



COUNTRY
REPORT
FOR
LATVIA

A photograph of a woman holding a young child in her arms, walking down a narrow alleyway between brick buildings. The scene is bathed in a strong red light, creating a somber and poignant atmosphere. The woman is looking down at the child, and the child is looking towards the camera. The brick walls and a metal railing are visible in the background.

EUROPE 2020
SHADOW REPORT 2014

PROPOSALS FOR THE ANNUAL GROWTH SURVEY,
COUNTRY SPECIFIC RECOMMENDATIONS AND NATIONAL POLICIES.
CARITAS RECOMMENDATIONS FOR EUROPE 2020 MID-TERM REVIEW.

01 EU 2020 Strategy: general evaluation

The Europe 2020 Strategy has made a difference in the national policy process as the strategy serves as a benchmark and is taken seriously in national documents to assess the progress towards employment growth and poverty reduction as per the targets set for 2020.

Regarding the Europe 2020 objectives, the most important targets are to encourage decent and sustainable wages and reduce labour market segmentation, especially regarding precarious employment and income.

The breakdown of EU targets into national targets is still important. However, any strategy aimed at achieving set targets needs to consider the free movement of labour as an important dimension, especially regarding working life and geographical mobility transitions, such as the early stage of migration and the early stage of return. Similarly, temporary and circular forms of migration must be studied more carefully in future with the target of reducing poverty, precarious employment and endangered pensions.

Overall, the targets are relevant and ambitious for Latvia. The best way to assess the validity of the targets would be a close monitoring of the progress every year.

02 Poverty

2.1 Recent trends

Eurostat (% of population)	2009			2010			2011			2012			EU average
	M	F	T	M	F	T	M	F	T	M	F	T	
Latvia													
POVERTY													
People at risk of poverty or social exclusion	-	-	37.9	-	-	38.2	-	-	40.1	-	-	36.2	24.8
People at risk of poverty after social transfers	24.4	28	26.4	24.4	28	26.4	19.8	18.3	19.0	19.3	19.1	19.2	17.0
People at risk of poverty, less than 18 years of age	-	-	26.3	-	-	26.3	-	-	24.7	-	-	24.4	20.8
Severely materially deprived people	-	-	22.1	-	-	27.6	-	-	31.0	-	-	25.6	9.9
In-work at-risk-of-poverty rate	10.9	10.7	10.8	9.2	9.6	9.4	8.3	10.3	9.3	8	9.2	8.6	9.2
People living in households with very low work intensity	-	-	7.4	-	-	12.6	-	-	12.6	-	-	11.7	10.3



Developments of poverty and social exclusion indicators in Latvia (2009-2012) based on Eurostat:

- ➔ The highest absolute and relative increase occurred in the rate of people living in households with very low work intensity, which rose by 4.3 p.p. from 7.4% in 2009 to 11.7% in 2012, situating the indicator above the EU-average (10.3% in 2012).
- ➔ The second highest increase, both in absolute and relative terms, occurred in the severe material deprivation rate, which rose by 3.5 p.p. from 22.1% in 2009 to 25.6% in 2012.
- ➔ In 2011, the at-risk-of poverty rate for children in Latvia was 24.7%.¹
- ➔ It is worth noting that, besides the above-mentioned increases, all other poverty indicators dropped during the observed period, with the largest drop in the rate of people at risk of poverty after social transfer (by 7.2 p.p.), especially among women (by 8.9 p.p.), nevertheless, remaining above the EU-average (19.1%, compared to the EU-average 17.6% in 2012).
- ➔ All poverty indicators are above the EU-average, with the exception of the in-work-at-risk-of-poverty group (8.6% in 2012), which also experienced a drop of 2.2 p.p. during the observed period, situating it slightly below the EU average (9.2% in 2012). Further comparisons to EU-averages reveal extremely high rates for people at risk of poverty and social exclusion (36.2%, compared to the EU-average 24.8%), which is the third highest in the EU; and severe material deprivation (25.6%, as opposed to the EU-average 9.9% in 2012), being the fifth highest rate in the EU.

