

Ilze Trapenciere

Poverty in Latvia

Project «Poverty, social assistance and social inclusion – Developments in Estonia and Latvia in a comparative perspective»

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Fafo's preface

This publication is one of a series of reports, working papers and student contributions from the project «Poverty, social assistance and social inclusion – developments in Estonia and Latvia».

The project is carried through in cooperation between Tartu University in Estonia, University of Latvia and Fafo in Norway. The Research Council of Norway has funded the project.

The cooperation between Fafo and Baltic research institutions dates back to the late 1980s and Tartu University has been a main partner since the early 1990s. The University of Latvia joined the cooperation in 2003. This cooperation has contained living conditions studies in 1994 and 1999 as well as studies of social policy developments. The current project started in 2003. Reports and papers from previous cooperation projects can be found on www.fafo.no.

The project contains 4 main issues:

- Poverty trends and structures of social exclusion
- Policy responses – understandings of poverty alleviation and social inclusion
- Social practice – the implementation and impact of policies
- Policy learning and possibilities for policy transfer

These four questions demand a multifaceted approach to methods and reporting, and are examined by a group of researchers in three countries. Consequently the reporting will be diverse and we try to let the reporting present the diversity of the project.

The project will be concluded in a seminar in Latvia in spring 2006. During the three years of research we have produced reports on poverty and social policy in Estonia and Latvia as well as comparative analyses containing also Norwegian perspectives. This report is one of several contributions on the way.

I want to thank the whole team of researchers and student from the three countries that have been engaged in the work. The main contributors have been Dagmar Kutsar, Avo Trumm, Riina Kiik and Jüri Kõre from Estonia; Felician

Rajevska, Linda Ziverte, Ilze Trapenciere and Zana Loza from Latvia; Tone Fløten, Aadne Aasland and Liv Tørres from Norway.

We also want to thank the Research Council of Norway for funding the project.

Arne Grønningsæter (project leader)

Introduction

Poverty is a term existing worldwide regardless of the economic welfare level of the country, and as a growing and deepening social problem poverty has appeared in all societies in transition. The *poverty concept* is based on the idea that, for various reasons and for variable periods of time, a part of the population lacks access to sufficient resources to enable them to survive at a historically and geographically determined minimum standard of life and that this leads to serious consequences in terms of behaviour and social relations (Mingione 1993, 324).

In Latvia the term *poverty* appeared in the mid-nineties. Before that period poverty was seen as an individual problem of some passive individuals not willing to work and develop their own businesses. In the mid-nineties the first research on social problems started and poverty as a social problem was discovered/proved by that period. Economical reforms after the regained independence were related to the reconstruction of the economy. This was expressed in a restructuring of industries resulting in the closure of large enterprises, decreasing production, redundancies and growing unemployment. Unemployed people face financial hardships to satisfy even basic needs. On the other hand a group of new capitalists has emerged. Society has become differentiated and even polarized. Increasing inequality is measured by the Gini coefficient, which is increasing from year to year, proving the growing social inequality. In 1996, the Gini coefficient was .30. It had increased to .31 in 1997, and from .34 in 2000 to .36 in 2003 (See Table 1). (In EU15, it was .31 in 1996, and .29 in 2002).

An increasing Gini coefficient indicates that poverty might increase, particularly if the income of the poor does not correspond to the changing income on an

Table 1 Dynamics of Gini coefficient in Latvia

	1996	1997	1999	2000	2003
All households	0.30	0.31	0.33	0.34	0.36
Urban households	0.30	0.31	0.32	0.33	n.a.
Rural households	0.27	0.30	0.33	0.33	n.a.
Rural households	0.27	0.30	0.33	0.33	n.a.

Source: CSB data

average. In 2000, the Gini coefficient in Estonia was higher than in Latvia – .36, and in Lithuania it was lower – .32.

The dynamics of Gini in Latvia shows more rapid increase among rural households than among urban ones.

Foster and Szekely (2001) discuss whether there is a systematic relationship between economic growth and the income share of the bottom quintile. They concluded that this share tends to decline in the early stages of development, but increases in the long run.

Poverty thresholds. That division is based on income, which divides the poor from the non-poor.

In Latvia, the official poverty line is not defined. Researchers still employ three measures based on three poverty lines. The minimum Crisis income was established by Cabinet of Ministers in 1994. Consumer prices have increased by 80 per cent since that time. The only poverty-related measure (guaranteed minimum income – GMI) was introduced in 2000. According to statistical data, in 2001, about 6.7 per cent of the population had money and natural income on the GMI level, and 11 per cent accordingly to money income on the level of GMI.

In Latvia no poverty threshold standards have been established and hence the threshold recommended by the Eurostat, i.e. 60 per cent of equivalent median income, is used. To ensure data comparability, all income data are recalculated to the equivalent, i.e. to the adult consumer (Vaskis).

The quintile share ratio (S80/S20) has risen from 2000 to 2003 manifesting the increasing income of the highest income group against the 20 per cent of the population with the lowest income.

During the period 2000–2003, the risk of poverty has in general not increased significantly. Analyses of the poverty risk by gender show that the poverty risk of men tends to decrease (from 17.0 in 2000 to 16.1 in 2003), but an increased poverty risk is observed for women (from 15.5 in 2000 to 16.8 in 2003).

The poverty risk differs among age groups. Mainly children and young people (16–24) face poverty risk.

Table 2 At-risk-of-poverty rate by gender (2000 to 2003)

	2000	2002	2003
Total, in Latvia	16.2	16.3	16.5
Men	17.0	16.3	16.1
Women	15.5	16.3	16.8

Source: CSB data

The analyses of the risk of poverty by various household types show that poverty risk is highest in single parent households (34.8) and in families with several dependent children (31). The poverty risk is higher also in single-person households.

Income inequalities and poverty levels

Using the *monetary poverty indicators* approved by the European Council in 2001¹ (Laeken), it is clear that Latvia has relatively high levels of income inequality and risk-of-poverty index. The ratio between the incomes of the top 20 per cent of the income distribution and the bottom 20 per cent was 5.1 in 1999 (4.6 in EU15) and 5.5 in 2002.

Table 3 Main monetary poverty indices (Laeken) in 1999 in EU and Latvia, 1999 and 2002

	EU15	Latvia	
		1999	2002
Risk-of-poverty rate (%)			
After social transfers (60% threshold)	15	16	16
Before social transfers (income including pensions)	24	22	24
Before social transfers (income excluding pensions)	40	45	43
40% threshold	5	6	5
50% threshold	9	10	9
70% threshold	23	24	26
Income distribution (income quintile share ratio) S80/S20	4.6	5.1	5.5

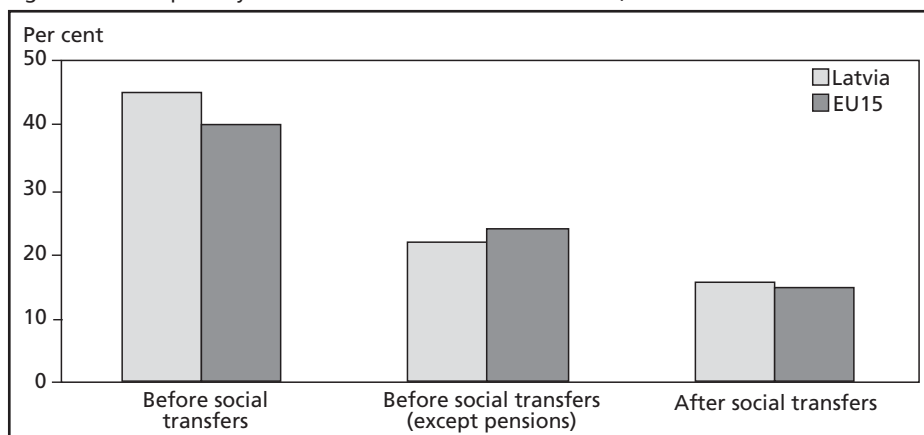
Social transfers

In 1999 and again in 2002, on an average, 16 per cent of the population was at risk of poverty (EU15 – 15 per cent in 2000). Social transfers play a significant role in poverty reduction. If household members had not received any social transfers, the poverty risk index in Latvia would have been 45 per cent in 1999 and 43 per cent in 2002 (EU15 average 40 per cent in 1999 and 2000). It is

¹ Sources for poverty indicator calculations are CBS calculations and Eurostat publications *Statistics in Focus, theme 3-8/2003* and *Draft of Statistics in Focus, theme 3 – 03/2003*.

important to note that the actual value of the risk-of-poverty threshold in Latvia is very low (49,- LVL for a one-person household per month or 589,- LVL a year in 1999, 59,- LVL and 706,- LVL in 2002). In 2001, it was 3.6 times lower than in the EU15 countries (in one-person households in EU15 countries the poverty threshold in purchasing power standards was PPS 7732, while in Latvia it was PPS 2301).

Figure 1 Risk-of-poverty rate before and after social transfers, 1999



The Household Budget Survey data show that in 2002 the average income per household member was 80,- LVL² (137.22 EUR) per month. In 2002, 20 per cent of the poorest households had just 10 per cent of the total income of households, the average income per person in these households was 31,41 LVL (53.87 EUR) and 27 per cent of all residents came from those low-income households. In contrast, the 20 per cent most prosperous households representing just 18 per cent of the population had 40 per cent of total household income³.

Comparing the average income of households, it is evident that in 2002 the lowest income level per household member – 54,37 LVL (93.26 EUR) – was in single-parent households with one or more dependent children aged 18 or younger and in households made up of couples with children – 75,74 LVL (129.91 EUR). At the same time, the average income in one-person households was 92.17 LVL (158.10 EUR), but for childless couples it was 108.74 LVL (186.52 EUR). In 2002, 39 per cent of the total number of children lived in the poorest 20 per cent of Latvian households⁴.

² Bank of Latvia defined exchange rate in 2002 was 1 EUR=0.583 Ls.

³ Household budget survey, Central Statistical Bureau, 2002

⁴ Data from the Household Budget Survey.

Economical activity of population

The Central Statistical Bureau's labour force survey shows that more than half of the population aged 15 to 74 years (62.0 per cent) was economically active in 2003. Moreover, among males this indicator constituted 68.3 per cent, while among females it was 56.5 per cent. In 2003, the number of economically active population had increased by 0.2 per cent compared with 2002. However, the economic activity of the Latvian population is still lower than in EU15.

Of the total number of employed; the percentage of males is slightly higher than that of females, 51.3 per cent and 48.7 per cent respectively.

Table 4 Ratio of economic activity, employment and job seekers

	2001	2002
Ratio of economically active population to the total population	67.9	68.8
Males	72.8	73.9
Females	63.3	64.1
Ratio of employed population to the total population	58.8	60.5
Males	62.1	64.3
Females	55.8	57.0
Ratio of job-seekers to the economically active population	13.3	12.1
Males	14.7	13.1
Females	11.9	11.0

Source: CSB, Labour Force Survey; annual average; age 15-64 years; in %

Economically inactive population

In addition to employed persons and jobseekers, a part of the population is economically inactive. They comprised 690,300 persons in 2003 (almost two fifths of all population aged 15 to 74 years). In 2003, 44.4 per cent of them were pensioners, 28.0 per cent were full-time pupils and students who did not work during the survey, while those who were ill for a long time and disabled persons comprised 8.1 per cent. 7.7 per cent regarded themselves as housekeepers. In this group a particular attention should be drawn to persons who are potential jobseekers but are discouraged or do not know where and how to apply for employment. The survey results show that the number of discouraged persons comprised 40,500 or 5.9 per cent of the total number of economically inactive population in 2003.

Unemployment

The LFS results show that there were 119, 200 jobseekers in Latvia in 2003 or 10.6 per cent of the economically active population (employed and jobseekers). Compared with the previous year, both the number of jobseekers (it was 134,500 persons in 2002) and the share of jobseekers in the number of economically active population (12.0 per cent in 2002) have decreased in 2003.

