



**SOCIAL INEQUALITY AND WHY IT MATTERS FOR THE
ECONOMIC AND DEMOCRATIC DEVELOPMENT OF
EUROPE AND ITS CITIZENS: POST-COMMUNIST
CENTRAL AND EASTERN EUROPE IN COMPARATIVE
PERSPECTIVE**

**DELIVERABLE 2
DESK RESEARCH**

LATVIA

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CONTENTS

Introduction	p.2
Section 1. “Objective” indicators of social inequality	p.2
Section 2. Causes and correlates of social inequality	p.12
Section 3. Social inequality and national political culture	p.21
Section 4. Social inequality and the national party system	p.22
Section 5. National mechanisms for mitigation of social inequality	p.24
5.1. The Role of the State in Social Protection	
5.2. Non-governmental mechanisms for the amelioration of social inequality	
Conclusion	p.29
Selected Bibliography	p.31
Appendix: Ethnicity and social inequality in Latvia	p.34

Introduction

The desk research is devoted to the variety of social inequality manifestations in Latvia. During the Soviet period in Latvia some kind of researches of inequality aspects were done (for example, differences among cities / the country; men / women; differences among nations), but their goal and tasks rather were to prove inequality of soviet nation's citizens, which were defined in political documents and guidelines. After resumption of Latvia's independency some aspects of the social inequality in society were within mental outlook of many organizations: for example, researches and projects in welfare field, which were financed by the World Bank¹; Phare programmes and projects in development of social integration and civil society as well as economical and social cohesion actions²; UNDP programmes and projects³. Programmes and projects of these organizations in Latvia have been realized, cooperating or coordinating with the Ministry of Welfare of the Republic of Latvia. Within acquisition of the European structural funds also presently many different projects in social sphere are realized in Latvia⁴. The limitation of the report' size didn't let us to present a whole spectrum of problems and all bibliography connected with inequality; we are presenting only description of the main problems and main researches.

Section 1. "Objective" indicators of social inequality

At first, it is very difficult to make a comparative analysis of all statistical indicators in dynamic. Also a few currency changes have to be pointed out (from rouble to Latvian ruble on May 1992; from Latvian rouble to lat in 1993; and predictable change to euro as well as gradual harmonization process of statistical indicators accordingly with European statistical systems. In this way, difficulties in comparing different statistical indicators in terms of money appear and, in separate cases, also by content, but we avoided using such incomparable indicators in our report. Some indicators (for example, GINI coefficient) are implemented also in Latvia quite recently, which is why it is not always possible to give a full comparison in dynamic. Presently in Latvia statistics is systemized correspondingly to the

¹ 14.06.2000, Latvia - Poverty assessment, World Bank, report number 20707; 30.04.2000, Social transfers and social assistance - an empirical analysis using Latvian household survey data. Policy Research Working Paper; 31.12.2002, When things fall apart : qualitative studies of poverty in the former Soviet union, 05.06.2004, Latvia - Welfare Reform Project, Implementation Completion and Results Report; 02.01.2005, Unemployment and the earnings structure in Latvia, Policy Research Working Paper;

² Phare programmes in Latvia from 2001- 2003: Promotion of social integration in Latvia; Development and promotion of civil society in Latvia; Employment strategy (infrastructure); Implementation of social insurance schemes' coordination; Economical and social cohesion activities in Latvia.

³ UNDP Latvia 1992-2005: Easing the Transition; Riga, 2005

⁴ In welfare field in Latvia at this moment 352 projects are active, according to data from www.esf.lv

Union's statistics in relation to income and living conditions (EU-SILC), which fundamental goal is to provide indicators on inequality and monetary and castaway indicators of poverty.

GDP per capita index

Fundamental wealth and income trends we can describe with GDP per capita index. The data reflects the dynamics of the GDP per capita in the period of 1980-2005. All along this period (1980 – 2005) the GDP per capita was growing (Data from Table2).

In the year 1980 the GDP per capita in Latvia was 16 LVL (at current prices). In the period 1980 -2005 it has grown from 16 LVL to 3885 LVL (~242 times).

During this period (1980-2005) the GDP per capita was increasing every year, and in the year 2005 has reached the maximum of all the analyzed period.

We should indicate differences of GDP per capita division in regions (Table 3). The capital Riga constitutes more than half (56,1%, data for 2003) of the whole Latvian GDP, but together with the region around Riga (Pieriga district) it is 2/3 of the whole Latvian GDP.

Income and wealth indexes

The index of unemployment rate shows a tendency, that unemployment level in Latvia during the last decade is relatively stable, being from 7% to 9% (Table 4). In 1998 the highest number of registered unemployed persons was reached – 111, 383, or 9,2% of able-bodied population, whereas the relatively lowest unemployment level in Latvia was registered in 1995 (6,6%).

Since 1999 there is a gradual decrease in the number of long - term unemployed (over 1 year) (Table 4), and in year 2004 there are 23, 209 unemployed persons.