¹ Eurostat. Available: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Children_at_risk_of_poverty_or_social_exclusion

² 20.03.2014. Ministry of Welfare "Plānots atbalsts trūcīgiem iedzīvotājiem." Available: <http://www.lm.gov.lv/news/id/5486>

³ 2010.gada 30.marta MK noteikumi Nr.299 "Noteikumi par ģimenes vai atsevišķi dzīvojošas personas atzīšanu par trūcīgu" (Regulations on official recognition of persons as poor)

⁴ Central Statistical Bureau. Available: <http://www.csb.gov.lv/en/notikumi/each-fifth-person-latvia-risk-poverty-39576.html>

Additional national data shows the severity of the problems reflected by the above Eurostat figures:

- ➔ According to the data of the Ministry of Welfare, 83,273 persons in Latvia have officially received the status of being poor, including 29,011 children². There are several restrictions to receiving this status, especially related to the ownership of real estate or movable property. This status can usually be granted for about three months and can be renewed if a person's income situation has not improved³. People who seek help from Caritas Latvia are often in situations where they receive partial or no social allowances.
- ➔ The most worrying trend among help-seekers is that of people of working age, both employed and unemployed, who have mortgage and short-term consumption loans.
- ➔ Regarding specific social groups, those at the highest risk of poverty in Latvia are single parents who care for dependent children (38.3% in 2012) or where both parents care for three or more children (38.2% in 2012).
- ➔ According to Latvian national statistics, the group for which the risk of poverty increased most rapidly is that of unemployed people (up to 58% in 2012)⁴.

- ➔ According to the Riga City Council Social Department, more pensioners receiving either old-age or disability pensions applied for both guaranteed minimum income and housing benefits in 2013–2014. This means that the monthly income of these pensioners is less than 128 EUR per month⁵.

2.2 Recent policy developments

Since August 2013, two main documents have been prepared to improve the system of social security and the provision of social support:

1. Information Report 'Propositions to improve the system of social security' adopted by the government of the Republic of Latvia on 10 December 2013.⁶ The document provides detailed accounts on how to organise and manage support in order to reach people in need of various types of support.

The Ministry of Welfare proposes to continue material support by distributing food and to support underage children to cover their basic material needs, such as hygiene goods and individual goods needed for school. Also, consultations regarding nutrition or family budget management would be provided as well as information about help available through different organisations.⁷

Persons or families entitled to support would be those who are officially recognised as poor or low income persons.

2. Concept note 'On defining the level of minimum income' to be submitted to the government of the Republic of Latvia on 31 August 2014.⁸

Nevertheless, the way the Ministry of Welfare has defined levels of minimum income in this document do not appear to be transparent. The ministry proposes that the minimum income is defined according to the OECD methodology. In Latvia, this would be 129 euros per month for a single adult, and 414 euros for two adults with three children under 14 years old.

Social investment package: investing in children⁹

ASSESSMENT OF PROGRESS

The Latvian Government has started implementing the Commission's recommendation through several measures:

- ➔ Providing for adequate living standards through a combination of benefits

- The crisis has hit families with children the hardest. As of 2015, the state envisages returning to the pre-crisis order and therefore family benefits are to be increased for each next child born in a family. However, the crisis regulation that family benefits are not paid until a child is one year old would still remain in place. Even if family benefits are generally negligible in Latvia, a coefficient applied to each next child is very

⁵ Riga City Council Social Department. See more: http://www.ld.riga.lv/Sociala_palidziba.html

⁶ Available: http://www.lm.gov.lv/upload/aktualitates2/lmzino_211113.pdf

⁷ Informatīvais ziņojums par Eiropas Atbalsta fonda vistrūcīgākajām personām pārvaldības un kontroles sistēmu un ieviešanu Latvijā 2014.–2020.gada plānošanas periodā. (Paragraph 14; 15; 18) Available: <http://www.lm.gov.lv/text/2650>