FSI survey data show that the main income sources of income for the unemployed are: casual pay (48.5 per cent); salary of other household members (38.9 per cent); state family allowance (38.2 per cent), and unemployment benefit (30.8 per cent);

When analysing which groups of the population are most affected by unemployment, three main target groups can be distinguished – the long-term unemployed, young unemployed and pre-retirement age unemployed. In the middle of 2002, according to the LFS data (CSB), in the 15–64 age group 46 per cent of all job seekers had been looking for work for more than 12 months. In terms of gender it is noticeable that 59.6 per cent of the *long-term unemployed* are men, which is about 3.9 percentage points higher than the proportion of men in the total unemployed population.

In 2002, there were 21.2 per cent unemployed young people aged 15 to 24 in the total number of unemployed persons; the unemployment rate among people of this age was 20.8 per cent. *Youth unemployment* also differs significantly by gender – 24.1 per cent of women (aged 15-24) were unemployed, which is 5.8 percentage points higher than the rate for men. The main reason for young people's unemployment is education that is not suited to and/or is insufficient for the market's demands, as well as the fact that these people lack the required work experience. According to the data of the CBS, 4 per cent of primary school-leavers in 2002 (2 per cent of those of 2001) and 26 per cent (29% in 2001) of all-in-in school-leavers did not continue their education. Moreover, 14.4 per cent of the students in vocational education institutions in the 2001/2002 school year were expelled.

The main factor influencing young people's education and skill building in accordance with the requirements of a modern market and simultaneously increasing their competitiveness is the flexibility of the vocational education system and the compatibility of the higher and vocational education systems with the development trends in the national economy. At present, the Latvian higher education system reacts insufficiently to the changes in the needs of the national economy. For instance, the structure of students by thematic group of the subjects studied shows that young people are more interested in studying social sciences. Disregarding the fact that a highly qualified workforce is needed in science and

technology-based areas, in engineering and technologies the number of students is smaller than that in business studies, social sciences and law.

The average *unemployment rate of pre-retirement age* (55–64) people in 2002 was 9.6 per cent (11.1 per cent for men, 7.9 per cent for women). Compared with the overall unemployment situation, these rates are exceptionally low. But taking into consideration that retirement age was 59.5 for women and 62 for men, the active population is reduced by 12.1 percent points compared to the 44–55 age group. Here the low economic activity of this group (22.3 percent lower than that of the 15–64 age groups) should be singled out. It can be explained by the fact that the retirement age is currently lower (it will be gradually increased) in Latvia than in the EU. The main reason for unemployment among people of this group is their outdated knowledge and skills that are not relevant to the demands of the modern labour market. Among unemployed people of pre-retirement age, the proportion of long-term unemployed is higher than in other age groups. As the majority of people in this age group do not receive payments from the social insurance system, they form a large social assistance target group.

Share of unemployed

Analyses of unemployment could be based on two data sources: Labour Force Survey (LFS) data and State Employment Agency (SEA) data. According to the (LFS) data, the level of *unemployment* decreases gradually and was 10.6 per cent in 2003⁵ (in the 15–64 age group). However, it is 4.4 per cent higher than the average EU figure⁶. The difference between the registered unemployment level (SEA) and the LFS is significant, indicating insufficient motivation of the unemployed to be registered at the SEA. In 2002 the average male unemployment level was 13.1 per cent (decrease of 1.6 percentage points in comparison with 2001), and the female unemployment level was 11.0 per cent (0.9 percent points lower than in 2001).

Table 5 Unemployment level in Latvia, 1996–2004 (LFS data)

	1996	1997	1998	1999	2000	2001	2002	2003
Unemployment level	19.4	14.8	14.0	13.5	13.2	13.1	12.1	10.6

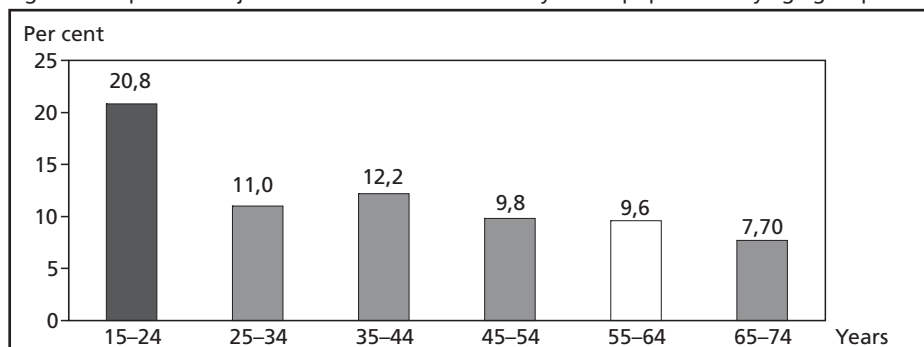
Source: (2002) Central Statistical Bureau, Darbaspeka apsekojuma galvenie raditaji

⁵ Central Bureau of Statistics, E.Vaskis, 2004. (Gini coefficient indicates the equality of distribution of the total income in the country and it varies from 0 to 1.

⁶ Central Bureau of Statistics, Labour Force Survey (CBS LFS).

There are three main groups most affected by unemployment – the long-term unemployed, young unemployed people and pre-retirement age unemployed people. In mid- 2002, according to the data from the CSB LFS, in the 15–64 age group 46 per cent of all job seekers had been looking for work for more than 12 months. 59.6 per cent of the *long-term unemployed* were men, which is about 3.9 percentage points higher than the proportion of men in the total unemployed population.

Figure 2 Proportion of job seekers in the economically active population by age group

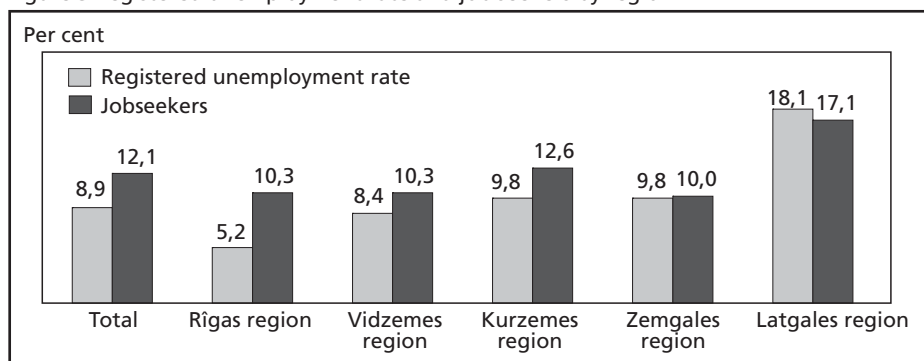


Source: CSB, Labour Force Survey; 2002; annual average; in %

Regional differences in unemployment

According to the CBS LFS data, the unemployment level in the Latgale region in 2002 was 17.1 per cent, but in all the other regions of Latvia it was between 10.4 and 13 per cent.

Figure 3 Registered unemployment rate and job seekers by region



Source: CSB, Labour Force Survey; State Employment Service; 2002 average, as % of economically active population

Ethnic differences

There are differences between the unemployment rate for Latvians (9.9 per cent in 2002, 10.2 per cent in 2001) and for non-Latvians (15.2 per cent in 2002, 17.3 per cent in 2001). The gap is diminishing and an improvement in the situation for non-Latvians can be observed. The reasons for the differences in unemployment rates are complex. Lack of Latvian language skills could be one of the risk factors that might affect the formation of a multi-ethnic work force and limit job opportunities for part of the population.⁷ A number of other important factors are: the changes in the sectors previously working on Soviet military structures⁸, the regional distribution of ethnic groups⁹ and the influence of the shadow economy.

The situation of the different ethnic groups and their subjective attitude towards their situation are the result of a combination of several factors. While recent research¹⁰ suggests that there is no discrimination on an ethnic basis in the labour market, other research¹¹ commissioned as part of the JIM process shows that representatives of different ethnic groups tend to explain their lower competitiveness in the modern labour market as being the result of discrimination

Table 6 Job seekers and economic activity by regions and ethnicity

	Ratio of job-seekers			Ratio of economic activity		
	Total	Latvians	Other nationalities	Total	Latvians	Other nationalities
Total	12.1	9.9	15.2	68.8	69.9	67.3
Riga region	11.3	9.3	13.0	72.1	73.0	71.3
Vidzeme region	10.6	9.6	14.8	69.4	70.5	65.0
Kurzeme region	12.7	9.7	21.5	66.2	67.5	62.5
Zemgale region	10.4	9.6	12.2	68.0	70.7	62.2
Latgale region	17.1	13.0	20.0	62.7	62.5	62.8

Source: CSB, Labour Force Survey; 2002 average; age 15–64 years; in %

⁷ Latvian Centre for Human Rights and Ethnic Studies. A. Pabriks “Ethnic proportions, employment and discrimination in Latvia”, 2002, p.43.

⁸ In these sectors the labour force came from other Soviet republics, especially in the 1970s and 1980s, it had qualifications in specific areas and higher salaries.

⁹ Non-Latvians mostly live in the Latgale region with very high unemployment and in the Riga region where the level of unemployment is the lowest.

¹⁰ Pabriks, A. 2002. “Ethnic proportions, employment and discrimination in Latvia”: Latvian Centre for Human Rights and Ethnic Studies

¹¹ “Risk groups of poverty and social exclusion”, Institute of Philosophy and Sociology, Riga, 2003

on the basis of language, not as a result of having an insufficient level of skills and qualifications. Overall it is clear that there is a need for additional research to better understand the complex relationship between language skills, ethnic origin, regional disparities and economic restructuring and how this impacts on people's access to the labour market and on levels of poverty and social exclusion, as well as to develop appropriate and targeted measures to address the situation.

The statistics show some differences between the economical activity and job seeking among Latvians and non-Latvians. However, the gap is diminishing and an improvement in the situation for non-Latvians can be seen already in 2002. The research and statistical data show that there are no substantial differences in poverty and social exclusion indicators between Latvians and non-Latvians, except for a very small minority of Roma.

The reasons for the differences in unemployment rates are complex. Lack of Latvian language skills could be one of the risk factors that might affect the formation of a multi-ethnic work force and limit job opportunities for part of the population. A number of other important factors are: the changes in the sectors previously working on Soviet military structures, the regional distribution of ethnic groups and the influence of the shadow economy.

Some recent research (Pabriks) suggests that there is no discrimination on an ethnic basis in the labour market, other research (Pranka et als) commissioned as part of the JIM process shows that different ethnic groups tend to explain their lower competitiveness in the modern labour market as the result of discrimination on the basis of language, not as a result of having an insufficient level of skills and qualifications. According to the research data on the situation of Roma population in Latvia (Lukumiete et als), Roma is an ethnic group that faces a high risk of poverty and social exclusion. According to the research, the population of Roma numbers 8204, which is 0.3 per cent (0.4 per cent in 2002) of the population of Latvia. However, the real number of Roma is more likely 13,000 to 15,000. In Latvia, unlike in many other countries, Roma do not have a vagabond life. At the same time the most important problems that Roma population faces are related with education and employment. A high proportion of Roma children have not attained even a basic education. The Roma have a low educational level – 40 per cent have only four years of school or less, and many are illiterate. As a result they have limited access to the labour market – fewer than 5 per cent of Roma of working age have official employment, but only 10 per cent were officially registered as unemployed. Roma have lower incomes and poorer health than average. The involvement of some Roma in criminal activities could be named as the negative consequence of the above-mentioned problems. The low competitiveness of Roma in the labour market, unlike in the case of members of other groups, is not related to the lack of or insufficient knowledge of the Latvian language.

Educational level of unemployed

In 2002, on an average 65.5 per cent of the unemployed had secondary education or secondary vocational education, 9 per cent higher education and 25.5 per cent basic or lower education.

Table 7 Job seekers by education

	2001	2002
Total	100	100
Higher education	8.2	9.0
Secondary education	63.9	65.5
Of which:		
Vocational education and professional secondary education	36.3	36.6
General education	27.6	28.9
Basic	25.3	23.2
Incomplete basic and no formal education	2.6	2.3

Source: CSB, Labour Force Survey; annual average; age 15–64 years; in %

Data about the registered unemployed by educational level confirms the tendency that a majority of unemployed have secondary (general or vocational) education or basic education. Training and re-qualification is most necessary for these groups.

