specifically focused on the inclusion of those furthest away from the labour market. The use of SEA services depends, to a large extent, on the activity and motivation of the unemployed person. 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 the SEA and social services must be enhanced. Besides, partnership experience should be retained that has been gained on location at municipalities in cooperation with NGO, SEA regional offices, municipalities and other institutions within grant schemes "Motivation programs for social exclusion risk groups" and "Social rehabilitation programs for social exclusion risk groups", as further on motivation programmes for social exclusion risk groups are taken over by the SEA.

In order to implement the active inclusion approach, complex activities must be consistently developed in the coming years, as the policy implemented until now was not focused on the people furthest from the labour market.

The NRP has defined a specific objective for the reduction of poverty – poverty at risk at 11% in 2008. However, the analysis presented in the Report on Implementation does not mention this or the growth of the at-risk-of poverty in Latvia (at-risk-of poverty rate: 16% in 2003; 19% in 2004) and no updated or other new additional measures are offered for the achievement of the set objective. Unfortunately, in Report on Implementation problems aimed at reducing poverty are not reflected and mentioned.

Promoting flexibility combined with employment security

The NRP plans two sets of measures to ensure sufficient incomes from salaried employment, which is described in detail in the Implementation Report. The first set applies to increasing the remuneration for work, providing measures for raising the minimum salary and the raising of remuneration for those working in the public sector. The second area of activity provides a gradual rise of the non-taxable minimum and the relief for dependents that could reduce the tax burden for employees with low incomes. The minimum wage amount established until now does not stimulate the inclusion of social exclusion risk groups into the labour market. Practice has proved that individuals prefer to receive pensions or benefits (for example, disability pensions, survivor's pensions, unemployment benefit) but not to involve in activities of subsidized employment where the minimum wages are paid as differences between them are insignificant and these groups do not feel the operation of the principle „making work pay” in life. The government decision to raise the minimum wages more rapidly 2007 from LVL 90 to LVL 120 is, in actual fact, the projected amount provided by the approved Concept on Raising the Minimum Wages. The government justified the decision to postpone the discussion of this issue with the channelling of funds for raising the non-taxable minimum and the tax relief for dependents which should be considered to be very low.

The significance of the flexicurity principle in national policy has been discussed by the NSR. So far in Latvia the understanding about the integration of the given principle into specific policies and programmes is only at the initial stage. The NRP plans measures that are, to a certain extent, directed either towards security aspects or flexibility aspects; however it is not possible to speak about the coherence of these measures in the context of the social inclusion policy.

In order to promote the development of information society, including the improvement of the ICT accessibility and quality, several measures have been planned within the frame of the NRP (measure 2.3.1, 2.3.2, 2.3.3, 3.6.5). In the context of the present Programme it is still too early to assess how the planned measures will ensure the development of a fully inclusive information society. Measures of the NRP are mostly focused on the development of the required infrastructure in all regions of Latvia as well as the alignment of the normative environment and information systems at the public administration level but it refers to a very slight degree to the increased use of the ICT by specific target groups. The target group is clearly outlined only in measure 3.6.5, i.e., the disabled. However, here only one aspect of using the ICT is discussed (professional education and professional rehabilitation), but not the use of the ICT in a fully inclusive meaning for the given target group.

Accessibility of education and training policies for social exclusion risk groups

In order to achieve the three overarching objectives of the Integrated guidelines (achieving full employment; improving quality and productivity at work and strengthening social and territorial cohesion), a significant role is played by education and training policies and their accessibility for all groups of the society. However, in the current situation a range of problems should be noted in respect of the accessibility of various levels and types of education for social exclusion risk groups concerning the possibilities of acquiring elementary, secondary and higher education. Possibilities of children and adults to acquire education differ in various regions of Latvia; likewise there are significant differences between cities/towns and rural areas.

The Law on General Education provides that the municipality in its administrative territory must ensure the preparation of pre-school children for the acquisition of elementary education. The law also provides that elementary education or its continuation till the age of 18 is compulsory, however the disorder in legislation and the incomplete recording system form the basis why the number of children who do not attend school is high (according to the data of the Ministry of Education and Science ~5%). There is an increase in the number of those children who do not continue their education after they have acquired elementary education which will seriously jeopardize their chances of successful integration into the labour market. Alongside with the above problems it must be pointed out that there is a large number of children who graduate school with poor academic record. The number of those children who graduate elementary school and secondary school without respective certificates is also high. The drop-out level at schools of general education as well as vocational educational institutions is very high and it tends to increase. Unfortunately in the analysis part of the Report this problem is not given due attention and the drop-out problem at schools is not discussed at all. The main measures aimed at reducing the dropout level among pupils are the development of pedagogical correction programmes for general elementary education. However, in view of the large number of children who have been discharged from school as well as the number of pupils who have graduated elementary school (grades 1-9) with a school report and the small number of pupils who have graduated correction programmes, acquiring elementary education, the result cannot be viewed as satisfactory.

Significant improvements are necessary also in vocational education as at present the accessibility of vocational education is restricted by the number of study places financed by the national budget and the insufficient material technical basis at educational institutions. Within the NRP and Annex 1 of the

Report on Implementation several activities have been started in this area – the improvement of the material technical basis at vocational educational institutions, the additional admission of students at vocational educational institutions as well as the raising of the scholarship amount for students of vocational educational institutions from LVL 8.5 per month to LVL 20 per month as of the study year 2006/2007, however, measures that have been undertaken, should be consistently continued.

The accessibility of educational services to children with special needs, children from low-income and risk families should be assessed as limited, the ratio of children with special needs at schools of general education is still low. The training of teachers for work with children with special needs proceeds slowly and on an insufficient scale; the funding allocated within the frame of the NRP for 2005 should be viewed as insufficient.

The system of life-long learning plays a significant role in raising the employment level among social exclusion risk groups and in developing their competitiveness. The current situation is characterized by an insufficient offer of interest and informal education and its accessibility to groups of the population exposed to the social exclusion risk and an increased unemployment risk. Although already in 2003 the Joint Inclusion Memorandum (JIM) pointed out that the development of the Life-Long Learning Strategy was a priority task, the Strategy still hasn't been approved in the government. Unfortunately other specific measures and specific funding in the context of development the system of life-long learning for specific groups of the society, including social exclusion risk groups, has not been provided nor in the NRP neither in the Report on Implementation.

2.4. Summary

The purpose of the analysis presented in this Chapter is, first, to assess whether the Social Inclusion challenges are addressed in the Implementation Report and the implemented measures within the framework of NRP are coherent with the Social Inclusion and Social Protection policy development and implementation process. Second, it is essential to assess the possible impact of the measures of NRP on achieving social inclusion policy objectives.

Alongside with the suggested basic tools for analysis in this chapter in the Guidance for the experts, the author of the present Report has often relied also on the National Lisbon Programme of Latvia for 2005-2008, which provided a more comprehensive and extensive information in the formulations of objectives and indicators, descriptions of specific areas or projected activities than the Implementation Report, thus allowing to undertake a more comprehensive and appropriate analysis of the impact of the projected and implemented measures on social exclusion risk groups as well as other policies and programmes.