⁸ Available: <http://www.lm.gov.lv/news/id/5893>

⁹ European Commission, 2013, Recommendation *Investing in Children: Breaking the Cycle of Disadvantage 2013/112/EU* approved under the Framework of the Social Investment Package

important for large families. In a monetary sense, this would mean that the monthly family benefit for a dependent child is 11.4 euros, 22.80 euros for a second child and 34.2 euros for a third child.

- The Ministry of Welfare admits that comprehensive mapping should be carried out to provide support to families with three or more children. Besides, there are several municipalities in Latvia that do not provide support to large families.

➔ **The reduction of inequality at a young age by investing in early childhood education and care**

- Local municipalities provide the opportunity to co-finance the cost of enrolment in private facilities if children cannot get a place in public facilities due to long waiting lists. According to new regulations, which came into force on 1 January 2014, the state also contributes towards covering of costs for childcare in private facilities. These regulations state that such state support is envisaged as a temporary solution for 2014 and 2015. This is a very important measure for families with young children in order to increase the affordability of childcare, since high expenses for this are among the relevant obstacles to a person's return to the labour market. However, usually both support from the state and local municipalities do not cover all expenses and parents have to add to these payments.

➔ **Improvement of the education system's impact on equal opportunities**

- Municipalities encourage teachers to provide special support for returnee migrant children, as they usually need help to improve their Latvian language skills. Support and measures to increase equal opportunities for returned diaspora children to pursue education in Latvia are envisaged in recent diaspora and migration-related governmental documents¹⁰.

➔ **Improvement of the responsiveness of health systems to address the needs of disadvantaged children**

- The State Inspectorate for the Protection of Children's Rights provides psychological consultations for children and foster families regarding substance abuse¹¹.

EU initiative for Roma integration¹²

ASSESSMENT OF PROGRESS

According to the latest Census, carried out in 2011, there were 6,489 national Roma living in Latvia. However, even before the Census, and during the economic crisis (2008–2012), many Roma emigrated in search of better living conditions. 93.6% of Roma registered in Latvia are citizens of Latvia.

In areas of employment, housing and health, Roma were supported through mainstream policies for vulnerable groups in 2007–2013. In the area of employment, special support was provided to map the situation, train teacher assistants and to develop measures to improve early childhood, primary and secondary education. However, in its latest country assessment, the EC urges Latvia to take a more systematic and integrated approach to improving the situation of Roma in all four areas: education (especially, early school leaving), employment (by taking an active approach to inclusion into the labour market), access to healthcare (including the training of health care specialists), as well as a systematic and integrated approach to improving access to quality housing.

¹⁰ Ministry of Economics (2013) Return migration support plan; Ministry of Foreign Affairs (2014). Plan on Cooperation of the Foreign Ministry with the Diaspora in 2014–2016.

¹¹ Psychological support for children with substance abuse history http://www.lps.lv/images/resources/file/VBTAL_riekstina.pdf

¹² Council of the European Union (Employment, Social Policy, Health and Consumer Affairs Council Meeting), 2013, *Council Recommendation on Effective Roma Integration Measures in the Member States*

Measures to improve the integration of Roma are included in the national strategy document National Identity, Civil Society and Integration Policy Guidelines 2012–2018. The Ministry of Culture has envisaged various activities to improve integration measures regarding housing, employment, education and health; and the budget to implement projects is indicative of this, consisting of European Economic Area and Norwegian grants, PROGRESS and partial funds also allocated from the Latvian state budget.

Four small-scale projects were supported in 2013 and were envisaged to be completed by the end of June 2014. These include: support for awareness raising of civic participation, awareness raising about human rights and legal support in case of discrimination, extra-curriculum activities for Roma school children and their parents, as well as a project to teach and improve seamstress skills for Roma youth. Project assessments are not available yet.