Persons without work experience comprised 11.6 per cent of the unemployed and their number and share has increased compared with 1 October 2003 (10.3 per cent). The share of people (both men and women) with work experience has decreased.

The State Insurance Agency has reported that in September 2004 40,700 persons or 44 per cent of the total number of unemployed were entitled to unemployment benefit. In September 2004 unemployment benefits allotted totalled 2.380 mill. LVL or 58.52 LVL on average per unemployed person.

Table 8 Number of registered unemployed by educational attainment

	Number of registered unemployed persons on 1 October 2003		Number of registered unemployed persons on 1 October 2004	
	Number of unemployed	Per cent of total number	Number of unemployed	Per cent of total number
With higher education	6461	7.2	7003	7.6
With secondary education	57137	63.6	59884	64.8
With general secondary education	24503	27.3	26330	28.5
With secondary vocational	32634	36.3	33554	36.3
With basic education	19348	21.5	20084	21.7
With general basic education	17152	19.1	17955	19.4
With basic vocational education	2196	2.4	2129	2.3
With education lower than basic, without formal education	1709	1.9	1794	1.9
Not indicated	5194	5.8	3713	4.0
Total	89849	100.0	92478	100.0

Source: CSB, 2004.

Early school leavers

According to the Law on Education (1998), basic education is compulsory until the age of 18. It means that schools must keep children at schools until they graduate from basic education or until they turn 18. The statistics provide information on the further educational path of graduates from basic and secondary education.

In 2002, a small proportion of graduates from basic education did not continue their educational path – about 4 per cent. In 2004, a new Regulation was adopted, and according to that regulation, children with poor results (in three or more subjects are not allowed to continue education on higher level. According to preliminary statistics, the proportion of such children was 8.5 per cent of the total number of graduates from basic education.

In Latvia, children and young people with special needs attend special schools or special classes for children with special needs. There is a large number of special schools on the level of general basic education, and the proportion of graduates has been high (95 per cent).

Figure 4 Basic school graduates, 2002

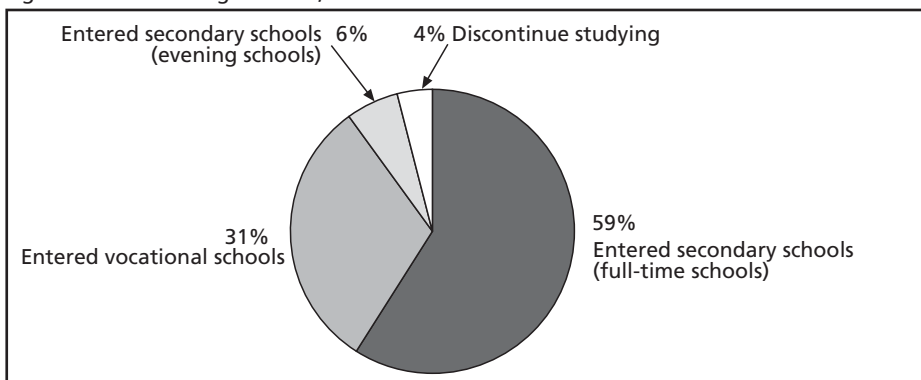
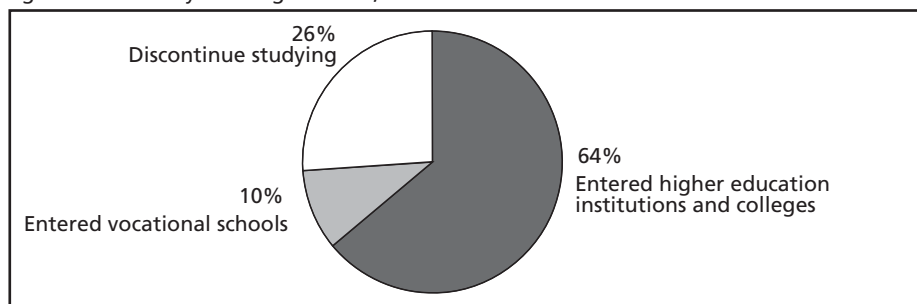


Figure 5 Secondary school graduates, 2002



Source: Central Statistical Bureau of Latvia (includes those leaving special schools)

Table 9 Enrolment and graduation from the 9th grade, 12th grade and vocational classes in special schools and classes

	1999/2000	2000/2001	2001/2002
Enrolment in general special schools and grades	8475	10250	10169
9th grade graduates	886	881	965
Of which:			
With certificate	851	838	916
Without certificate	35	43	49
12th grade graduates	70	46	53
Of which:			
With certificate	69	46	52
Without certificate	1	-	1
Vocational class graduates	199	205	207
Of which with qualifications	167	134	150

Source: Ministry of Education and Science

There is a limited number of special classes on the general secondary educational level, and a limited number of vocational programs for children with special needs.

Because of some normative acts and legislation concerning the financing of education, it is not easy to calculate the data on school dropouts and children missing school. The school financing depends on the number of children in school; therefore schools try not to report about the school dropouts during the school year.

The highest risk group are in grades 5 – 9, particularly in the evening schools.

Table 10 Number of general school graduates

	1999/2000	2000/2001	2001/2002
9th grade graduates			
Full-time schools	25,882	25,966	31,169
With certificate	25,336	25,370	30,556
Without certificate	546	596	613
Evening schools	1351	1146	918
With certificate	1003	848	697
Without certificate	348	298	221
Secondary school graduates			
Full-time schools	14,035	16,271	16,523
With certificate	13,990	16,209	16,440
Without certificate	45	62	83
Evening schools	3568	3789	3951
With certificate	3326	3569	3667
Without certificate	242	220	284

Source: Ministry of Education and Science; excluding special schools

Table 11 Drop-outs by grades in general full-time schools

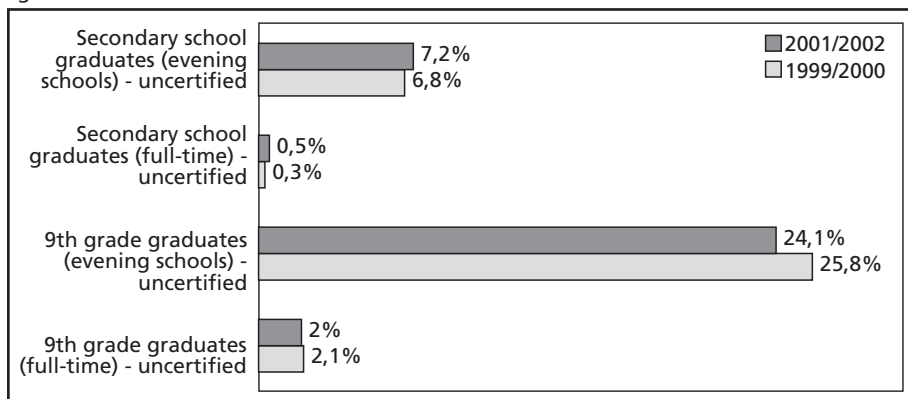
	1999/2000	2000/2001	2001/2002
Total	9572	9727	9056
Of which:			
Grades 1–4	3468	3322	2925
Grades 5–9	4124	4473	4128
Grades 10–12	1980	1932	2003

Source: Ministry of Education and Science

A large proportion of vocational school students enter vocational education and training with low average marks. As a result many of them are not able to follow the study program, and leave the school.

Those young people leaving education early run a very high risk of unemployment, poverty and social exclusion.

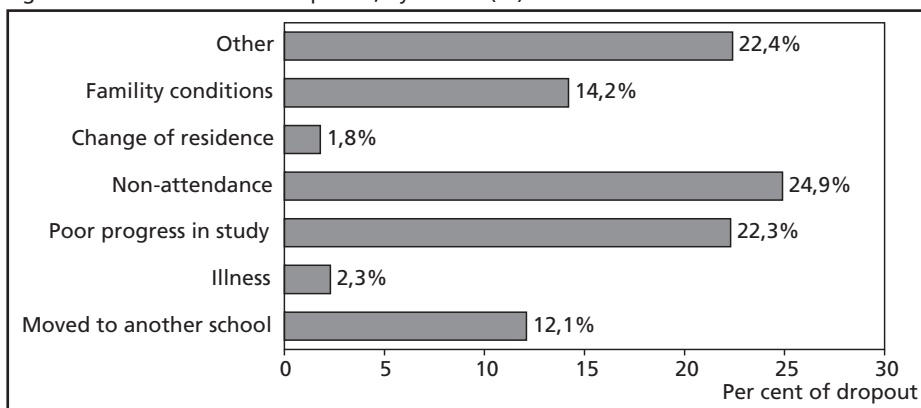
Figure 6 General school-leavers without certificate



Source: Ministry of Education and Science

Note: excluding special schools, as per cent of all leavers

Figure 7 Vocational school drop-outs, by reason (%)



Source: Central Statistical Bureau of Latvia; 2001/2002

Access to education by children from poor families

FSI data (2003) show that different groups of unemployed have lower access to education and after school activities. There are several groups of unemployed who have reported low access to education most frequently: disabled parents (73.2 per cent), single parents (69.5 per cent), and long term unemployed (56.5 per cent). Children from these groups might face particular problems in their education.

Table 12 Experiencing financial difficulties to pay for children's school/class activities, by groups of unemployed households, (in %)

	Have experienced difficulties paying for school/after school activities	Have not experienced difficulties	This problem is no concern
Average	50.9	35.9	13.3
Pre-retirement age persons	45.1	33.3	21.6
Mother of small children (under age 7)	50.5	34.6	14.9
Single parent	69.5	27.4	3.2
Ex-prisoner	28.5	61.9	9.6
Disabled parents	73.2	-	26.8
Person taking care of disabled child	48.6	42.3	7.9
Youth – orphan	-	36.3	53.7
School drop-out youth	24.0	31.1	44.9
Youth after school graduation, without work experience	36.0	24.2	39.8
Long-term unemployed	56.5	36.9	6.6
Employed risk groups	42.6	48.7	8.8

FSI survey data, 2003.

Housing

A significant precondition for reducing the risk of social exclusion is the availability of suitable housing. In 2001 the housing stock of Latvia was 53.5 million square metres; 65 per cent of all the housing stock was located in cities. The housing stock in Riga was 16.2 million square metres or 30 per cent of the total national housing. This corresponds also to the proportion of the population living in the cities of Latvia. The transitional period included changes in the ownership structure of

housing stock. Denationalisation of house ownership and privatisation of municipality-owned dwellings in 2001 resulted in 79 per cent of housing stock being privately owned.

A majority of the housing-related problems are caused by the low income level and the comparatively high rental and utilities charges. In 2002, 13 per cent (or 11,92 LVL) of household expenditure per household member was spent on housing and public utilities payments. The low purchasing power of the population and the different level of economic activity in the various Latvian regions distorted the housing market. In the regions with low economic activity the demand for housing is low, while in economically developed regions it exceeds availability many times over. Families with children are among the least protected in this particular market situation. Owing to lower income levels, families with children are more often subject to debt risks for the utilities, which are calculated on the basis of the total area of the apartment or the number of people residing in the apartment. Families with children can take advantage of mortgage loans for housing purchase or for extension and improvements of the existent housing to a much lower extent than childless couples. Moreover, the construction of municipality-owned apartments in the course of the last decade has declined significantly – 0.4 apartments per 1 000 inhabitants in 1999 (in 2001 there was no construction of municipality-owned apartments at all).

Another major target group is *elderly, single residents, living in the large cities*, unable to meet the rental charges set by the house owners. By themselves, people are unable to earn additional income and are unable to find housing matching their own financial resources; special support programmes for these people are therefore required.

On an average, 34 per cent of unemployed live in the house owned by them or their household members, 28.8 per cent reside in a privatized flat. Comparatively lower proportion of unemployed lives in state or municipal housing (18.5 per cent) or rent a flat. Homelessness has a rather high correlation with the unemployment problem. 1.6 per cent of unemployed persons are without a permanent place of residence, but 0.7 per cent use share lodging or live in wrecks, 0.5 per cent live in summer cottages. There are more unemployed without a permanent residence in Riga (1.8 per cent of all unemployed) and other big cities (3.1 per cent).