According to the data, all along the period (1995-2005) the average monthly gross earnings was increasing: from 90 LVL per month in year 1995 to 246 LVL in year 2005 (Table 1). During this period the average monthly gross earnings has increased almost thrice (2.7 times).

The increment of the average monthly net earnings during the period 1998-2005 was slower (there are no data for the period of years 1995 - 1997), comparing to the increment of the average monthly gross earnings - the average monthly net earnings during this period has increased 1.8 times (from 97 LVL per month in year 1998 to 176 LVL per month in year 2005).

According to the data (Table 1), all along the period 1995-2005 (there are no data for 1996- 1998) the average old-age pension was increasing 2.57 times (from 30.2 LVL in year 1995 to 77.9 LVL in year 2005).

Poverty level and economic inequality index

Poverty risk index, indicating the percentage of inhabitants, who are under poverty risk, in 2004 in Latvia is 19%, while from 1996 to 2003 the index has been relatively unchanging, on average 16% (Data from Table 5).

Gini coefficient also indicates an increasing inequality of income division – from 1996 to 2004 this showing is gradually growing, in years 2003 and 2004 reaching 0.36. Again the differences of this coefficient should be stressed in Latvian regions: there is a higher inequality level in Riga and its surroundings - 0.35, whereas in Latgale it is 0.29 (in year 2004).

Life expectancy rate

According to the data, we can see that during the period 1990-2004 life expectancy has slightly increased (Data from Table 6):

Males: from 64,2 years in year 1990 to 67,1 years in year 2004;

Females: from 74,6 years in year 1990 to 77,2 years in year 2004.

In year 2004, the difference of life expectancy of male/female in Latvia was 10,1 years. In year 1990 this difference was 10,4 years.

Morbidity rates

According to the data (Data from Table 7), during the period 1999-2004 the total number of hospitals and beds in hospitals has decreased, but the number of specialists (family doctors) of outpatient treatment institutions and primary care has increased. This tendency reflects state policy regarding health care, when stress is on the primary health care.

During the period 1999-2004 the morbidity rate for active tuberculosis and total number of people sick with tuberculosis has decreased. The number of people sick with tuberculosis diminishes from 2718 in year 1999 to 1939 in year 2004 (Data from Table 7).

An alarming tendency is reflected by statistics of oncologic diseases (Data from Table 7): there is both an increase in the incidence of oncologic diseases and in the number of oncologic patients – if in 1999 there were 2,015.6 oncologic patients registered per 100, 000 inhabitants, then in 2004 already 2,255.5 per 100, 000.

According to the data on HIV/AIDS morbidity (Data from Table 8), in 1998 there were registered 251 HIV cases and 33 AIDS cases. The number of notified HIV and AIDS cases during the period 1998-2004 was increasing (HIV: from 251 cases in year 1999 to 3033 cases in year 2004, 12.1 times; AIDS: from 51 cases in year 1999 to 322 cases in year 2004, 6.3 times). Mortality from HIV/ AIDS has also increased rapidly: from 13 cases in year 1999 to 121 cases in year 2004; mortality from HIV/AIDS in this period has increased 9.3 times.

The morbidity with chronic alcoholism during the period 2001-2005 has increased: from 24400 cases in year 2001 to 27648 in year 2004 (Data from Table 10). Although during the last years (in 2004 and 2005) there is an increase in the morbidity rate for alcoholic psychosis and an increase in incidental poisoning by alcohol (number of death), we can observe also positive tendencies, reflecting a decrease in some negative effects of alcohol abuse in society, (Data from Table 9) i.e., there is a decrease in the number of road traffic accidents involving the influence of alcohol (total number: in year 1998 – 1420 accidents; in year 2004 - 808); injuries (total number: in year 1998 – 1724; in year 2004 - 1093).

In 2005 we can observe a small decrease in the number of narcomania and toxicomania patients registered with medical institutions (total in year 2005: 2,441 patients, Data from Table 10), while during the previous years this number has been higher (the maximal number: 2,784 patients in 2004).

Mortality by cause of death

According to the data, the mortality level during the period 2001-2004 has decreased: from 32991 decedents in year 2001 to 32204 decedents in year 2004 (Data from Table 11).

As we can see from the data, the most frequent causes of death are diseases of the circulatory system. As mortality in general, mortality due to diseases of circulatory system in the period of 2001 to 2004 has decreased.

The second most frequent cause of death remains malignant neoplasm. During the last years mortality due to malignant neoplasm is gradually increasing, and in year 2004 it reached 5,813 cases.

The third most frequent cause of death in Latvia is external causes of mortality. Mortality due to external causes in Latvia is gradually decreasing during the last years (see Table 12: from 3,773 cases in 2000 to 3,173 cases in 2004, and again increasing for 41 cases in year 2005: 3,214).

We should add that during the last years in Latvia there is also a gradual decrease in mortality rate of infants (Table13).