In the preparation of the Report the Ministry of Economy relied, in most part, on the activities of ministries. The participation of public agencies only in the preparation of the Report on Implementation without the involvement of other relevant stakeholders as well as the fact that this report was not discussed at greater length by the society, are, to certain extent, reflected in it's content.

The National Lisbon Programme and the Report on Implementation do not reveal explicitly links with the social security and social inclusion process. Only the description of projected activities and the procedure of their implementation outline more clearly the link between the National Lisbon Programme, the Implementation Report (the list of measures in Annex 1) and SI/SP processes. The mutual complementarity of both policy documents is, to a large extent, ensured in the context of target groups – the NRP projects activities for a more extensive spectrum of target groups than the NSR, in particular in

respect of areas of employment and education. In actual fact, all the planned activities continue initiatives and activities started within the frame of the existing policy programmes, expanding or consolidating the existing policies. No radically new policy measures or political standpoints have been projected.

Data show that job opportunities for representatives of social exclusion groups differ in various regions of Latvia. The considerably more extensive real support would be necessary for the promotion of business activity in regions and for the balanced development of regions.

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

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

3. Integration of ethnic minorities in Latvia

General information

The society of Latvia is multi-ethnic. Traditional minorities forming process in territory of Latvia started already in the 13th century. The Latvian nation formed over the centuries, and communities of Baltic Germans, Russians, Jews, Poles, Estonians and Lithuanians coexisted. A multicultural environment formed in the largest cities, especially in Riga. In the 20ies – 30ies of the 20th century in Riga one-fourth of the population was constituted by minorities (Russians, Jews, Baltic Germans, Byelorussians, Lithuanians and others). Approximately 1.5 million people from different regions of the Soviet Union entered in the territory of Latvia both on voluntary and coercive basis as the result of the Soviet Union policy after the end of World War II. Approximately half of them stayed to live in Latvia. It caused remarkable changes in the ethnical situation. The number of Latvians in Latvia decreased to 52% in 1989 (in comparison with 1935 when the percentage of Latvians was 77%).

The percentage of Latvians was 58.8% in the beginning of 2006, but the number has tended to decrease since 1991. The tendency of decrease in the number of inhabitants is observed also in other largest ethnic groups of Latvia.

The table presents the number and proportion of the largest ethnic groups in Latvia in the beginning of 2000 and 2005.

Table 1

	The number of inhabitants		In percentage terms	
	2000*	2005	2000*	2005
All inhabitants	2377383	2306434	100	100
including:				
Latvians	1370703	1357274	57,7	58,8
Livs	177	175	0,007	0,008
Russians	703243	660684	29,6	28,6
Byelorussians	97150	88287	4,1	3,8
Ukrainians	63644	59011	2,7	2,6
Poles	59505	56511	2,5	2,5
Lithuanians	33430	31717	1,4	1,4
Jews	10385	9883	0,4	0,4
Roma (Gipsies)	8205	8491	0,3	0,4
Germans	3465	3788	0,1	0,2
Tartars	3168	2927	0,1	0,1
Armenians	2644	2672	0,1	0,1
Estonians	2652	2537	0,1	0,1
Other nationalities	14000	13788	0,6	0,6
Unidentified or unknown ethnicity	5012	8689	0,3	0,4

According to the data of the Population census in 2000, 1.77 million or 74.5% of all inhabitants were citizens of the Republic of Latvia. The number of citizens of Republic of Latvia was 1.84 million or 80.1% of the total number of inhabitants in the beginning of 2006. The number of Latvian citizens increased by 67.6 thousand or 3.8% in comparison with 2000. The number of non-citizens decreased by 85 thousand or 17% since 2000.

Citizens of more than a hundred other countries live in Latvia. Almost 25 thousand or 67% of other country citizen are citizens of Russia, 2.7 thousand or 7.0% - citizens of the Ukraine and 2.6 thousand or 6.9% - citizens of Lithuania.

When the independent statehood of Latvia was restored in 1991, the minority rights were also reinstated and the period of the naturalization and integration of immigrants of the soviet period into the society of Latvia started.

The Parliament (Saeima) of Latvia ratified the European Council's Framework Convention for the Protection of National Minorities (Convention) of 1994 in 26May 2005 and it came into force in Latvia as of 1st October 2005. By ratifying the Convention, Latvia declared that the term "*ethnic minority*" in the meaning of the said Convention "means citizens of Latvia that differ from Latvians in cultural, religious or linguistic aspects, have lived in Latvia traditionally for generations and consider themselves affiliated to

the state of Latvia and its society, who want to preserve and develop their own culture, religion or language.”

The statement made by Latvia broadens the application of the Convention that persons that are not citizens of Latvia, but constantly and legally reside in Latvia and do not belong to any ethnic minority in the understanding of the Convention according to the definition given in the respective declaration of Latvia, can enjoy rights provided in the Convention if the law does not prescribe special exceptions.

Problems analysed below concerning employment, education, housing and other areas are not considered in the context of separate larger ethnic minorities (Russians, Ukrainians, Byelorussians, Poles) as, in actual fact, problems and causes of these problems are the same for all the above groups. Problems analysed in the Report that are typical for the Russian minority, are similar to those encountered by other ethnic minorities in Latvia. It is determined by the common processes of historical development as well as the social-economic situation in Latvia. The only exception is the Roma minority as alongside with problems characteristic for all ethnic groups they encounter additional difficulties. That is why the present Report lays more emphasis on problems of the Russian minority as the largest ethnic minority, which, in actual fact, are characteristic also for other ethnic minorities, as well as specific attention is focused on the situation of the Roma people.

Employment

The main requirements of the Council Directive establishing a general framework for equal treatment in employment and occupation (2000/78/EC) on prohibition of any discrimination are incorporated in the legislation of Latvia.

The Labour Law⁵ regulates the area of employment. Article 7 of the Labour Law prescribes the principle of equality providing that equal rights are provided without any direct or indirect discrimination – on the grounds of race, sex, age, disability, religious, political or other beliefs, ethnic or social origin, property or marital status or other circumstances.

According to results of available research studies⁶, data on the proportion of ethnical minorities in the labour market do not indicate that explicit discrimination by ethnical indications exists in this environment. However, there is evidence of lack of ethnical parity in separate institutions or industries. According to Labour Force Survey data, employment level (age group 15-64) is increasing, but unemployment level is decreasing for Latvians and non-Latvians.