Survey data (FSI, 2003) shows that the main risk groups of homelessness are ex-prisoners and young orphans. 18.4 per cent of unemployed ex-prisoners and 16.8 per cent of young orphans (unemployed) are without a permanent place of residence.

Table 13 Place of residence of unemployed population, %

	Average	Riga	Cities	Towns	Rural area
One's own or HH member's private house	34.0	9.8	25.8	31.6	60.6
Separate privatized flat	28.8	27.9	36.3	38.3	15.2
Separate flat in proprietor's house	10.5	17.2	8.4	7.9	9.5
Separate flat in municipality's (state's) house	18.5	33.5	18.3	14.3	10.9
Communal flat in proprietor's house	1.1	4.2	0.0	0.8	0.0
Communal flat in municipal (state) building	3.3	1.4	7.2	4.5	0.7
Social house	0.8	1.8	1.0	0.4	0.4
Cottage	0.5	0.4	0.0	0.7	0.8
Without permanent residence	1.6	1.8	3.1	1.2	0.8
Other place	0.7	2.1	0.0	0.3	0.5
No answer	0.2	0.2	0.0	0.0	0.7

FSI survey data, 2003.

Families with several children are among the least protected. They belong to lower income levels and more often face the housing debts. In time period between 1993-2002 the construction of municipal housing was very insignificant. Municipality-owned apartments was 0.4 apartments per 1 000 inhabitants in 1999. In 2001 there was no construction of municipality-owned housing at all.

In 1996, A Concept on Housing Policy was adopted, and in 2002 – 3, a state housing support programme was developed, and municipalities had build several social houses for poor inhabitants.

Another major target group is *elderly, single residents, living in the big cities*, unable to meet the rental charges set by the house owners. By themselves, people are unable to earn additional income and to find housing matching their own financial resources; special support programmes for these people are therefore required.

Poor people can apply and receive so-called social apartments in social houses.

Statistical data on modern housing facilities shows that majority of households have electricity, piped water and sewerage, gas supply. About 2/3 of population have central heating and fixed bath or shower and centralized hot water supply.

However, poor households have lower access to modern housing facilities.

Table 14 Stock of social apartments, 2001

	Social apartments, units	Total floor space, m ²	Living rooms, units	Families, single, number	Persons, number	Of which: Pensioners Children	
Total	910	32,277	1488	945	2054	435	686
Cities and towns	785	26,441	1257	807	1820	340	630
Rural areas	125	5836	231	138	234	95	56

Source: Central Statistical Bureau of Latvia; at the end of the year

Table 15 Stock of social houses, 2001

	Social houses, units	Total floor space, m ²	Living rooms, units	Families, single, number	Persons, number	Of which: Pensioners Children	
Total	56	67,840	1854	1650	2653	1220	534
Cities and towns	36	62,280	1648	1529	2455	1136	489
Rural areas	20	5560	206	121	198	84	45

Source: Central Statistical Bureau of Latvia; the end of the year

Table 16 Apartments with amenities, 2001

Apartments with public utilities:	% of total apartments
Piped water	83.2
Sewerage	77.0
Central heating	65.0
Fixed bath or shower	67.3
Hot water supply	56.3
Gas supply	87.3
Electricity	98.7

Source: CSB 2000 Population Census; at the end of the year, in % of total number of dwellings

Consumer poverty

In this chapter we can use data from CSB Budget survey and some data from FSI Survey (2003) on experienced financial shortage related to consumption of various goods and services.

Education is a very important factor and resource of integrating unemployed groups in risk of social exclusion into the labour market and into society in general. Limited access to education limits chances of integration into the labour

Table 17 Structure of household consumption expenditure

	1996	2000	2002
Household consumption expenditure	100	100	100
Of which:			
Food and non-alcoholic beverages	52.2	37.5	35.2
Alcoholic beverages and tobacco	2.5	2.8	3.4
Clothes and footwear	5.8	6.6	6.8
Maintenance of household	14.7	16.8	13.0
Furnishing, household equipment	2.6	4.9	4.4
Health	3.8	4.2	3.2
Transport	6.2	7.7	9.7
Communication	1.4	5.4	5.9
Recreation and culture	4.3	6.4	6.5
Education	0.8	1.0	1.5
Restaurants, cafés, hotels	2.5	2.5	5.6
Miscellaneous goods and services	3.2	4.2	4.8

Source: CSB, Household Budget Survey

Notes: (1) in %, per household member, monthly; (2) The disposable income of the household (net income) – the sum of income in kind and in cash that the household has received after settlement of taxes and other compulsory payments and which can be used for consumption, other needs and saving.

market. Survey data show that 28.3 per cent in total have been unable to provide education for themselves or their family members during the last year.

Lack of money is mentioned in the answers of dropout-group – 52.4 per cent. Previous studies have confirmed that the education level is directly related to economical status and social integration. Consequently this group has particular problems of social integration. A complex educational, social, and labour programme will have to be developed for this target group to avoid a total social degradation (which has partly already taken place).

In all the risk groups the situation is similar – more than 58.5 per cent of all the respondents could not afford big purchases due to the financial shortage of the household.

More than half of all ex-prisoners, long-term unemployed, families with a disabled child, persons raising children alone, and unemployed of pre-retirement age could not pay for health-care for their families because of financial shortage during the previous years.

Young drop-outs (52.4 per cent) and families with disabled children (47.3 per cent) are the risk groups most frequently mentioning the lack of financial means to ensure further education.

Table 18 Experience of financial shortage to ensure family with... Distribution of answers, by place of residence, in %

	Average	Riga	Cities	District centres, towns	Rural area
Big purchases	72.7	65.5	84.2	66.2	75.5
Recreation	53.7	56.2	61.0	48.2	51.2
Health care	49.8	48.1	53.5	46.2	51.6
Informative spending of spare time	43.7	48.4	52.1	40.1	37.1
Small purchases	41.7	44.0	46.4	38.9	39.1
Food	30.2	29.5	33.6	27.8	30.4
Education	28.3	31.2	36.8	24.4	23.5

Source: FSI survey, 2003 Risk of Social Exclusions, endangered by unemployment.

Table 19 The experience of lacking financial means during the last three years to provide family with... Distribution of answers, by groups of unemployed, in %

	Health care	Food	Re-creation	Big purchases	Small purchases	Education	Spending leisure time
Average	49.8	30.2	53.7	72.7	41.7	28.3	43.7
Pre-retirement age	67.2	36.0	53.4	70.4	43.2	19.4	41.2
Women with small children	49.5	25.6	60.0	71.7	37.2	30.7	46.3
Single parents	66.7	46.7	73.4	83.8	56.0	36.5	57.8
Ex-prisoners	51.5	32.0	50.4	58.5	32.5	21.5	38.8
Disabled persons	66.6	40.9	50.0	80.1	44.1	26.4	47.4
Families with disabled child	52.5	32.6	53.6	100.0	45.0	47.3	53.6
Young adult orphans	45.0	45.0	53.6	62.7	31.6	38.2	61.1
School drop-outs	38.6	29.0	51.3	64.4	36.1	52.4	52.4
Youth after education without work experience	36.7	26.5	49.9	73.3	40.8	36.3	38.9
Long-term unemployed	54.7	36.2	58.8	79.6	50.2	30.1	44.7
Employed	32.3	16.9	42.1	64.9	33.1	23.0	38.2

Source: FSI survey, 2003 Risk of Social Exclusions, endangered by unemployment.

Lack of money as the reason for not being able to secure enough food for the family is mentioned most frequently by persons raising children alone (46.7 per cent), young orphans (45 per cent), disabled persons (40.9 per cent).

Regional/Territorial differences in economical inequality

Economical inequality between urban and rural areas is increasing. The highest increase of disposable income is in cities. The capital excels particularly in terms of welfare. In 2002 the average income at the disposal of household members in the Riga region was 28 per cent higher than in the country as a whole. In the same year, the average monthly income per household member in Riga was 104.53 LVL (179.30 EUR), in the seven biggest cities 92,58 LVL (158.80 EUR), in all cities together 87.61 LVL (150.27 EUR), but in rural areas only 63.93 LVL (109.66 EUR).

There are significant differences between regions. The average income per household member in 2002 was 80 LVL, in Latgale it was 58.44 LVL, in Kurzeme 68.30 LVL, in Vidzeme 67.52 LVL, in Zemgale 71.07 LVL. In the Riga region it reached 102.43 LVL. It should be noted that significant differences in terms of income and unemployment between the countryside and the cities are also seen within the regions.

Agriculture, which was the most important sector in the rural areas until 1990, has been severely affected by the structural changes in the national economy. In 2002, 14.9 per cent of the employed population worked in agriculture and forestry – which is a significantly larger figure than in the EU countries (an average of 4.3 per cent in 2000). Fundamental socio-economic problems can be observed in the countryside and coastal areas, where the restructuring process minimises chances for people to work in previous occupations. This has also increased the flow of economically active residents and young people to the largest Latvian towns, thus increasing the ageing of the rural residents.

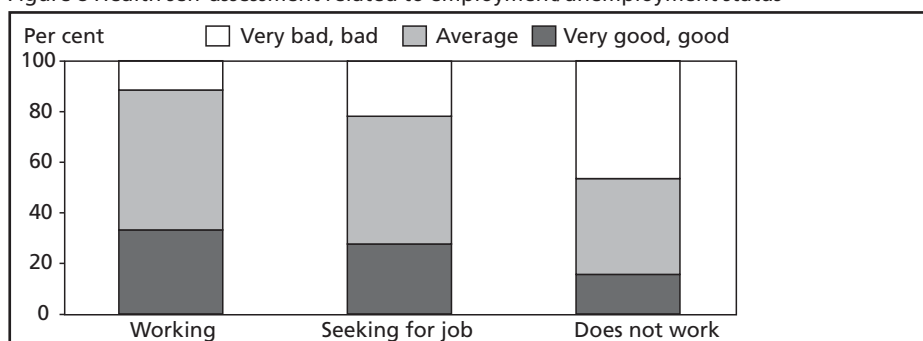
The districts where unfavourable trends in economic and/or social development persist for a long time can be given the status of “specially supported region”. In 2003, 5 districts, 16 towns, 1 district and 113 parishes have this status. 15 per cent of the whole population of Latvia lived in these districts, mostly located in Latgale.

Poverty is closely related to health problems

Population mortality indicators are very high – 13.9 per 1 000 residents in 2002 (9.8 in the EU in 1997). Morbidity rates for the most prevalent diseases in Latvia are higher than in the EU. Morbidity with “social diseases” – sexually transmitted infections, tuberculosis, and malignant tumours – is widespread among people who are subject to an increased poverty risk or who already live in poverty. In 2002, 49 per cent¹² of all patients with sexually transmitted infections in Latvia were unemployed (without a definite occupation or registered as unemployed), while 48.2 per cent¹³ of first time tuberculosis patients were unemployed.

Poverty and social exclusion are related to problems of mental health. Data in Table 17 show that unemployed men and women experience various symptoms of risk of worsening mental health.

Figure 8 Health self-assessment related to employment/unemployment status



Source: CSB, Living Conditions Survey 1999.

The following groups have mentioned the negative symptoms more frequently are:

- Persons with a disabled child;
- Disabled;
- Long-term unemployed;
- Single parents;
- Ex-prisoners.

¹² According to the data from the National Registry of Sexually Transmitted and Contagious Skin Diseases.

¹³ As per the data from the State Registry of Tuberculosis.

Table 20 Individuals experiencing the following symptoms during previous month. Distribution of answers, in %.

	Men		Women	
	Often	Rare	Often	Rare
Sudden fear without reason	9.0	49.3	10.2	45.5
Nervousness or inner unrest	26.9	26.9	31.8	19.4
Strain or excitability	26.4	30.7	27.9	20.0
Headache	22.9	31.3	33.7	20.5
Depression	25.0	31.4	27.9	26.0
Alarm	14.6	38.4	24.6	27.8
Inferiority complex	19.6	40.1	20.6	36.7
Sleeplessness	21.4	35.4	23.9	29.1

Source: FSI Survey, 2003

The inferiority complex most frequently is mentioned the by disabled persons – 43.7 per cent, ex-prisoners – 25.2 per cent, single parents, persons of pre-retirement age – 23.2 per cent, long-term unemployed – 22.3 per cent.