Assessment of Latvia's Country Specific Recommendations (CSRs) in 2014:

- ➔ **CSR 1** on reducing the tax burden on low-income earners, **CSR 2** on providing career guidance, quality training and outreach measures for NEETs, and **CSR 3** on reforming social assistance and its financing to ensure better coverage, adequacy of benefits, strengthened activation and targeted social services are considered to have a positive impact on the situation of poverty and social exclusion in Latvia.

2.3 Recommendations

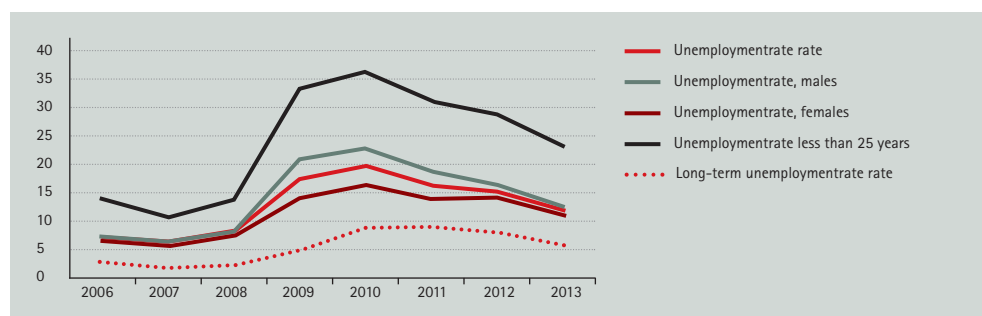
Given the above assessments, Caritas recommends the following policy measures are introduced in order to address the challenges related to poverty and social exclusion:

- ➔ The risk of poverty in Latvia is among the highest in the EU. Available social benefits are very low in meeting basic needs. Special effort should be paid to increase benefits for large families. Bureaucratic procedures on those who can officially qualify as poor should be reassessed, based on the real needs of people. The impact of the crisis and lack of other support for people who have monthly payments of mortgage loans should also be taken into account.
- ➔ To continue reducing the tax burden for low wages; to increase family benefits for dependent children and especially for single parent and large families; to expand the social support network (e.g. via non-governmental organisations) to those in precarious situations who cannot officially qualify for the status of poor or low income person or household, including people with loans; to reassess the possible side-effects if the option of early retirement is restricted, taking into account the real situation and future prospects of long term unemployed individuals of pre-retirement age; to address issues of the precariousness of the self-employed in specific sectors and of small-scale entrepreneurs.

03 Employment

3.1 Recent trends

Eurostat (% of population)	2009			2010			2011			2012			2013			EU average
	M	F	T	M	F	T	M	F	T	M	F	T				
Latvia																
EMPLOYMENT																
Employment rate	67.4	66.8	67.1	65.1	64.9	65.0	67.5	65.3	66.3	70.0	66.4	68.1	71.9	67.7	69.7	68.3
Unemployment rate	20.9	14.1	17.5	22.7	16.3	19.5	18.6	13.8	16.2	16.2	14.0	15	12.6	11.1	11.9	10.8
Unemployment rate, under 25 years of age	-	-	33.3	-	-	36.2	-	-	31	-	-	28.5	-	-	23.2	23.4
Long-term unemployment rate	5.7	3.7	4.7	11	6.6	8.8	11	6.7	8.8	8.6	7	7.8	6.6	4.9	5.8	5.1



Developments of employment indicators in Latvia (2009-2013) based on Eurostat:

- ➔ The highest relative increase occurred in the long-term unemployment rate, which rose from 4.7% in 2009 to 5.8% in 2013, most notably among women (3.7% in 2009, 4.9% in 2013), situating the overall indicator above the EU-average (5.1% in 2013).
- ➔ It is worth noting that at the same time the employment rate increased by 2.6 p.p. to 69.7% in 2013, most notably among men (by 4.5 p.p.), situating the indicator slightly above the EU-average (68.3% in 2013).
- ➔ All unemployment rates peaked in 2010, with the highest value in youth unemployment (36.2% in 2010) and started to level off in the following years, representing the largest absolute decrease of 10.1 p.p. in youth unemployment during the observed period. Male unemployment dropped more sharply (by 8.3 p.p.) than the female rate (by 3 p.p.); nevertheless, more men remain unemployed (12.6% in 2013) than women (11.1% in 2013).

Additional national data shows the severity of the problems reflected by the above Eurostat data:

DESCRIPTION OF THE SERVICE OR PROGRAMME

The way Caritas Latvia provides support and help for daily needs is based on easy access and social networking through church parishes. Volunteers usually seek information as to who is in need and of what kind of assistance. These people are not always members of a parish. As a first step, volunteers pay a home visit to assess the situation, before material support is allocated. After this assessment, people are provided with food boxes either in a church parish or food boxes are brought to their homes. However, home visits do not always mean a supply of food boxes. These can also include, for example, assistance in cleaning a flat or a house, doing necessary shopping or simply being together, talking to a person, especially, if she or he is lonely and socially isolated.

- ➔ Caritas Latvia has observed that in earlier years, people in need of help were seeking more support in cases of loneliness. In the past three years, people have been seeking more and more material assistance, such as food or other type of material needs. This increase in seeking material help may be related to the spread of information via social networks that such help is available at Caritas Latvia.
- ➔ In 2013, more help was requested by people aged 30-50, usually unemployed, after long periods of illness, both physical and/or mental.
- ➔ As mentioned above, more people with mortgage loans need material help, e.g. food assistance. The problem with loans is not only related to real estate loans but also to fast consumption loans with very high interest rates.
- ➔ The gradual decrease of unemployment after 2010 has continued to be related to emigration. According to econometric and expert assessment, about 80,000 people left Latvia during the early crisis years 2009-2010.¹³
- ➔ The consistent trend is that people in the most economically deprived eastern region of Latgale remain long-term unemployed. A typical part of the profile of a long-term unemployed person is also pre-retirement age.¹⁴
- ➔ Moreover, Eurostat data should be read with caution regarding the shadow economy as some unemployed could be involved in precarious, non-reported employment. According to a recent assessment, the level of the shadow economy in Latvia constituted 28.8% of the whole economy in 2013. An important component of the shadow economy is unreported employees who receive wages in cash and whose social security payments are not covered by any employer.¹⁵

¹³ Hazans, M. (2011). Kas šodien dzīvo Latvijā? Reālā demogrāfiskā situācija šķērsgriezumā. Publiskā prezentācija LU EVF, 12.09.2011.: <http://www.lu.lv/zinas/t/7594/>

¹⁴ Ministry of Welfare. Unemployment situation in Latvia, July 2013. Available: http://www.lm.gov.lv/upl/oad/darba_tirgus/bezd_situac_jul.pdf

¹⁵ Sauka, A. and Putniņš, T. (2014) Shadow economy index in the Baltic states. Available: <http://www.sseriga.edu/en/centres/csb/shadow-economy-index-for-baltics/>

¹⁶ Explanation about non-taxable minimum and tax allowances. Available: <http://www.lvportals.lv/skaidrojumi/260374-darbaspeka-nodokli-un-atvieglojumi-2014gada/>

3.2

Recent policy developments

Minimum monthly parental benefits, and childcare benefits for parents without social insurance, were increased as of 1 January 2014. This is an important measure to combat poverty among vulnerable groups and especially youth.