⁵ Labour Law]

⁶ Pabriks, A. Sorosa fonda Latvija stipendiātu programmas ietvaros, „Etniskās proporcijas, nodarbinātība un diskriminācija Latvijā”, 2004

Table 2
Employment and unemployment level

	2002		2003		2004		2005	
	Latvians	non-Latvians	Latvians	non-Latvians	Latvians	non-Latvians	Latvians	non-Latvians
Employment level, %	63,0	57,0	63,7	58,9	62,8	61,3	63,9	62,4
Unemployment level, %	9,9	15,2	8,2	14,5	8,6	13,7	7,5	10,9

The knowledge of the official language (Latvian) is an essential resource for integration into employment. It is related to those areas of employment that involve the provision of services of various kinds, for example, health and social care, different types of social, public and other services. It is mandatory that employees of these areas are proficient in the official language. An employer choosing an employee will prefer an applicant, not guided by the person's ethnic origin, but on the basis of professional qualifications that include the knowledge of the official language. Proficiency in Russian and other languages are considered to be collateral advantages.

Characterizing the proportionality in the representation of ethnic groups in employment, it must be taken into account that in some sectors, for instance, the Civil Service only citizens may work. Thereby the citizenship of the Republic of Latvia but not the person's ethnic origin, determines the possibility to hold an office. There are employment possibilities also without the knowledge of the official language but then it is labour that is not connected with the communication with clients.

The labour market in Latvia is specific with the significance of social intercourse, i.e., new employees are sought through social networks, therefore an ethnically homogenous environment forms in enterprises. Research studies⁷ show that in comparison with 1900 when the business environment was strictly divided into Latvian and Russian, on the basis of the difference of language, mentality and different historic aspects, now these areas start to draw nearer. The main factor is interests and qualifications of the workforce.

Within the framework of active labour market activities and with the support of the European Social Fund the State Employment Agency provides Latvian language training for those unemployed who have other native languages, not Latvian, to promote involvement into employment or engaging in further professional training. Printed informative and methodical materials about the rights and duties of the unemployed and services of the State Employment Agency are published in Latvian and Russian.

Research studies that have been undertaken⁸ indicate that causes of poverty and social exclusion caused by unemployment do not differ essentially for Latvians and non-Latvians, except for numerically small Roma minority.

According to data of the Population Register at the Office of Citizenship and Migration Affairs Population at the beginning of 2006 8498 Roma people lived in Latvia, i.e., 0.3% of Latvian citizens.⁹ However, unlike other ethnic minorities, problems of the Roma community with integration in society are not connected with insufficient proficiency in the Latvian language or a considerable number of non-citizens in the community. Roma have good knowledge of Latvian and Russian and 98% of Roma are citizens.

⁷ "Society Integration and Business: the Ethnic Dimension", Baltic Institute of Social Sciences, Latvian Academy of Sciences Institute of Economics, Riga, 2004

⁸ State program «Gypsies (Roma) in Latvia» 2007. — 2009., <http://www.dialogi.lv>

⁹ *ibid*

However, many surveys indicate that there are prejudices and fear of communication with the Roma. For example, data of the research "Ethnical tolerance and integration of the society of Latvia"¹⁰ reveal that 43% of the population in Latvia inhabitants do not want to live in the neighbourhood of the Roma, while data of the research study "The situation of the Roma in Latvia"¹¹ indicate that people would behave more cautiously in contacts to the Roma – 52.4%, that is more cautiously than towards a colleague or the children' classmate.

There is a small number of the Roma people who have long-term official employment relations. As it has been mentioned in the ECRI report¹², "Roma/ Gypsies are in a difficult economic situation like in other European countries and also in Latvia. Only 2% of these inhabitants have regular work and unemployment is widespread. Several factors have caused this situation; in many cases it includes lack of educational and professional training, and information about rights of members of the community. Still prejudices in the society and discrimination also play their role."

To solve the above problems, in 17 October 2006 the Government approved the National Programme "The Roma (Gypsies) in Latvia" for the period of 2007 – 2009. The content of the Programme reflects the international practice in integrating the Roma and in promoting tolerance. One of the goals identified in the National Programme is to improve the quality of the implementation of the national policy concerning the integration of the Roma (Gypsies) and the provision of equal opportunities, by implementing requirements contained in international instruments, paying utmost attention to three basic sectors – education, employment and the elimination of discriminating attitudes.

Education

Education in minority languages is a precondition for the preservation of the cultural identity of minorities in Latvia. Government-funded secondary education in Latvia is available in eight minority languages: Russian, Polish, Hebrew, Ukrainian, Lithuanian, Roma (Gipsy) and Byelorussian. In government-funded universities lectures are read in Latvian, while in some private educational institutions they are delivered also in other languages.

In the academic year of 2005/2006 727 schools in Latvia provided tuition in Latvian, 152 schools – in Russian (the bilingual educational programme has been introduced in these), in 97 schools lessons take place both in Latvian and Russian (the bilingual educational programme; schools where there are both Latvian and minority classes). 4 schools teach in Polish, 1 school in Ukrainian and 1 school in Byelorussian. In one Estonian school and one Lithuanian school lessons are taught in the minority language. Two schools offer the Roma (Gipsy) language as an optional subject.

Over the last ten years a trend has emerged pointing to an increase in the acquisition of education in Latvian with a subsequent decrease in the acquisition of education in Russian; 73.2% of first grade pupils started school in Latvian in the school year of 2005/2006r.¹³ This trend is in most part related to the fact that parents - non-Latvians tend to provide such education for their children that would give more extensive opportunities for studies at the university and competitiveness on the labour market.

¹⁰ "Etniskā tolerance un sabiedrības integrācija Latvijā", Baltijas Sociālo Zinātņu institūts, Rīga, 2004

¹¹ State programme „Gypsies (Roma) in Latvia” 2007 – 2009, Informative parts' project of Programme (*version: 16.05.2006.*)

¹² State programme "Gypsies (Roma) in Latvia" 2007. – 2009., <http://www.dialogi.lv>

¹³ Ministry of Education and Science statistical data, <http://www.izm.gov.lv>

Table 3
Number of pupils by study language

School year	1995/1996	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
Latvian	203 607	239 163	242 475	242 183	237 425	230 212	214 855	205 189
Russian	132 540	120 925	116 009	108 454	101 486	95 841	84 559	77 471
Other minorities	1513	1344	1344	1352	1397	1305	1253	1287
Total	337 660	361 432	359 818	351 989	340 308	327 358	300 667	283 947
Study in Latvian (%)	60.3	66.2	67.4	68.8	69.8	70.3	71.5	72.3

Proficiency in the language use and the knowledge of Latvian are one of the main factors stimulating a conflict among sociolinguistic groups, because more than 10 years after the restoration of the independence of Latvia the situation still remains that communication between a Latvian and a person of a different ethnic origin most frequently takes place in Russian. On the whole, the knowledge of the official language among Russians and non-residents are considerably worse than the knowledge of Russian among Latvians. 47% of non-residents know Latvian to some degree, while it is 73% of Latvians who know Russian to a certain degree.¹⁴

As one of the unemployment risk groups is the youth with a low educational level, youths of ethnic minorities with poor proficiency in Latvian/without any proficiency in the Latvian language, have limited possibilities of acquiring education and finding employment. Thus, there is a risk that this group becomes socially excluded and dissatisfied. Research studies¹⁵ show that minority youth who are unemployed, are predominantly with a low educational level, before losing their jobs they have been employed in unskilled work and they have the lowest or medium proficiency level in the official language.