Sudden fear without reason is most frequently mentioned by disabled (19.7 per cent), ex-prisoners (18.4 per cent), and persons with a disabled child (17.7 per cent), young orphans (16.8 per cent), and long-term unemployed (12.9 per cent).

Vulnerable groups

A survey carried out by the Institute of Philosophy and Sociology (2003) proves that the main risk groups of social exclusion are single parents, long term unemployed, working poor, early school leavers, families with a disabled household member, ex-prisoners, homeless and youth without work experience.

A few groups are subject to some risk of social exclusion to a larger extent than others or are subject to several risks simultaneously. An important group at risk of social exclusion are *people with disabilities* (or with special needs). The integration of disabled people in the job market is hindered by employers' lack of motivation and by the unsuitability of the environment for the special needs of disabled people (including the working environment). The motivation of employers to hire a disabled person is reduced by the widespread stereotypes about the working ability of a disabled person, as well as by the additional expenditure needed to ensure

workspace suitable for a person with disability and access to a workplace. Another factor hindering the integration of people with disabilities in the job market is the comparatively low educational level and lack of appropriate skills.

Services aimed at the integration of people with disabilities in society are insufficient, resulting in a more restricted or disappearing support network for disabled people, increasing the isolation of those people and their families from social processes. This is most likely to cause social exclusion of children from families with disabled parents¹⁴.

Another group at risk of poverty and social exclusion is *ex-prisoners*. In 2000¹⁵, 2 296 persons (including 112 women) were released from prisons, in 2001 the figure was 703 (35 women) and in 2002 it was 2 517 (129 women). Social integration of those people is hindered by the negative attitude of society because of their criminal record and because they have lost the social skills required for organisation of their daily life. The majority of former inmates face difficulties in integrating into the job market on account of their lack of education, inadequate skills and negative attitude of employers. According to research data (Pranka et al), ex-prisoners more than other groups of the population use informal networks in organising their life after imprisonment. They are less informed about possibilities offered by the State and municipalities and more passive in using active labour measures.

Two least protected groups are *homeless people* and *vagrant children*. The emergence of these groups can be attributed to the consequences of rapid economic changes. Assistance targeted at these groups is complicated by the fact that the number of such people in need of assistance is hard to define precisely. Only the data of municipalities about homeless people who sought the services of night shelters can be used. During 2002, 1 552 homeless people used these services, the majority of them in Riga (932). There are also no precise data about vagrant (street) children. Working with these groups involves solving a whole series of problems simultaneously.

While households of the retired are slightly below the average income level, the poverty risks for elderly people are quite low, thanks to social transfers¹⁶, which

¹⁴ Identification of risk factors for social exclusion of children from poor families. Institute of Philosophy and Sociology, University of Latvia, 2002.

¹⁵ Data from the Ministry of Justice.

¹⁶ Social transfers consist of sums of money that are paid out to people in pensions, allowances, social insurance and guarantees, municipal social assistance support payments as well as material assistance (in cash and kind) granted by a municipality, humanitarian and social assistance institutions, alimony received, material assistance from a place of employment, etc.

are the second largest source¹⁷ of income in Latvian households. The system of transfers protects almost all pensioners and the majority of pre-retirement age persons from poverty, as normally pensions have proved to be better protected against inflation than wages and salaries have been. Nevertheless, the structure of expenditure shows that elderly people would need additional support to access health-care services, as coverage of such services is the third priority (after expenses for food and housing maintenance) in the budget of pensioners' households.

There is a high unemployment risk for women after child-care leave. This is due to the necessity to improve the previous qualifications and skills and on stereotypes of employers that women with children have lower labour productivity. Employers are not motivated to allow the female employees to work part-time and to do work at home (using ICT etc.). As research data show (Pranka et als), women after child-care leave are much more active than other members of social exclusion risk groups in using the opportunities for finding jobs and active employment measures offered by the SEA. They are better informed about the opportunities offered by the State and municipalities and know better how to use these opportunities than other groups. Another reason for the increased risk of unemployment for women after child-care leave is insufficient provision of public transport in countryside regions. This hinders them from getting to the workplace and from using the services of kindergartens.

Social exclusion

Social exclusion is a multidimensional category, including economic deprivation, lack of or poor social networks, low participation level in democratic society and distrust towards society, and other indicators. In this chapter we try to find the data characterising social networks (NORBALT, 1999), participation (NORBALT, 1999), trust towards society (NORBALT, 1999). This chapter also includes survey data on poor people's evaluation of necessary skills to become compatible in the labour market.

Also the FSI data confirm that social networks are highly evaluated as information source for all groups of unemployed. None of them perceive themselves as isolated from horizontal social networks. Data testify that social networks are the main source helping to integrate back into the labour market. However, the networks of unemployed are predominantly horizontal and cannot effectively help them to get out of the risk group.

¹⁷ Social transfers make up 28 per cent of the total household income, CBS, 2001.

Table 21 Social networks (meeting relatives, neighbours, friends), in %.

	Every day or almost every day	Once a week	Once per month	A few times per year	More seldom	Live together
Mother/father	20.0	23.1	16.0	10.6	5.7	24.6
Parents in law	11.3	24.9	25.0	19.3	15.5	4.0
Siblings	10.8	22.7	23.5	23.0	15.0	5.1
Other relatives	6.9	14.7	23.5	29.9	19.2	5.7
Relatives of spouse	3.1	10.4	23.7	34.5	28.3	0.1
Neighbours	38.5	33.4	12.1	3.5	12.4	0.1
Colleagues (after working hours)	9.0	29.0	25.0	13.0	23.5	0.5
Friends	15.9	39.0	27.0	12.6	5.5	-

Source: NORBALT data, 1999

Table 22 Possible assistance (in % of responses)

	Yes	No
Do you have any relative who can help you in case...		
Of illness	95.1	4.9
Need of company	93.4	5.7
Need to discuss personal problems	91.8	7.1

Source: NORBALT data, 1999

Participation in organisations is one of the indicators used in the NORBALT survey. Participation data analyses by income quintiles show that there are visible differences between representatives of 1st and 5th income quintile: people with higher average income more often participate in almost any organisation. There are a few exceptions: participation in religious organisation is lower for 5th quintile, but it shows quite high representation in 4th quintile.

The highest differences are observed in the following spheres:

- Participation in the professional organisations and trade union,
- Various leisure time organisations and clubs,
- Charity organisations,
- Political parties.

Table 23 Participation in organizations, related to income quintiles (in %)

Organization	1st quintile	2nd quintile	3rd quintile	4th quintile	5th quintile
Trade union	7.3	9.3	5.2	11.0	14.0
Professional organizations	1.2	1.5	0.6	2.4	5.4
Political party	0.3	0.2	0.8	-	1.9
Religious organizations	4.8	3.8	3.8	5.2	3.3
Sports organizations	1.6	1.0	0.8	1.9	4.9
Other leisure time organizations	0.1	1.3	0.8	2.2	2.6
Women's/men's organizations	0.4	0.2	0.4	0.2	0.2
Charity or health organizations	0.4	1.1	1.2	1.4	2.8
Organizations for specific age groups	0.3	0.2	0.8	1.7	0.9
Fold arts or music groups	1.8	1.6	1.2	2.4	3.7
Organizations of National culture	0.1	-	0.2	0.7	1.0
Local interest groups	-	1.1	0.4	0.8	0.9
Other organizations	1.0	0.8	1.6	2.4	0.9

Source: NORBALT data, 1999

Social exclusion is related to trust towards society. NORBALT study offered three statements for evaluation:

1. "There is no sense in planning the future";
2. "Politics are so complicated that people like me cannot easily understand what is it about";
3. "Your success in life depends on your family".

Data presented in the table show that both unemployed and pensioners report particularly high trust and rely on family, but pensioners express scepticism and apathy towards political processes planning the future.

Trust in social institutions is one of the important indicators of the democracy development and reflects trust in the political system. FSI survey data (2003) show that there is no single state institution that has attracted a high number of respondents. Mass media gathered the highest trust level: TV (72.4 per cent), newspapers (62.9 per cent), radio (67.5 per cent). Trust in state institutions (except President) and government is low.

Data analyses show that unemployed persons with a disabled child report higher trust level in state institutions – Parliament, government, President, court. This group also reports high trust level to church, trade unions and social services.

Table 24 Opinions related to the three statements

	Statement 1	Statement 2	Statement 3
Unemployed	56.3	23.8	73.5
Pensioners	65.6	65.6	80.3

Source: NORBALT data, 1999

The group of ex-prisoners reports the lowest trust level towards all the state and governmental institutions.

Evaluation of policy developments

Situation and key trends

Since 1991 the governments of Latvia have implemented the liberal model of development of economy with a focus on the individual's activity and responsibility. Economic development was not linked to alleviation of the poverty problem. The model of residual system of welfare (or the liberal model) was introduced as a result of the implementation of social policy reforms. Poverty prevention in the country was not linked to the main objectives of social policy.

The rate of economic development has stayed high in the first half of 2004. Increase of GDP in the first decade of 2004 to the same period in 2003 has been 8.8 per cent. The prognosis of the Ministry of Economics indicates a seven per cent growth of GDP for 2004.

The positive changes in the decreasing long-term unemployment rate have taken place – in 2002 the proportion of long-term unemployed constituted 46 per cent of the total number of unemployed, in 2003 the proportion was 43.9 per cent, and in the first decade of 2004 43.3 per cent (LFS data).

The government has increased the minimum wages; however they are still quite low (80 LVL in 2004). It means that there are households with one or two employed persons who experience income poverty. The average level of pensions continues to grow – in 2003 in comparison with 2002 pensions have increased by LVL 3,92. Although pensions increase, the minimum pension is low and single pensioners' households located in large cities might stay poor with a high risk of social exclusion, particularly in respect of poor health.

There are significant regional differences in employment levels in Latvia between the central region (Riga region) and the eastern periphery (66 per cent : 52 per cent).

Notwithstanding positive economic growth indicators there is a very high level of inflation that a significant part of society in Latvia directly links with the EU integration process. The level of inflation during the last six months has reached 7-8 per cent, reducing the purchasing power of the population. The reason for the inflation is an increase of the price level of fuel and electricity that has raised the price of transportation services as well as maintenance costs of institutions, consequently increasing the prices of many everyday product and service groups.

The current situation has created an ambiguous attitude towards decisions made by the government. The government's endorsed amendments to the state budget for the year 2004 have been characterised as one of the most social democratic budget amendments that has lately been made. The government has put forward the increase of the wages of persons employed in the education system, the development of the health care system and the rise of the untaxed minimum that has not been changed since 1997 as its main priorities. The government has accepted the increase of childbirth and childcare allowances as from the year 2005 using the differentiate approach of the calculation.

Analysing the budget amendments for the year 2004 it is visible that all the decisions have direct or subordinate influence on the general social situation improvement (for example, increasing the level of wages for teachers, which is very low in Latvia, will stimulate highly qualified specialists not to leave the schools, thereby promoting quality and accessibility of education throughout Latvia – teachers will be motivated to continue their work).

An important issue of political agenda has been the essential increase of childcare allowance. The amount of the allowance for employed persons taking care of a child up to the age of one is tailored to the average wage of one of parents' wage after tax payment.¹⁸ As the amount of the allowance depends on the social insurance payments made for the person, it can be foreseen that inhabitants will legalise their real earnings. However experts have different opinions of the long-term impact of this decision. Budget expenditure that has been included in the budget amendments for year 2004 is automatically included in the basis expenditure of the budget for the year 2005, thereby lessening the possibility to ensure priorities that have been determined before.

The Ministry of Finance has announced that in the situation when the priority of the next year budget is "mother's wage" and there also are plans to increase the untaxed minimum it is impossible to increase the minimum wage. Additional risk for regular increase of the minimum wage is connected with the calculation of the amount of childcare allowance – the minimum wage is one of the indicators that will be taken into consideration. There have been discussions on the possible "suspended scale effect" that may occur only by increasing the minimum wage without ensuring the increase of wage in separate sectors where low wages are paid to the highly qualified employees.