The tax burden for low wage earners and parents with dependent children was lowered in Latvia as of 1 January 2014.¹⁶

Testimony

My husband owns a small company and his income is solely based on what he can sell. I do not work because our children are still very small. Friends helped us to buy a cheap apartment in Riga, and my husband's parents gave us a car as a present because a car is necessary for my husband's work and for the mobility of our children. Due to these facts – ownership of a small company, a flat and a car – we cannot qualify for official status as a poor family. But in reality, income from the company dropped significantly last year, so we can still feel the economic crisis. Basically, there was no work and almost no income. It is morally the hardest thing: we try to be active and to contribute to society but as soon as we do so, we cannot be recognised as poor because such status is not based on the real situation but on bureaucratic measures, and ownership of a company becomes an obstacle. Several discounts for services are available for large families, but they are usually overly bureaucratic to apply for and do not correspond to real needs. We are constantly juggling our resources to cover basic needs: we receive food from Caritas Latvia, people have donated clothes, and with the help of another organisation we will be able to gather the necessary things so that our eldest son can start school. I constantly search for where it is possible to get cheaper toothbrushes, how to save on washing liquids and so on. To prepare for school is the biggest challenge. The solution would probably be for me to go to work too, but small children need a mother 24 hours a day. Then we would need childcare services which are difficult to find in Riga and I will not be able to give care and support to my children when they need it the most at this age. – Young married woman with four children aged 2.5 to 7 years.

¹⁷ Ātrais slazds (A fast trap) 04.02.3013. Re: Baltica, organisation of investigative journalism Inga Springe, Gunita Gailāne, Pēters Folkins http://www.rebaltica.lv/lv/petijumi/latvijas_veiksmes_stasta_slepta_puse/a/868/atrais_slazds.html (in Latvian)

On 5 June 2014, the Latvian Parliament approved amendments to the first reading of the consumers' protection law to restrict the issuing of certain types of consumption loans. Restrictions include a ban on issuing a loan during the night (between 23:00 and 07:00). The proposed amendments should be approved during a second reading in order to come into force. Furthermore, the interest rates this year must not exceed 100%; in 2013, interest rates were between 150–800% and reached a record high of 1,552% a year.¹⁷

EU initiative: youth guarantee¹⁸

ASSESSMENT OF PROGRESS

The State Employment Agency carries out several initiatives to strengthen active employment, including the support of employers who employ previously unemployed young persons. Within the first half year of 2014, more than 10,000 young adults were engaged in activities provided by the State Employment Agency. 39.2% of young adults found jobs after completion of such employment activities.

An advisory board on the implementation of the Youth Guarantee to increase efficiency of programmes aimed at active youth employment has been created. In addition, after a five-year break, summer jobs for school children are again being supported by the state.¹⁹

Assessment of Latvia's Country Specific Recommendations (CSRs) in 2014:

- ➔ CSR 1 on lowering the tax burden for low wage earners and CSR 3 on increasing the coverage of active labour market policies and improving the cost-effectiveness, quality and accessibility of the health care system are considered to have a positive impact on the employment situation in Latvia.

3.3 Recommendations

Given the above assessments, Caritas recommends the following policy measures be introduced in order to address the challenges related to the employment situation:

- ➔ Broader structural reforms are needed to tackle the problem of lack of workplaces and long-term unemployment in some regions, especially in Latgale, as well as long-term unemployment among people at pre-retirement age. Complex activities need to be implemented to tackle youth unemployment in Latvia, e.g. learning from best practices elsewhere in the EU.
- ➔ Family benefits, especially for single parents and large families, should be increased more rapidly. The state should consider introducing tax allowances to those employed people who have taken a mortgage loan for their own flat/house, as monthly payments contribute to the entire economy in Latvia, but a loan burden could lead them into a deficiency trap of in-work poverty.

¹⁸ Council of the European Union, 2013, *Recommendation on establishing a Youth Guarantee* (2013/C 120/01)

¹⁹ Ministry of Welfare (2014). Available: <http://www.lm.gov.lv/news/id/5876>

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