Upon regaining its independence in 1991, Latvia inherited from the Soviet Union a segregated educational system – ethnic Latvians went to Latvian-medium schools, while Russians and other minorities attended Russian-medium schools. In the early 1990s these “Russian” schools taught virtually no Latvian language and produced graduates whose poor proficiency in Latvian hampered their competition on the labour market and for admission to universities.

In 1998 the Parliament adopted a new Law on Education. The new Law envisaged the introduction of various models of bilingual education in primary schools as of 1999. After five years of implementing the bilingual models, the Law foresaw increasing the percentage of instruction in Latvian/bilingually in state-funded secondary education (grades 10-12) to 60 percent, starting in September 2004.

Most of public discussions concerning the preservation of minority culture and language concern the system of general education in particular full-time schools. Those discussions became active when the so-called educational reform started. In Latvia the opinion of parents, teachers and students differs. According to sociological surveys, many of them support the reform, while many are uneasy about it, parents being the most skeptical group. There are three strands of opposition to the reform: 1) those

¹⁴ “Valoda”, Baltijas Sociālo zinātņu institūts, studies, 1996-2004

¹⁵ „Mazizglītoto mazākumtautību jauniešu integrācija darba tirgū”, Baltijas Sociālo zinātņu institūts Rīga, 2006

who oppose any change in the educational system, 2) those who have concerns about the readiness of schools and the ensuing quality of education, and 3) those who are uninformed or misinformed about the reform. It should be mentioned that the government was not sufficiently active in informing minority parents about the essence of the reform. This gave segments of the opposition the opportunity to politically manipulate with parental fears and ignorance.

After public discussions and the beginning of the reform in 2003/2004 the question of the quality of general education was raised in the society, thus one of the main tasks of the government is monitoring. Although the evaluation of the influence of bilingual education in primary schools, performed by the Ministry of Education and Science, has give grounds to conclude that the situation has not declined in comparison with pre-reform period, it will be possible to make definitive conclusions the quality of bilingual educations' quality only in 2007, when pupils who at present are in Grade 11, will sit for national examinations.

According to results of the Population census in 2000¹⁶, only 7.9% of 8205 Roma living in Latvia have secondary education, 26 Roma has higher education. One-fourth (24.3%) of 5985 Roma (Gipsies) over the age of 15, has education below four grades while 25.2% of Roma have not indicated their educational level at all.

A particular problem observed in the area of education the involvement of Roma children in the process of general education and their attendance of pre-school institutions and institutions of basic education. Although since 2003 legislation of Latvia prescribes compulsory pre-school education for 5-6 year old children, many Roma (Gipsy) parents are not yet informed about it. Accordingly Roma children do not get proper preparation for school already at the very beginning and find themselves in an unequal situation in comparison with other children.

Housing and related issues

The right to housing is provided by the legislation of the Republic of Latvia, irrespective of the person's ethnic origin. Main problem - the housing market in Latvia is unbalanced both due to the low solvency of inhabitants and different level of economic activity in various regions. The housing demand is lower in regions with low economic activity, while in economically developed regions it exceeds the offer several times. People with medium and low income cannot afford to secure housing. The role of municipalities in solving housing problems is related to assistance to poor inhabitants with in cash or in-kind support (housing benefits and social housing).

Ethnic minorities, who lived in Latvia before the soviet occupation, are in the same situation as Latvians concerning housing. The situation has formed historically that persons who arrived in Latvia during the period of soviet occupation had better access to housing. They were provided accommodation in new buildings; at the same time the indigenous population had very limited opportunities of getting apartments. After the restoration of independence the above individuals could privatize their apartments that had been built during the period of soviet occupation and that had been the property of municipalities, for privatization vouchers given to the population in the After the restoration of independence during the process of denationalization earlier house owners/ their descendents regained their title to real estate where mostly the indigenous population lives (irrespective of their ethnic origin). Those inhabitants have higher costs than owners of privatized accommodation.

¹⁶ Results of the Population census of Latvia in 2000, CSB, Riga, 2000

Immigrants and ethnic minorities do not reside in separated territories. The situation has historically formed that more minorities live in frontier districts. There are 39.8% and 48.7% of Latvians in Daugavpils and Kraslava districts that are on the border of Russia and Belarus, but the main minority communities are Russians (37.9% and 24.7%), also Poles (12.1%) and Byelorussians (17.0%)¹⁷ Ethnic minorities are not segregated in particular territories also in the cities.

Social services

The Law of the Republic of Latvia on Social Security prescribes compliance with the principle of equal treatment regardless of the person's race or ethnic origin, thus the said Law prohibits any discriminating treatment in providing social services. The above legislation applies to all persons living in the territory of Latvia regardless of their ethnic origin.¹⁸ Research and statistical data available to date do not confirm the existence of specific problems in the accessibility of social services that would be characteristic for a specific ethnic group, with the exception of the Roma people.

According to the Law on Social Services and Social Assistance law, citizens of Latvia as well as non-citizens, foreigners and stateless persons who have a personal identity code, except persons who have received a residence permit, enjoy the right to receive social services and social assistance.¹⁹ The same applies to state social benefits.

The analysis of groups of the population exposed to the risk of poverty and social exclusion in Latvia shows that alongside with other groups ethnic minorities (in particular the Roma), children and youth from social risk groups are most exposed to the risk of poverty and social exclusion

No specific surveys have been undertaken in Latvia concerning the health situation of the Roma people and problems in accessing health care services, however, the study "The Situation of Roma in an Enlarged European Union", reveals a range of serious problems concerning the life-span and the health condition of the Roma as well as their insufficient information about the health care system and available services.

The fear of being unable to pay for medical care ranks first among the concerns of the population in Latvia. 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 amounted to an estimated 47,5% of total health care funding in 2001.²⁰ In addition, the existence of quotas for services, high expenses for pharmaceuticals and informal payments hamper the access of vulnerable groups, according to the study conducted by the German Development Institute²¹. Researchers conclude that not only people living on an income below the poverty threshold, as defined by the Latvian Cabinet of Ministers have problems in accessing health care services, but also "individuals with an income just above this threshold and thus ineligible for a number of 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".²²

¹⁷ Central Statistical Bureau of Latvia, "Statistical Yearbook of Latvia 2005", Riga, 2005

¹⁸ Law "On Social Security"

¹⁹ Law "On Social Services and Social Assistance"

²⁰ WHO: Latvia Country Indicators, 2004,

<http://www3.who.int/whosis/country/indicators.cfm?country=lva&language=en#economic>

²¹ "Transforming the Latvian Health System. Accessibility of health Services from a Pro-poor Perspective", 2005

²² Ibid, p.88

Target groups issues

The research studies mention the immigrant population in Latvia – repatriates, immigrants, asylum seekers - among social exclusion risk groups.²³ The risk of social exclusion is influenced by such factors as the poverty of inhabitants and the high inequality of incomes, the high level of unemployment, long-term unemployment, the inadequacy of education in meeting labour market requirements, considerable regional differences as well as differences between urban and rural areas.²⁴ Immigrant women as a special risk group are not identified in Latvia. The problem of immigrant inflow is not topical in Latvia, because the immigration balance is negative.