The increasing cost of living has activated issues concerning the insufficient level of pensions. However, in the current situation, pensioners are the only group in society that, in the process of pension indexation, is protected against losses caused by the inflation. At the moment pensions have been indexed twice a year.

¹⁸ 70 per cent of the average insurance payments

Strategic approach – Joint Inclusion Memorandum and National Action Plan (NAP Inclusion)

In 2003 the Latvian government elaborated the Joint Inclusion Memorandum and in 2004 the Action Plan for Reduction of Poverty and Social Exclusion (NAPIncl). This was the first Action Plan for Reduction of Poverty and Social Exclusion in Latvia, the first attempt to gather and compile full-scale study and policy documents in various spheres, and the development of a multidimensional approach to social inclusion.

One of the most important steps that have been made after signing the Joint Inclusion Memorandum (JIM) is the development of the Latvia National Action Plan for Reduction of Poverty and Social Exclusion 2004 – 2006 (NAPIncl), approved in the Cabinet of Ministers.

The Ministry of Welfare is the first level intermediate body working with the European Social Fund in the programming period of 2004–2006. ESF will support measures promote employability and social inclusion. To ensure the main principles of the social policy (complementarity and continuation), priorities defined in the national policy are similar because part of the JIM objectives could be reached combining two financial sources - national budget and ESF support. Therefore the achievements of the state that have been made to endorse the common political priorities and to ensure the possibility to acquire and use the EU Structural Funds should be mentioned as a progress of the JIM implementation.

The Latvian National Action Plan was elaborated during in the first half of 2004. This document is based on the Joint Inclusion Memorandum, Single National Economy Strategy, Single Programming Document (2004–2006), the National Employment Plan, other policy documents, statistics on the demographic situation, birth, mortality, morbidity, economical situation of households, etc.

The Latvian NAP was elaborated considering the EU common objectives, approved by Nice European Council in 2000, including the promotion of employment, facilitating access to resources, rights, goods and services, preventing the risks of exclusion, support for the most vulnerable groups, and mobilization of bodies involved.

This is the first Action Plan for Reduction of Poverty and Social Exclusion in Latvia. Therefore it is the first attempt to gather and compile full-scale study and policy documents in various spheres, and development of multidimensional approach on the issue of social inclusion.

In NAPIncl the Government of Latvia emphasizes that poverty reduction and social exclusion is an important long-term goal of Latvian social policy.

The situation analysis of the NAPIncl offers comprehensive information on different spheres of Latvia concerning poverty and social exclusion. It demonstrates specific problems and characteristics on the national level as well as describing the

situation of Latvia in the international context. The situation analysis has been based on both a wide statistical and administrative range of data and different kinds of research.

When analysing the situation in Chapter 1 the attempt is made to describe a wide range of different problems, but major trends are not identified at the end of the chapter, thereby the difficulties arise defining long-term objectives and setting priorities in Chapter 2.

A multidimensional approach has been used in the situation analysis of the NAPIncl – the situation in different spheres of policies (economy, employment, social security, transport, culture etc.) has been described.

However, chapters that describe the strategic approach and measures for reduction of poverty and social exclusion are remarkably weaker.

Overcome educational disadvantage

The quality of education is closely linked with a successful integration into the labour market. While recent research suggests that there is no discrimination on an ethnic basis in the labour market, at the same time it can be observed that insufficient state language skills limit access to the labour market for a part of society. A reform of the education system is presently being implemented. The reform proposes that starting from the study year 2004 every school with Russian as language of instruction has to ensure the secondary school programmes when 60 per cent of the material will be taught in the state language and bilingually (schools have the right to decide which subjects are taught in Latvian). However the reform has become one of the most controversial issues of the political agenda because not only are a part of the political parties against the reform, but also non-governmental organisations with a similar ideology have expressed the same opinion.

There has been a very low level of integration of children with special needs into the general education schools. The main problems of integration are related with unfriendly environment to the disabled. Therefore significant financial resources are needed to decrease these problems.

Formation of an inclusive labour market and promotion of employment

In August 2004 The Committee of the Cabinet of Ministers approved the National Action Plan on Employment (NAPempl). The Plan has been developed according to the European Union guidelines. NAPempl includes 45 employment promoting

measures and activities that will be implemented using also the financial support of the European Structural Funds.

Provision of adequate housing

The forthcoming abolition of the rent ceiling will increase housing policy problems and the necessity to resolve them (problems for the big cities, above all for the capital). As has already been emphasised in the Joint Inclusion Memorandum and in the NAPIncL Latvia, these problems affect households with low income, pensioners and other vulnerable groups. A working group with the aim to search for solutions has been formed. At the moment there are two suggestions for discussion – either to allocate credits to the people who wish to buy an apartment, or to support their initiative to live in the countryside.

For example in Riga – if as the result of the abolition of the rent ceiling in denationalised houses the rent would be 1 LVL per m², the Riga City Council would be forced to search for an extra 2.4 million LVL for social allowances, and 3700 more households (the current number is 6900 households) would claim housing allowance (in accordance with the information of Riga City Council).

Parliament has prolonged the rent ceiling for the next three years with a yearly increase. Nevertheless, the Government in co-operation with local governments should think of investments in the readjustment of unfinished blocks of flats, as well as offering to privatise the state apartments.

Ensuring an adequate income for all

It has been planned to increase the untaxed minimum from 18 LVL to 26LVL for the first time since 1997 – it will increase the amount of the real income that will not be subject to taxation.

To provide support for the families the government has, since October this year, found a possibility to raise birth allowance from 196 LVL to 296 LVL. The increase of the childcare allowance will constitute a significant support for the families. This decision mainly proves that Latvia has a developing civil society where concrete groups of people can be mobilised to influence an important decision-making process. There was active discussion among the members of society when different opinions were heard out and as the result a financially capacious decision was made. In this way, winners will be both those who are employed and receive a reward that frequently is ten times more than the former childcare allowance (30 LVL), and those people who due to certain circumstances are not working – the minimum amount of the allowance is two times higher (56 LVL) than the former allowance.

To provide minimum means of subsistence for every inhabitant, the legislation defines the guaranteed minimum income (GMI) level that should be ensured by the municipalities to every person during the period until he or she is able to integrate into society and the labour market. The current GMI is 18 LVL, although the practise shows that the allowance is too low to achieve its aim. The Ministry of Welfare is discussing with the Union of Local and Regional Governments of Latvia to agree on ways to increase the level of GMI that has been determined in the legislation to 21 LVL.

Although pensioners consider themselves as one of the risk groups of social exclusion with a very low income, it should be mentioned that pensions are indexed every year protecting pensioners against losses caused by inflation. Since the year 2004 indexation of pensions will take place twice a year.

Developing social services

Changes have been made in the regulations for services to young drug addicts. A supplement made by the Ministry of Welfare provides that if they reach the age of 18 during the rehabilitation course they will be allowed to finish the treatment. The information flow on the results of rehabilitation between the attending physician and the rehabilitation service provider has been improved.

The Social Assistance Fund subordinate to the Ministry of Welfare will be reorganized as a Social Service Board, extending its functions to include the right to supervise the quality of the social services delivered by the municipalities. Thereby the state will be able not only to develop quality standards for the social service providers but also will be authorised to control their compliance. Amendments have been made to the Code on Administrative Violence that confers the rights to the Social Service Board to initiate the administrative punishment of a service provider not able to ensure the compulsory quality standards.

The government has decided to increase the wages for employees of the social care institutions to reduce the risk that social care services could remain without a qualified labour force and not be able to provide proper social services.

Ensuring the state-guaranteed health care minimum and adequate access to required medication

Starting as from the year 2005 an additional 10 million LVL will be allocated for the development of the medicine compensation system. Experts of the Ministry of Health point out that this is a very significant decision because until now Latvia has spent the smallest amount of finance for this aim even compared to the other

Baltic States – 9 LVL (12\$) per inhabitant (in comparison, Lithuania has spent 28\$ and Estonia 37\$ per inhabitant).

Strengthening of family solidarity and protection of children's rights

It should be emphasised that the increase of the childcare allowance is one of the most important decisions in the family policy.

As the wage of a man is higher than the wage of a woman in Latvia, in cases when the father was willing to take care of a child in the initial period of its life, it was frequently impossible due to economic considerations. The new system of allowance calculation no longer deprives parents of one source of income, and it may foster the participation of the father in the upbringing process of the child.

The government has approved the programme “Programme for the Implementation of the Gender Equality year 2005–2006”, that foresees to enforce measures aimed at strengthening family solidarity.

To ensure the compliance of the rights of children and to reduce the poverty and social exclusion risk of families with children, especially in those with one parent, the Alimony Guarantee Fund has been introduced. The Fund provides budgetary resources for material support to the child when one of the divorced parents is not paying alimony. Since August 2005, when the fund started its work, disbursement of subsistence has been accepted in 220 cases and the number of applications submitted to the fund continues to grow. Specialists of the fund have regular consultations with a growing number of clients testifying to the urgency of the problem mentioned above in Latvia.

Building institutional cooperation and increasing organisational capacity

Assessing the development of the institutional co-ordination network and the fostering of the co-operation among state, municipalities, non-governmental organisations and private institutions in order to promote the implementation of the objectives included in the JIM, it should be emphasized that significant real improvements can be reached with the support provided by the Community initiative EQUAL.

As the promotion of employability is considered as a precondition for the reduction of social exclusion, the establishment of consultative councils at every branch office of the State Employment Agency can be assessed as a positive and significant step. Every council includes representatives of NGOs, employers,

municipalities and state institutions and their task is to develop respective suggestions to promote the employability for every region.

Evaluation of NAPIncl

In NAPIncl Latvia outlines a strategic approach indicating the most important goals and priorities aimed at eliminating the causes of poverty and supporting measures for the poor, but a coherent and holistic strategy is missing, along with clear objectives and targets. There is a need for concrete measures and quantified targets will be included in the next plan. There is a tendency to concentrate on less holistic and more selective policies based on a sectoral and target group approach rather than trying to build a really integrated approach.

Some overlapping with the other policy documents and programmes (for example, National Employment Plan or Single Strategy of National Economy) should be mentioned.

Setting the long-term targets in Chapter 2 of the NAPIncl Latvia some inconsistencies can be noticed. There are certain difficulties in evaluating the Chapter 2 that describes the strategic approach for reduction of poverty and social exclusion. It is connected with the fact that while reading this section, one gets the impression that the strategic approach has not been consequently and logically used. Long-term targets are defined in Chapter 2 and they are identical to the main challenges set up in the JIM. But in the situation analysis again political targets are defined.

These targets defined in the first section actually overlap with the main long-term political targets.

The NAPIncl measures and concrete objectives relate mostly to measures already in place, while future tasks are evaded. As the NAPIncl has been developed and subordinated to the already implemented policies and activities of the ministries, there is a lack of unified, logical and consequent approach for defining the strategic approach.

As one of the main weaknesses of the NAPIncl should be mentioned the abstract character. It does not have concrete determination of targets, measures and indicators. Specified and quantified target related to poverty reduction (Laeken indicators) is not set.

NAPIncl Latvia aims in particular at improving the sectoral policies in general (including health, housing, transport, culture, e-inclusion).

In Latvia the social inclusion policy is concentrated on the promotion of employability that is a very important factor in reducing risks of social exclusion.

Activities that are planned in the NAPIncl are foreseen to be implemented within the framework of the budget of every Ministry as well as with the support

of the European Structural Funds. In this case there is no high risk for ensuring the implementation of measures already in place because the financial resources have already been planned in the state budget. However, the possibility of planning new and targeted initiatives for the concrete target groups is restricted. The implementation of the policy is remarkably dependant on the financial potential of the state budget, as well as on the political will of the government and priorities of the political parties/coalitions.

Significant support for the groups in risk of social exclusion has been planned with the support of EU Structural Funds. The effectiveness of the usage of Structural Funds is closely related with the quality of projects and with the capacity and ability of applicants to use allocated resources rationally. I should mention that the adjustment of the “0 budget” planning principle in financing NAPIncl would allow implementing a targeted and more effective policy.

Key policy measures

The NAPIncl is brief and general. Responsibilities for social inclusion are distributed between central and local government. This set-up added significantly to the complexities of developing the NAPIncl, and is one reason why the plan as it stands contains quite abstract aims and measures.

Municipalities and local authorities are expected to undertake the implementation of the many proposed policies and measures, in an effort of decentralisation. These structures, however, not always can provide the necessary resources (human and financial, economic) and experience to meet the objectives of the Plan.

Strategic approach emphasizes, the importance of the regional perspective, however, it is not clear whether the financial resources for these measures are available in the regions.

Key policy approaches for the objective “Promoting employment”

Promotion of the employment and integration into the labour market has been emphasized in the NAPIncl. as one of the most significant instruments and factors for a reduction of social exclusion. This factor has substantial influence on the adequate income level and on the social insurance level in the case of social risks

Improvement of the overall economical situation has been determined in the NAPIncl Latvia as a precondition for decreasing the unemployment level. The emphasize has been put on the involvement of society and the longer remaining of people in the labour market, inclusion of socially excluded groups in the labour

market (particularly disabled people and unemployed youth). So far, the increase of the pension age has been planned as the only active ageing promoting measure.

The political target of both the NAPIncl and the NAPempl is the development of the inclusive labour market. No other measures targeted to the socially excluded groups and the promotion of their employment has been included in the NAPIncl – the former approach and solutions have remained. Although there are marked regional differences in the indicators of employability and unemployment, no political targets or special measures for their reduction have been planned. Measures that have direct impact on the status of the socially excluded groups and competitiveness in the labour market have been planned in the framework of the active employment measures. Additional support to the target groups will be given with the support of the European Structural Funds.

NAPIncl includes the need for life-long learning, promotion of the entrepreneurship and prolonging of the working age as measures to promote employment. Measures for reconciliation of work and family life are quite weak in Latvia NAPIncl. The need to increase the number of kindergartens has been outlined in the NAPIncl, while there are no measures dealing with their accessibility for low-income families.

Improving employability has been proposed only in the aspect of the first or the repeated joining in the labour market (through training, re-qualification and educational measures) but not as a complex of measures for people that are in the labour market already.

Key policy approaches for objective “Promoting access to resources, rights, goods and services for all”

NAPIncl foresees as stabilising and promoting measures for insuring *adequate income* an increase of the minimum wage, increase of the untaxed minimum, GMI as well as other allowances, including childbirth and childcare allowances.

Establishment of the GMI allowance since 1st January 2003 should be mentioned as a positive aspect of the development of the social assistance system. Initial analysis shows that establishment of allowance system has contributed to the objective – to support the poorest/most vulnerable groups of society. It should be noted that the allowance is very limited and does not provide considerable improvement of the situation of the beneficiaries. The NAPIncl foresees a regular revision of the rate of the GMI allowance but it does not define the level that has to be reached at a set time. The condition that the rate of the GMI allowance is to be revised according to the budget possibilities of the municipalities increases the risk that it will not be changed. Earlier resistance of the municipalities against the establishment of the GMI allowance further strengthens this concern.

The NAPIncl does not explain the extent of changes in distribution and redistribution of income among certain groups and regions that are required to achieve the objectives of social inclusion.

Establishment of the Alimony Guarantee Fund is a positive improvement in the Latvian social policy. The NAPIncl has, in the field of social service, been concentrated on the alternative service development in relation to the institutional care system and service provision to the clients as closely as possible to their places of residence. Development of the municipal social assistance services and the education of professional social workers are seen as preconditions for the development of these services and have been included in the NAPIncl.

Measures concerning *housing accessibility* that have been included in the NAPIncl can be acknowledged as insufficient to meet the needs of the socially excluded groups. This situation reflects the state policy in the field. “State support to municipalities will be provided for the development of social housing, by providing subsidies from the national budget” is mentioned as one of the measures concerning housing provision; however no concrete subsidies and terms have been noted. However, The NAPIncl has mentioned the development of common fiscal instruments of the housing policy, with credit programmes for the purchase of housing, its renovation etc.

Evaluating measures that have been foreseen in the NAPIncl in the field of *health care*, it should be mentioned that they characterise the improvement of the system in general and are mainly turned to the overall accessibility and the improvement of the quality of the service, having less emphasize on the socially excluded groups and people with low income.

A positive aspect is the maintaining of the preventive measures – free vaccination for children, free health care service for pregnant women and children, planning of the educational measures for society. In the framework of the NAPIncl some measures for disadvantaged populations have been planned, for example services for drug addicts, HIV/AIDS patients, and tuberculosis patients..

Access to education in the NAPIncl is emphasized in the NAPIncl as a premise to the successful integration into the labour market and also as the factor that promotes the competitiveness in the labour market. NAPIncl admits increased accessibility of educational institutions to different socially excluded groups (classes of pedagogical and social correction, professional education programmes for youth with unfinished primary education, night-schools, accessibility for disabled persons), development of educational infrastructure and equipment. In comparison with other fields, some targeted measures for the access to education have been developed; however uncertainties in the formulation of the results that have to be achieved can be observed – especially concerning the implementation of the life-long learning policy.

Measures of the NAPIncl that are turned to the accessibility of *transport, culture, sports and legal assistance* have been implemented within the framework of already existing policy programmes and are oriented on the system development in general, not emphasizing the needs of risk groups of social exclusion.

Key policy measures for the objective “Preventing the risks of social exclusion”

Taking into consideration the limited number of Internet users and the development of the e-services in Latvia, *promoting the e-inclusion* is a significant aspect of social inclusion. Increasing the level of computerization in state institutions, municipalities, schools, libraries and other institutions is envisaged, but without setting any quantified targets (the only exception: 5 –15 computers per 100 pupils in 2005). Some separate measures for socially excluded groups (especially for disabled people) have been included into the section “Formation of inclusive labour market and promotion of employment” and “Improvement of education quality and accessibility”. Like in other areas, one of the scarcities is a weak targeting of the measures to the socially excluded groups. Regarding existing regional disparities, the implementation of measures turned to the needs of regions is necessary – it has not been prescribed in the NAPIncl.

Support to families and children, strengthening of family solidarity focuses mainly on the revision and the increase of the amounts of the family allowances. It should be emphasized that the measures have been included in other sections of the document (*inclusive labour market* – reconciliation of work and family life, *access to services* – increase of the allowance, Alimony Fund).

However, one of the socially excluded groups should be mentioned separately – the homeless people. The measures for the homeless are not addressed properly. The Plan only foresees some additional need for shelters and improvement of social work with this target group. The prevention of homelessness as a cause of persistent poverty and social exclusion is lacking, while this issue should have been carefully planned ahead.

NAPIncl does not emphasize such aspects as:

- Illegal employment – targeting measures for representatives of social exclusion risk groups;
- Adequacy of GMI level;
- Targeting those in poverty and social exclusion – accessibility and quality of public services (service delivery, health, housing) and the investment in local communities;

- Targeting of family-friendly policies and childcare to address the particular challenges for groups in poverty or at risk of poverty;
- Linkage with the the National Employment Action Plan;
- Implementation of the plan;
- The co-ordination of the different measures identified in the Plan and who will be responsible for it;
- Clearness and preciseness of the plan for the follow-up and the evaluation of the NAPIncl Latvia;
- Lack of formal participation of the civil society in the follow up and evaluation of the Plan.

Main issues regarding ethnic minorities (Russian, Roma)

NAPIncl Latvia stresses: “Research and statistical data show that there are no substantial differences in poverty and social exclusion indicators between Latvians and non-Latvians, except the very small minority of Roma.” (p.23) As recognised in NAPIncl a high proportion of Roma children have not attained even a primary education. This ethnic group has a low level of education (40 per cent have only four years or lower education, many are illiterate). Roma people have very limited access to the labour market (fewer than 5 per cent of Roma of working age have official employment).

Taking into account the existing situation, the targeted measures should be worked out and included in the NAPIncl Latvia. Unfortunately, there are no concrete measures targeted to the Roma minority relating to access to education, or access to employment.

The increase of involvement of Roma people in the active labour market measures or the improvement of their access to education is probably expected to happen without special measures targeted to this ethnic minority but merging this ethnic minority among other social excluded groups of population. Such an approach could be ineffective, taking into consideration that these measures demand the active participation of the risk group. Relating to Roma the special measures of information and activation also would be necessary for a successful involvement in participation in activities delivered by the State Employment Service or measures ensuring the real access of Roma to education.

The Joint Inclusion Memorandum signed by The European Commission and The Government of Latvia states that the lack of Latvian language skills could be one of the risk factors that might affect the formation of a multi-ethnic work force

and limit job opportunities for part of the population. A number of other important factors are: the changes in the sectors previously working on Soviet military structures¹⁹, the regional distribution of ethnic groups and the influence of the shadow economy. One of the conclusion made in JIM: "[...] there is a need for additional research to better understand the complex relationship between language skills, ethnic origin, regional disparities and economic restructuring and how this impacts on people's access to the labour market and on levels of poverty and social exclusion, as well as to develop appropriate and targeted measures to address the situation".

Link to the JIM

Analyzing NAPIncl Latvia's link to the JIM, the compliance of long-term targets defined in NAPIncl with key policy challenges and required actions identified in JIM have been examined, particularly the inclusion the most immediate priorities identified in JIM as the policy measures in the NAPIncl Latvia.

First six key policy challenges that have been determined in the JIM have been set up as strategic targets of the NAPIncl as well. Although the JIM policy challenge "Strengthening of family solidarity and protection of children's rights" did not appear as one of the NAPIncl long-term targets, NAPIncl foresees several activities that have been oriented to the achievement of that target and promotes the family support and children protection.

It should be mentioned that within the framework of the JIM policy challenge "Building institutional cooperation and increasing organisational capacity" necessary actions has been described in the advisable form in Chapter 4 "Establishment of networks and mobilisation of all parties involved" of the NAPIncl Latvia, but no concrete measures to achieve the target have been planned in the Chapter 2 (strategic section).

NAPIncl Latvia has been complemented with three new political targets – "Transport development", "Use of Culture and Sports to Reduce Social Exclusion" and "Access to Legal Assistance". On the one hand inclusion of these targets in the NAPIncl is significant to all groups of society and it may contribute to prevent social exclusion, but on the other hand there is a lack of targeted support measures to already existing needs of socially excluded groups, necessary solutions have not been reflected in the NAPIncl.

Most of the risk groups of social exclusion are similar in both documents; only old people as the risk group of social exclusion are additionally included in NAPIncl

¹⁹ In these sectors the labour force came from other Soviet republics, especially in 1970ties and 1980ties, it had knowledge in specific areas and higher salaries.

Latvia, but vagrant children as a vulnerable group have not been addressed in NAPIncl.

Targets of Chapter 2 (strategic approach) in the NAPIncl formally are based on the necessary short-term and long-term activities determined in the JIM, as well as additional activities considering current financial and institutional capacities, are included.

The greatest part of the priority actions identified under the JIM objective “Development of the inclusive labour market and the promotion of the employability” as measures have been determined as measures in the NAPIncl as well.

Regarding the JIM objective “Accessibility to resources, rights, products and services” the priority measures relating social security issues are mainly included in the NAPIncl, except the development of the social service monitoring and evaluation system.

However, in the field of education, the NAPIncl does not foresee the improvement of teacher training and curriculum development as it is planned in the JIM. Although priority measures of the health care are formally included in the NAPIncl, they are more concentrated on development of different policy documents and programmes so there is a lack of concrete measures aimed at the risk groups of social exclusion.

The priority measures concerning housing issues are poorly reflected in the NAPIncl. The necessity to define the State strategy on social housing and to increase the number of social houses and social apartments in order to meet demand has not been included in the NAPIncl – at the same time in the JIM it has been determined as one of the most immediate priorities .

Employment-inclusion measures are mainly reflected in the NAPIncl, but their abstract definition does not allow assessing whether and how these measures will be implemented.