During the period from 1 January 1999 till 30 April 2006 5 386 applications were received requesting the Latvian citizenship for stateless persons and non-citizens born after 21 August 1991 as provided by Article 3 of the Law on Citizenship.²⁵ All these children are representatives of ethnic minorities. When describing the consequences of naturalization in Latvia, it must be pointed out, that, according to the data of the Naturalization Board, 115 916 applications were received from applicants requesting the Latvian citizenship during the period from 1 February 1995 till 30 April 2006 and 108 655 persons have been granted the Latvian citizenship by the Order of the Cabinet of Ministers, among them 12 575 underage children (under the age of 15) who have undergone naturalization together with one of their parents.²⁶ Accordingly there are no groups for speaking about discrimination of the next generations of immigrants.

The social exclusion risk for youth of ethnic minorities, as well as for youth in general, is largely determined by the social and economic status of their parents, and their value system (attitude towards education, work). Youth coming from economically depressive regions are more exposed to the risk of social exclusion risk because of fewer educational possibilities and the lower income level of their family, irrespective of their ethnic origin. Youths of the working age (above 15) become part of the social exclusion risk group if they have a low educational level that obstructs their chances of quality employment. Quality employment possibilities for ethnic minorities living in Latvia are also limited if they have no knowledge of the official language or their language proficiency is low. In those cases they have fewer possibilities of getting qualified well- paid work.

Information, communication and culture issues

The protection and promotion of religions and cultural values of ethnic minorities and immigrants is provided by the legislation of the Republic of Latvia. Article 114 in Chapter 8 “Fundamental human rights” of the Constitution of the Republic of Latvia prescribes that individuals belonging to minorities enjoy the right to retain and develop their language, ethnical and cultural identity.²⁷

After the restoration of the independence of the Republic of Latvia in 19 March 1991 the Supreme Council passed the Law “On the Free Development of National and Ethnic Groups of Latvia and the

²³ „Sabiedrības integrācijas aktuālākie aspekti”, SKDS, Rīga, 2006

²⁴ ibid

²⁵ (1) A child born in Latvia after 21st of August 1991 is granted the Latvian citizenship in accordance with the procedure prescribed by this Article Part 2 and Part 3 provided he/she meets the following requirements:

1. he/she is a resident of Latvia;

2. he/she has not been sentenced to an imprisonment term not excess of five years for the commission of a crime;

3. he/she has been stateless person or non-citizen before.

²⁶ „Sabiedrības integrācijas aktuālākie aspekti”, SKDS, Rīga, 2006

²⁷ Constitution of the Republic of Latvia (Satversme)

Right to Cultural Autonomy” to guarantee the right to cultural autonomy and cultural self-government to all national and ethnic groups.

In Latvia, when describing the dynamics of the ethnic composition during the years of soviet power, the term “immigrants” is frequently used, including in the given term those groups of people who have left their native land out their own free will and moved to another country, usually guided by economic or political stimuli. In view of the enormous demographic changes that appeared as a result of the migration during the years of soviet occupation, there is a marked distrust in the society of Latvia towards potential immigrants, asylum seekers and refugees.²⁸ Research studies show²⁹ that main types of intolerance in Latvia concern ethnic origin and religious affiliation. A special risk group is the Roma or Gypsies against whom the majority of inhabitants in Latvia have stereotypes and prejudices. At times there are also manifestations of anti-Semitism and prejudices against Muslims in Latvia.

Studies³⁰ show that 93% of Latvians and 70% of Russians and representatives of other nationalities feel affiliated to the society of Latvia. The evaluation of the attitude towards the state-implemented policy on the integration of the society, that is supported by 60% of Latvians and 43% of non-residents, allows to conclude that the ethnopolitics of the country is one of the factors dividing the society of Latvia, that causes the feeling of danger in non-residents and the ethnic tension in the society on the whole.

Although the society of Latvia is constituted by people of various nationalities, still there is widespread fear of new immigrations following the accession of Latvia into the EU, which is related not only to fear about competition on the labour market but also, to a considerable degree, to the negative attitude to a different culture and ethnic prejudices.

The National Programme “Integration of Society in Latvia” has been adopted in Latvia with the main goal of developing a better coordination of the current activities that are aimed at integrating the society, for example, Latvian language studies, the acquisition of citizenship and the educational reform, as well as to develop a framework for new initiative in this area. Specific chapters in the Programme on the Integration of Society have been developed more extensively and have been approved by the government as separate programmes – the National Programme “Strengthening of the Civic Society. 2005 – 2009” and the National Programme for the Promotion of Tolerance. The purpose of the National Programme for the Promotion of Tolerance is to develop a tolerant society in Latvia, to eradicate intolerance and to develop the multicultural society of Latvia.

In 2006 the Secretariat of the Minister of Special Assignment for Social Integration registered 227 minority/inter-ethnic associations and foundations as well as their regional branches. In comparison with 2002 the number of SMEASI-approved minority/interethnic associations has increased considerably (from 160 to 227). There are 29 inter-ethnic foundations. Others represent the larger minority communities of Latvia: Russians (25 associations), Polish (19 associations), German (16 associations), Ukrainian (14 associations), Hebrew (14 associations), Roma (Gypsies) (9 associations), Lithuanian (6 associations), Byelorussian (6 associations).

Libraries in Latvia have traditionally tried to include in their collections books and other publications in the languages of minorities in Latvia. Historically the situation has developed that the alongside with

²⁸ Pētījumu un rīcības programma „Ceļā uz pilsonisko sabiedrību”, Baltijas Datu nams, Rīga, 1998. – 90.-92. lpp and Pētījumu un rīcības programma „Ceļā uz pilsonisko sabiedrību”, Baltijas Sociālo Zinātņu institūts, Rīga, 2001. – 76.-77. lpp.; „Kultūru daudzveidība un iecietība Latvijā. Dati, fakti, viedokļi”, 2003, 20.-21. lpp.

²⁹ “Etnopolitiskā spriedze Latvijā: konflikta risinājuma meklējumi”, Baltijas Sociālo Zinātņu institūts, 2005.

³⁰ ibid

literature published in Latvia the dominant position has been held by publications in Russian – currently they also constitute 40 – 45% of the total volume of library collections.

Unfortunately, parties in the Republic of Latvia represent interests of Latvian or Russian – speaking population and the ethnic identity of parties dominates over ideological differences on economic, social and other issues. It is typical that ethnic minority parties and Latvian parties use in their party programmes different terminology also concerning the integration of the society and the problem is also defined differently, which hinders the uniform understanding of the integration policy among various political forces. Ethnic issues are particularly exacerbated before elections that encourage the Russian-speaking population to vote for “Russian” parties and Latvians for “Latvian” rightwing parties, on the one side, and for parties protecting minorities, on the other side.