However it should be stressed that necessity of providing information to the target groups and particularly the groups in risk of social exclusion, the mobilisation of all involved bodies and inclusion in the policy development and implementation process has been poorly reflected in the NAPIncl.

The measures for the support and integration into society of homeless people, vagrant children and Roma, which have been recognised in the JIM, are practically not included in the NAPIncl. However, the urgency of the problem has not decreased and it seems absurd that vagrant children have not been included in the NAPIncl (neither in the situation description nor in the policy measures).

Gender perspective

The NAPIncl underlines the importance of mainstreaming equality between men and women in all actions aimed at achieving the JIM objectives. At the same time there is a strong need to develop consistent equality mainstreaming policy across the NAPIncl Latvia, from the identification of the challenges, through the overall strategy, to the designing and monitoring of detailed measures.

The recognition of the importance of the gender mainstreaming approach for monitoring and evaluation of the implementation of the NAPIncl is a positive feature. As one of the targets set up in the Plan is promotion of effective cooperation between the state administration and municipal institutions and other involved parties for incorporation of gender mainstreaming approach into “[...]the development and implementation of sectoral policies” (p.25). It could promote the capacity building of state institutions and municipalities in the future.

However, NAPIncl does not mention the mechanisms used to integrate gender issues, but it should be mentioned that the representative from the Gender Equality Unit participated in the working group for the development of NAPIncl Latvia. Also promising is the intention to involve the Gender Equality Council in the process of the implementation, monitoring and final evaluation of the Plan.

The coherence is fragmentary between the statistics and the identified challenges and even more so in relation to targets. Unfortunately there are no quantitative targets defined by gender in the NAPIncl Latvia.

The gender perspective is absent in the most of the measures. This is definitely an issue that deserves more attention, since a more accurate view on the way poverty and social exclusion affect men and women (and their children) is needed in order to define more effectively the measures that need to be taken. This also applies to the elderly.

Some specific areas in relation to women's poverty and social exclusion receiving inadequate attention especially in measures include: accessible and affordable quality childcare; supports for those caring for dependants; low pay, housing needs of lone parents, violence against women, particularly the accessibility and capacity of services.

Indicators

Poverty and social exclusion indicators have been used in the NAPIncl Latvia (year 2004 – 2006) to:

1. characterise the national situation and to reflect the main development tendencies;
2. describe the results of planned measures and mark the monitoring system (Chapter 2).

The use of the indicators can be overall evaluated as sufficient. Standardized indicators, for example growth rate and indexes that characterize the corresponding issue more objectively and are internationally comparable are frequently used for description and analysis of the situation. To ensure the transparency and the comparability of the administrative data, percentage division in various breakdowns has been used (gender, regional division, social groups, level of income etc.). Along with calculations and administrative indicators the Labour Force Survey and Household Budget Survey database on the ILO and EUROSTAT methodology has been used for the situation analysis. Adaptation and implementation of the International classification and methodology in Latvia (for example, ESSPROS classification, Laeken indicators) ensure the international comparability and methodological compliance of data.

The monitoring system for the policy for reduction of poverty and social exclusion and the analysis of the effectiveness of the policy carried out should be based on indicators included in the Chapter 2. However, these indicators do not form a uniform system. Different approach to the definition of indicators in separate subsections, their subordination to the already existing activities and processes, not to the targets of the social inclusion policy, and poor (usually non-existing) linkage with the socially excluded target groups do not make it possible to evaluate the results and the impact of the implementation of the social inclusion policy.

Institutional framework and mechanisms

According to the government decision the institution responsible for the JIM and NAPIncl development, implementation and co-ordination of the monitoring process is the Ministry of Welfare.

The current monitoring model foresees development of two reports that are based on the information given by the parties involved. It can be concluded that it will not be possible to influence or to change the implementation of the NAPIncl with the current institutional and monitoring mechanism – it will be possible only to make an assessment of the current situation.

So far, researchers are not involved in the process of the policy monitoring and evaluation. Independent research along with the information given by the ministries on the implementation of the planned activities is an important and necessary aspect that would give the policy impact analysis and characteristic on the changes in the situation of the target groups, which cannot be obtained from the system of indicators based on the administrative data.

Withholding of resources (finance, human resources) can cause a serious risk of not achieving policy targets. Although there is no reason to doubt that ministries

involved in the implementation of the NAPIncl more or less will implement the planned measures (especially because quantified targets are not clearly defined), the spread of the resources (both in the financial and the institutional aspect) may prevent the implementation of the targeted policy and lessen its effectiveness.

As the part of the activities planned under the NAPIncl will be implemented with the support of the EU Structural Funds, the monitoring and evaluation will be the common component of the joint management and information system. However, the monitoring of the NAPIncl is not connected with the monitoring data of Structural Funds.

Use of the Structural Funds

One of the strengths of the NAPIncl is the recognition of the importance and input of the Structural Funds to the reduction of the social exclusion. Targets, activities and resources determined in the NAPIncl are closely connected with the targets and activities of the SPD (Single Programming Document) and planned for promoting the employability and entrepreneurship, reduction of social exclusion and securing of the education and health care services.

It has been planned to increase the EU Structural Funds support for implementation of the activities planned in the NAPIncl in these spheres and for these measures:

1. Promotion of the employment – diversification and improvement of active employment measures, widening the range of training and re-training programmes, raising the competitiveness;
2. Promoting education and life long learning – improvement of educational programmes, widening the range of adult education, development of the vocational guidance;
3. Reducing the social exclusion – development of social rehabilitation, motivation and pedagogical correction programmes, integration of youth with special needs into the general education system.

These activities have been supported by the European Social Fund.

Resources of the ERDF will be increased to improve the social infrastructure and develop alternative social services as well as to develop the emergency medical assistance system. In the field of education ERDF will give support to the renovation of vocational schools and to the modernisation of the equipment.

In the framework of the European Agriculture Guarantee and Guidance Fund (EAGGF), it is planned to promote development and transformation of rural areas,

especially in the less favoured regions, to raise the skills and knowledge of farmers and other persons involved in agricultural activities.

In addition, the EQUAL for Latvia aimed at promoting access to the labour market and the employability of socially excluded groups, testing new ways of combating discrimination and inequalities in the labour market.

Current issues and challenges ahead regarding policy

- The fact that the precondition to the successful implementation of the social inclusion policy is the allocation of proper resources (institutional, human and financial resources), should be considered. It will make it possible to develop and to implement new and targeted measures for social inclusion and will prevent former praxis to include the measures that ministries are implementing within the framework of their branches without linking them with social inclusion policy. It will make the policy monitoring system more effective and will make it possible to react on the changes in a more operative and effective way as well as a better evaluation of the impact of policy measures on the reduction of poverty and social exclusion.
- A truly multidimensional and coherent strategic approach should be developed.
- Approaches and forms of service should be developed in more preventive direction, so that people in danger of social exclusion can be identified earlier than is now the case.
- The existing problems in poverty and of exclusion mean that more targeted measures are required in addition to the services and income security provided.

Regarding target groups

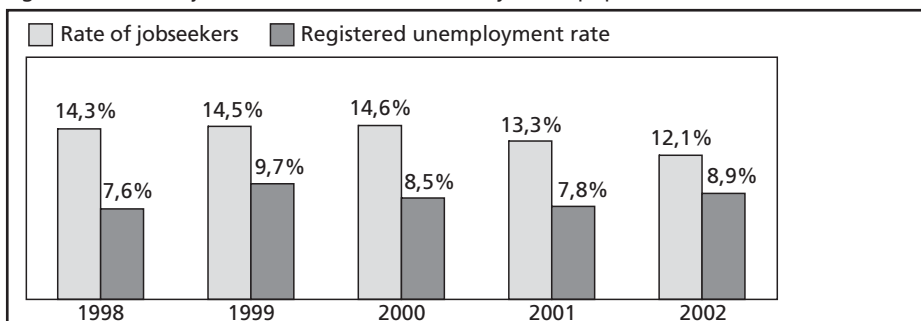
- An increase in the employment rates of disadvantaged groups;
- Homelessness;
- Vagrant children;
- Roma;
- Reductions in the proportion of dropouts from the schools;

Regarding the process

- Development of the institutional framework and the monitoring and evaluation system of NAPIIncl;
- Promotion of the mobilisation and participation of all stakeholders in the development and implementation of NAPIIncl. Use of the knowledge and experience of the working group of the development of NAPIIncl for the implementation and supervision process of the NAPIIncl;
- The importance of the social research in the development of the policy and in the evaluation of the impact should be recognised and included in the next NAPIIncl.

Annex

Figure V1 Ratio of job seekers to the economically active population



Source: CSB, Labour Force Survey; State Employment Service – registered unemployment; annual average;

Table V1 Population by education

	Economically active	Employed in the main job	Job-seekers	Economically inactive
Total	100	100	100	100
Higher education	20.1	21.6	9.0	7.3
Secondary education	64.4	64.3	65.5	45.3
Of which:				
Vocational education and professional secondary education	39.5	39.9	36.6	20.3
General education	24.9	24.4	28.9	25.0
Basic	14.4	13.2	23.2	36.5
Incomplete basic or no formal education	1.1	0.9	2.3	10.9

Source: CSB, Labour Force Survey; Note: in 2002; annual average; age 15-64 years; in %

Table V2 Illiteracy

	Total	Age						
		15–19	20–29	30–39	40–49	50–59	60–69	70+
All population aged 15 and over	1947035	177528	325429	335005	329683	281238	266567	231585
Of which:								
Illiterate	4456	415	621	431	338	384	670	1597
% Of total	0.23	0.23	0.19	0.13	0.10	0.14	0.25	0.69

Source: 2000 Population and Housing Census

Table V3 Income approach of gross domestic product¹

	1998	1999	2000	2001	2002
Gross domestic product	3592.1	3889.7	4348.3	4812.6	5194.7
Compensation of employees	1743.5	1863.8	1965.3	2066.9	2221.7
Wages and salaries	1407.2	1484.4	1564.6	1684.3	1805.4
Employers' social contributions	336.3	379.4	400.7	382.6	416.3
Taxes on production and imports	547.2	556.5	570.5	610.7	637.3
Subsidies (-)	45.6	59.8	47.5	34.6	42.6
Operating surplus and mixed income, gross	1347.0	1529.2	1860.0	2169.6	2378.3

Source: Central Statistical Bureau of Latvia; Note: at current prices; mln LVL

Table V4 Socially vulnerable families, 2002

	Total	Riga region	Vidzeme region	Kurzeme region	Zemgale region	Latgale region
Number of socially vulnerable families	9435	2404	1823	1594	1853	1761
In % by region	100	25.5	19.3	16.9	19.6	18.7
Number of children in socially vulnerable families	19609	3605	4328	3785	4255	3636
In % by region	100	18.4	22.1	19.3	21.7	18.5

Source: Social Assistance Fund of the Ministry of Welfare; at the beginning of 2002

Table V5 Evaluation of different knowledge and skills necessary in the labour market (in % of responses)

Knowledge and skillLVL	1 no knowledge	2 very small knowledge	3 medium level	4 good level	5 very good knowledge
The Latvian language	3.1	10.4	21.6	32.9	32.0
Russian	1.4	2.3	16.0	42.9	37.4
English	44.1	28.7	17.0	8.2	1.9
Computer skillLVL	51.1	19.9	15.1	11.3	2.5
Professional knowledge and skillLVL	18.8	4.7	14.7	41.9	20.0
Labour legislation	25.0	33.1	31.1	8.6	2.2

Source: FSI survey, 2003.

Table V6 Consumer price indices, 2000=100

	2001	2002	2003	2004
I-XII	102.5	104.5	107.5	
I	101.1	104.6	106.1	110.2
II	101.0	104.3	106.4	111.0
III	101.5	104.7	107.0	112.1
IV	101.8	104.8	107.4	112.8
V	102.9	105.0	107.6	114.2
VI	103.4	104.4	108.3	114.9
VII	102.9	104.0	107.9	115.1
VIII	102.3	103.2	106.7	115.0
IX	102.9	104.0	107.2	115.5
X	103.1	104.8	108.2	
XI	103.3	104.9	108.7	
XII	103.7	105.1	108.9	

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