As the result of naturalization introduced in 1995 the number of non-Latvian citizens has increased and it has resulted in an increase in the representation of other ethnic groups in percentage terms, however, it must be emphasized that the activity of the minority electorate increases with every Parliament election. If during the elections to the 5th Saeima in 1993 the minority electorate constituted 9% of total number of the electorate, then during the elections to the 8th Parliament in 2002 the minority electorate constituted 23% of the total number of the ³¹.

There are special TV channels and radio stations broadcasting in Russian and in other languages in Latvia, for example, in Polish in the second largest city of Latvia – Daugavpils. However, research studies³² show that Latvians mainly watch Latvian TV channels (81%), while Russians in Latvia – mainly TV channels of Russia (76%) that results in the appearance of separate media space and different interpretations of reality. Daily experience and research also show that Latvians mainly read and trust newspapers in Latvian, while the Russian-speaking population mainly reads newspapers in Russian; information in Latvian and Russian mass media is presented differently, among them also ethno-political issues, and thus different collective identities are formed in the Russian and Latvian reading communities that obstructs the development of a uniform identity and mutual discussions. As it has been stated in the research “Ethno-political Tension in Latvia: Searching for Solution of Conflict” about aspects of reducing intolerance and promoting integration in mass media, intolerance manifests itself in newspaper publications about such subjects as integration issues, naturalization, the reform of education and the teaching of Latvian in Russian-speaking schools. Emotionally incensed comments are dedicated to this theme in newspapers and factologically correct information is used less often.

As it has been indicated in the Initial Report of the Republic of Latvia on the implementation of the European Council's Framework Convention for the Protection of National Minorities in Latvia, Programme 4 of the Latvia National Radio is considered to be the integration programme and it basically broadcasts in Russian. Within this programme air time is given also to broadcasts in the 12 languages of national cultural associations: Estonian, Lithuanian, Polish, Belarusian, Ukrainian, Hebrew, Georgian, Armenian, Azerbaijan, Greek, Tartar-Bashkirian and German. The main theme of broadcasts prepared by associations is cultural issues, national traditions, association news and contacts with their ethnic homeland. The total audience of Latvia Radio 4 is 260 000 listeners.

There are many religions denominations and congregations in Latvia (24 have been registered according to data for 2004), of which the largest denominations are Lutherans, Catholics and the Russian Orthodox.

³¹ „LR Pilsuņu aptauja”, LSPC, 1993; „LR Pilsuņu aptauja”, Baltijas Datu nams, 1995., LR Pilsuņu aptauja, Baltijas Datu nams, 1998; „LR Pilsuņu aptauja”, Baltijas Sociālo Zinātņu institūts, 2002

³² „Etnopolitiskā spriedze Latvijā: konflikta risinājuma meklējumi”, Baltijas Sociālo Zinātņu institūts, 2005.

4. Emigration challenges

In Latvia following the accession to the EU immigration has not become a topical problem as the scale of immigration is insignificant. According to the latest published statistical data³³, the number of official immigrants in Latvia is 1 665.

According to research data and experts' observations, Latvia is not „attractive” for immigrants due to the comparatively low wages as well as the insufficient social guarantees. Immigration issues are mostly discussed in the context of the shortage of the workforce, discussing the necessity and the possibility to permit to bring in workforce from the former Soviet Union countries (Belarus, the Ukraine). Thus, the focus of attention in the present Chapter is the assessment of aspects of emigration, as outward labour migration is a very topical issue for Latvia.

Since the end of 2004 and the beginning of 2005 the migration of the Latvian workforce abroad and the set of related problems has increasingly more frequently found their way into the agenda of politics and public debate in Latvia; themes of several social studies undertaken in 2005/2006 are also related to these problems. According to research results, 63.7% of the population in Latvia believe that the departure of inhabitants of Latvia to work abroad is a *very serious problem*.³⁴ In January 2006 the Ministry of Foreign Affairs of Latvia organized a conference „Will Latvia follow the footsteps of Ireland: migration of the workforce”, where it was pointed out that during the period of independence the issue of migration has been on the agenda very seldom. In contemporary Latvia it is a comparatively new phenomenon, which is also confirmed by a public opinion survey. If we analyze the political process, then this issue has not been topical during the previous Parliament elections, nor has it been topical for the political agenda. The topic became topical before the accession of Latvia to the European Union because one of the most popular counter arguments why Latvia should not accede to the European Union, was concern that a large number of guest workers might enter Latvia from the European Union or under the influence of the European Union that might destroy the Latvian identity or have a negative impact on the employment situation in Latvia. After accession to the European Union this myth vanished itself and another problem became topical, related to emigration or challenges of the free movement of the workforce.

In Latvia this issue is viewed as a certain risk factor from the point of national interests as well as a some kind of protest against the economic policy or the economic decisions taking place in Latvia at present.³⁵ Also after the elections to the 7th Parliament of the Republic of Latvia, during the public debate that was held on Channel I of the Latvian Television about the declaration of the new government, representatives of several parties pointed out problems that are caused by the excessively intensive outflow of the Latvian workforce abroad, especially stressing the problems of the rural territories. According to the data of the Ministry of Economics of the Republic of Latvia (for 2005) about 60 000 people have left Latvia in search of jobs in the EU. This figure constitutes about 5% of the total active workforce of Latvia, however, it should be taken into account that the number of those who have left, may have been recorded inaccurately, besides it can also be subject to fluctuations in time. There are grounds to assume that the number of departees is higher.³⁶ Data of a study³⁷ confirm that in the first half of 2006 86 049 inhabitants of Latvia work abroad. (In the given case the number of those

³³ Statistical Yearbook of Latvia 2005, Central Statistical Bureau of Latvia, Riga, 2005

³⁴ SKDS, „Sabiedrības attieksme pret darbaspēka migrāciju” 2005. gada decembris

³⁵ The presentation of I.Indāns at the conference of the Ministry of Foreign Affairs of the Republic of Latvia „Migration in Latvia in the Historic Perspective”, Riga, 18.01.2006

³⁶ Indāns I, Lulle A., Laizāne-Jurkāne M., Znotiņa L., „Latvija un brīva darbaspēka kustība: Īrijas piemērs”, 2005.gada novembris-2006.gada janvāris

³⁷ Latvijas Universitāte, „Darbaspēka ģeogrāfiskā mobilitāte”, Labklājības ministrijas pētījumi, 2006

working abroad has been calculated, using methodology according to which people in Latvia provide data about their closest relatives). This number characterizes inhabitants who have left Latvia and have found employment not only in the EU but also in other countries (Russia, Belarus, the Ukraine etc.). There are grounds for the forecast that the so-called first wave of emigration that started with the accession of Latvia to the EU in 1 May 2004 is not yet over. The following factors might increase the number of jobseekers leaving Latvia in the near future:

- Currently a considerably higher number of nationals of the Republic of Latvia leave the country as for the time being non-citizens are denied the possibility of using advantages of the free movement of the workforce, however, with the introduction of the *EU Directive on third country nationals*, in 2006 non-citizens of Latvia will also become EU permanent residents, which means additional opportunities also for non-citizens to seek employment or to move to live in other EU member states.
- An increasingly higher number of people in Latvia visit advisors of the European Employment Service network, which indicates an increase in the number of interested parties.
- Several European-level activities that are directed towards the intensification of workforce migration – will result in the increase in the number of countries that will open their labour markets to the workforce from Latvia, Switzerland will also open its labour market etc.
- The amount of information about job opportunities and prospect will increase, while barriers created by lack of proficiency in languages will decline³⁸.
- Research studies of the public opinion of the population in Latvia testify that during the last 5 years 39% of inhabitants in Latvia (at the age of 15-74) have considered the possibility of going to work abroad, 1/5 of the population in Latvia (at the age of 15-74) would like to go to work abroad within the coming year while 22% of the population in Latvia (at the age of 15-74) believe that there is a very strong probability that during the coming years they might go to work abroad³⁹.

Analysts of the Bank of Latvia have done calculations with macroeconomic modelling tools at their disposal to forecast the development of the problem and have come to the conclusion that 200 000 economically active inhabitants will gradually leave the country during the next 10 years, thus reducing the appropriate workforce supply in Latvia.

Topicality of the emigration problem in Latvia

Over the last 2 years the intensive workforce emigration from Latvia to EU member states and other countries is related to several other problem issues that are relevant for Latvia and that augment the topicality of the emigration problem:

Problems of the Latvian labour market

In 2005 there were approximately 12 000 vacancies in the Latvian labour market, mostly, in the areas of public administration, health and social care, transport and communications. The employed population constitutes 56.7% of the total number of the population at the age of 15-74.⁴⁰

³⁸ Indāns I, Lulle A., Laizāne-Jurkāne M., Znotiņa L., „Latvija un brīva darbaspēka kustība: Īrijas piemērs”, 2005.gada novembris-2006.gada janvāris

³⁹ SKDS, „Sabiedrības attieksme pret darbaspēka migrāciju” 2005. gada decembris

⁴⁰ Data of the Central Statistical Bureau of Latvia 2005.

In 2005 the most rapid growth of workforce costs in the EU persisted in Latvia. The growth of workforce costs is related to the fact that under the influence of emigration and other factors the available economically active workforce in the country declines. Experts recognize that the outflow of the workforce to other European Union countries exerts pressure on employers in Latvia as in some industries they must start competing with those salaries that employees performing this work can receive in other member states, sectors also compete between themselves for the same workers. The sharp increase in salaries will decrease the competitiveness of Latvia in the area of attracting investments.⁴¹ Certainly, workforce costs are related to an increase in salaries, however, for employers raising salaries means also an increase in production costs on the whole, which creates the risks of weakening competitiveness, as the increase in salaries does not generate the corresponding productivity of labour growth in all industries.

According to the World Bank studies, labour market problems in Latvia are created also by the significant tax and social payments burden for employers as well as the population. In most part, it concerns the high level of undeclared employment that is typical for the labour market in Latvia, including salaries in envelopes and tax evasion.⁴² According to the data of the Latvian Employers' Confederation, still at the beginning of 2006 in every third enterprise in Latvia it was accepted that there were no employment contracts and even employees themselves accept it and do not desire to make social insurance contribution payments.⁴³ Certainly, such phenomena influence jobseekers' interest about job offers in Latvia.

The demographic situation

Despite the growth of the birth rate in Latvia over the recent years, the process of depopulation continues: according to the data of the Central Bureau of Statistics, in 2005 the number of the population in Latvia declined by 12 000 while in 1 January 2006 there were 2 294 200 inhabitants in Latvia.⁴⁴ During the coming 5-7 years the Latvian labour market will be entered by those born in the 90ties and Latvia will experience a serious shortage of the workforce. It is expected that the most significant decrease will fall on the number of the working –age population.

The shortage of workforce

Businessmen of Latvia are most concerned about the workforce shortage, in particular in such sectors as construction, trade and services as well as health care. In these sectors the demand is several times higher than the offer. In order to resolve the problem of the workforce deficit, enterprises of Latvia more and more frequently start considering possibilities of attracting workforce from the CIS and Eastern countries. Not infrequently during public debates at various levels concerns are voiced about the outflow of the qualified workforce and related consequences that will also affect the quality of services. The shortage of the workforce has also a negative impact on various regional development projects where there is shortage of local workforce resources.⁴⁵ Several cases are publicly known when foreign enterprises cannot deploy their production units in regions as there is shortage of qualified workforce.

⁴¹ Institute of Foreign Policy of Latvia, K. Adenauer Foundation, "Immigration Policy of Latvia; problems and perspectives". Riga, 2006

⁴² *ibid*

⁴³ The presentation of E. Egle, General Director of the Latvian Employers' Confederation at the conference of the Ministry of Foreign Affairs of the Republic of Latvia „Migration in Latvia in the historic perspective”, Riga, 18.01.2006

⁴⁴ Data of the Ministry of Justice of the Republic of Latvia for 2005.

⁴⁵ Institute of Foreign Policy of Latvia, K. Adenauer Foundation, "Immigration Policy of Latvia; problems and perspectives". Riga, 2006

The immigration policy of Latvia

Currently, in comparison with other East European countries Latvia has not become a target country for immigrants, although on the whole at least in the territory of CIS countries there is a large potential for the growth of migration intensity towards the EU. Thus at present Latvia is in a somewhat different situation than in comparison with the period until 1990 when Latvia had the highest migration intensity – 0.5% annually. At the time such a degree of immigration jeopardized the identity of the titular nation which resulted in a situation when Latvians perceive immigration as a negative process even to day and the national immigration policy followed by Latvia should also be considered conservative and strict. At present Latvia does not seem attractive to immigrants in view of its comparatively low level of salaries and social welfare level as well as the strict immigration policy, thus at present it is not possible to speak about the fact that the influx of guest workers could compensate the shortage of the qualified workforce in the Latvian labour market. The government also asks employees to use the workforce resources available in country more extensively and does not plan to undertake activities that would facilitate the access of third countries to the labour market.⁴⁶

The business policy of Latvia

Enterprises of Latvia try to adapt to the current situation in the labour market – the existing workforce shortages. It is undertaken in several ways:

- They establish daughter companies beyond the borders of Latvia – in Russia, Uzbekistan etc.;
- Production facilities are transferred from Riga to other regions of the country;
- The internal mobility of the workforce of Latvia is stimulated, for example, investments are made into the construction of housing for employees of respective enterprises;
- They consider possibilities of attracting the workforce from other countries, which is considered to be a more realistic way for resolving the problems of the workforce shortage in comparison with the negligible possibilities of stimulating the return of the workforce that has left.⁴⁷

Illegal employment

As the economic development of Latvia lacks the required workforce but the immigration policy is too strict, conditions are created that promote the development of the illegal workforce market. Businesses stimulate the illegal immigration and the illegal employment in Latvia, and as a result, for example, there are more than 40% illegal employees in construction that generates about LVL 100 million losses for the country in outstanding taxes.⁴⁸ The main sectors where illegal guest workers are employed are construction, timber processing, the service staff of hotels and restaurants. There are no accurate data about the number of illegal migrant workers in Latvia. The largest number of them comes from the Ukraine, Belarus.⁴⁹

⁴⁶ Institute of Foreign Policy of Latvia, K. Adenauer Foundation, “Immigration Policy of Latvia; problems and perspectives”. Riga, 2006

⁴⁷ ibid

⁴⁸ Information agency LETA 12.01.2006

⁴⁹ Institute of Foreign Policy of Latvia, K. Adenauer Foundation, “Immigration Policy of Latvia; problems and perspectives”. Riga, 2006

Experts put forward a set of statements about the negative and positive consequences caused by the outflow of the workforce.⁵⁰ The negative consequences mentioned are as follows:

- In specific sectors in Latvia employers are forced to compete with employers of other EU member states and other sectors of economy on matters of salaries, however, if employers raise salaries rapidly, it will decrease the competitiveness of Latvia in the area of attracting investments; if raising the salaries is not linked with a growth of the productivity of work, enterprises of Latvia may lose their competitiveness in the market;
- The active workforce in Latvia declines and it may negatively affect the national social budget;
- Emigrants work for the GDP of other countries, but not for Latvia;
- The amount of money (about LVL 20 million per month) that is brought by inhabitants of Latvia working abroad, is sufficiently sizeable to have a negative impact on economy and to raise inflation;
- Socio- psychological problems in work collectives, families and other social groups become more aggravated.

In their turn, experts note the following positive consequences:

- Possibly, many of those who use the opportunity of the free movement of the workforce and work beyond the borders of Latvia, would be unemployed in Latvia or would be low-wage earners, however, now they have an opportunity to earn more and to acquire useful skills;
- Inhabitants of Latvia, working in the EU market, take over Western values and experience in labour market relations;
- Working on legal basis in the EU, inhabitants of Latvia pay taxes and build up their own social security rights;
- The money earned in other countries is invested in Latvia;
- Business activity of inhabitants of Latvia develops within the frame of the EU, which in future may provide considerable lobbying options.

A significant insight into the understanding of the Latvian workforce about the contemporary emigration processes is provided by the opinion of those who have left about causes of their departure. Several public opinion surveys, conducted during the last year testify that the main reason of departure is higher remuneration. 64% of people who have worked abroad maintain that the reason for work abroad had been a better remuneration than in Latvia, mentioning the desire to gain experience (24%) as the second reason for such a decision.⁵¹ The following are mentioned among other reasons for work abroad: work abroad was recommended by acquaintances; the desire to learn the language; inability to find work close to one's place of residence; more career opportunities.

A more in-depth analysis of the motivation of those people who have emigrated, allows to conclude that the decision to move to work in another country has been taken upon the combination of several motives, thus creating complex clusters of reasons for departure when the decision to go to work abroad has been taken upon the combination of economic considerations with complications in one's personal life, at work, household problems and other factors. A higher salary is not the only factor. A significant role is played also by working conditions, the environment where the individual lives, as well as the national, municipal and family support networks (or, quite the contrary, their absence).⁵² Among of the main causes of departure emigrants also mention the discriminating attitude of employers („envelope”

⁵⁰ Data of the Ministry of Economy of the Republic of Latvia, the Bank of Latvia, the Hansabanka and the Parex Bank and statements of experts have been used in the assessment of factors.

⁵¹ SKDS, „Sabiedrības attieksme pret darbaspēka migrāciju” 2005. gada decembris

⁵² Indāns I, Lulle A., Laizāne-Jurkāne M., Znotiņa L., „Latvija un brīva darbaspēka kustība: Īrijas piemērs”, 2005.gada novembris-2006.gada janvāris

salaries, the low level of social guarantees in general) and the unprofessional attitude of employers towards the employee.

Social-demographic description of outward migrants and potential émigrés

At present there are no precise data in Latvia about social demographic features of that part of the population who have migrated abroad in search of work. Hypotheses have been expressed that the majority are the low qualified workforce, however, studies about the Latvian workforce in Ireland overturned this assumption as, from the point of view of Latvia, in many cases outward migrants are qualified employees with secondary, secondary special or higher education. It is true that in Ireland these people often work in jobs that do not correspond to their education and abilities as well as in jobs of lower qualifications.⁵³

Another study⁵⁴ provides provisional data about inhabitants of Latvia working abroad, by using information presented by relatives of émigrés. These data show that in general the gender and age structure of those relatives, who work or study abroad, does not differ significantly from the gender and age structure of the population in Latvia. However, differences exist in the aspect of the time of emigration: over the last two years there have been more young people among outward migrants while 3 and more years ago there were more from older age groups.

The number of émigrés from Latgale (the poorest region in Latvia) has increased in particular during the last two years. When describing the employment in Latvia before the departure, the following trends have been observed – almost all of those people who left two and more years ago were unemployed, however as concerns those who have left during the last two years, about 38% were unemployed while the rest (62%) had employment. On the whole, 20.3% of inhabitants in Latvia express their readiness to go to work to some foreign country in the course of the coming year. The readiness is confirmed by 23.3% of men and 17.5% of women. In different age groups views on readiness to leave the country reveal quite significant differences.

Table 4
Readiness to go to work abroad

Age group (years)	%
15-24	37,0
25-34	22,3
35-44	17,7
45-54	14,8
55 and more	5,3

Views differ also among inhabitants with different educational levels – the group of inhabitants with higher education expresses the readiness to work abroad less often. This readiness is also comparatively less frequently expressed by employees working in the public sector (in comparison with the private sector and those who work in the public as well as private sector).

43% of those who express their readiness to go to work abroad, point out that they would like to stay there for a period of 3 months to one year.⁵⁵

⁵³ ibid

⁵⁴ Latvijas Universitāte, "Darbaspēka ģeogrāfiskā mobilitāte", Labklājības ministrijas pētījumi, 2006

⁵⁵ Latvijas Universitāte, "Darbaspēka ģeogrāfiskā mobilitāte", Labklājības ministrijas pētījumi, 2006

Countries of the highest immigration

Researchers and public institutions in Latvia have attempted to collate data on countries where the largest number of Latvian inhabitants move in search of work, however only provisional data have been acquired. Information provided by relatives of those people who have left shows that during the last two years the largest number of people have gone to Great Britain, Ireland, Germany, Russia and Denmark with the purpose of working or studying.

The geography changes, as two or more years ago the largest number of people went with the purpose of studying or working to such countries as Russia, Belarus, Ireland, Germany, Great Britain, the Ukraine and the USA.

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