Table 1. Main indexes of economic and social development (years 1995-2005)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Unemployment rate, %	6,6	7,2	7,0	9,2	9,1	7,8	7,7	8,5	8,6	8,5	7,4
Average monthly gross earnings, LVL	90	99	120	133	141	150	159	173	192	211	246
Average monthly net earnings, LVL				97	103	109	115	124	138	150	176
Average old-age pension, LVL	30.2					56.7	56.9	60.4	62.4	68.8	77.9
GDP per capita, LVL	1038	1252	1464	1619	1767	2002	2217	2462	2749	3209	3885

Table 2. Gross domestic product (1980- 2005)

	Total, thsd. Lats		per capita, lats	
	at current prices	at average prices of 2000	at current prices	at average prices of 2000
1980	41308	4506239	16	1794
1985	46763	5353254	18	2076
1990	69159	6771476	26	2543
1991	158748	5918270	60	2233
1992	1112652	4018505	426	1537
1993	1624880	3560396	634	1389
1994	2262355	3638725	897	1443
1995	2580087	3605978	1038	1451
1996	3076148	3742672	1252	1523
1997	3562863	4052658	1464	1666
1998	3902926	4244123	1619	1761
1999	4224228	4383635	1767	1834
2000	4750756	4750756	2002	2002
2001	5219904	5132883	2217	2180
2002	5758325	5465110	2462	2337
2003	6392778	5858376	2749	2519
2004	7421353	6364618	3209	2752
2005	8937330	7016928	3885	3050

Table 3. Gross domestic product by statistical region, city and district in 2003 (distribution in %)

	2003		
	Total, thsd. Lats	distribution in %	per capita, lats
LATVIA	6392778	100	2749
Riga region	3589535	56,1	4869
Pieriga region	645362	10,1	1786
Vidzeme region	410760	6,4	1646
Kurzeme region	758428	11,9	2412
Zemgale region	457537	7,2	1574
Latgale region	527489	8,3	1418
Riga	3589535	56,1	4869
Daugavpils	202770	3,2	1812
Jelgava	120568	1,9	1829
Jūrmala	69159	1,1	1250
Liepaja	265506	4,2	3061
Rezekne	110462	1,7	2946
Ventspils	220959	3,5	5014
Aizkraukle district	62094	1	1497
Alūksne district	31047	0,5	1210
Balvu district	30124	0,5	1033
Bauska district	74976	1,2	1433
Cesu district	96853	1,5	1652
Daugavpils district	35776	0,6	867
Dobele district	60456	0,9	1534
Gulbene district	38062	0,6	1381
Jelgava district	48910	0,8	1316
Jekabpil district	90534	1,4	1666
Kraslava district	33584	0,5	945
Kuldiga district	53621	0,8	1438
Liepaja district	57412	0,9	1261
Limbazu district	56672	0,9	1438
Ludza district	33769	0,5	1004
Madona district	66095	1	1464
Ogre district	85922	1,3	1362
Preilu district	46942	0,7	1162
Rezekne district	34063	0,5	801
Riga district	352466	5,5	2376
Saldus district	68873	1,1	1812
Talsi district	75770	1,2	1564
Tukums district	81142	1,3	1468
Valka district	60203	0,9	1816
Valmiera district	118500	1,9	1993
Ventspils district	16287	0,3	1135

Table 4. Number of registered unemployed at the end of the year

	number of unemployed	long-term unemployed (over 1 year)	registered unemployed persons receiving unemployment benefit
1995	83231	21242	27022
1996	90819	28342	28740
1997	84934	32360	30894
1998	111383	29334	30678
1999	109497	34042	47741
2000	93283	27046	39785
2001	91642	24402	37910
2002	89735	23681	41502
2003	90551	23617	38981
2004	90800	23209	39681

Table 5. Poverty and economic inequality showings

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Poverty risk index (Population living below the relative poverty line, %)	16	15	17	16	16		16	16	19
Gini coefficient	0.31	0.31	0.32	0.31	0.34		0.34	0.36	0.36
Region:									
-- Riga								0.37	0.36
-- Pieriga								0.33	0.35
-- Vidzeme								0.28	0.32
-- Kurzeme								0.30	0.31
-- Zemgale								0.31	0.32
-- Latgale								0.27	0.29

Table 6. Life expectancy at birth (years 1990-2004)

	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Males	64,2	60,8	63,9	64,2	64,1	64,9	66,7	65,2	65,4	65,9	67,1
Females	74,6	73,1	75,6	75,9	75,5	76,2	76	76,6	76,8	76,9	77,2

Table 7. Morbidity rates (years 1999-2004)

	1999	2000	2001	2002	2003	2004
Physicians (with dentists, thousands)	8.0	8.1	7.7	7.9	7.9	8.1
Family doctors (absolute number)	801	966	970	1027	1050	1231
Hospitals	151	142	140	129	131	119
Beds in hospitals (thousands)	22.1	20.7	19.3	18.1	18.2	17.9
Number of outpatient treatment institutions	1063	1659	2083	2335	2494	2585
Number of medical persons with a secondary medical education (thousands)	15.3	14.9	14.7	14.6	14.7	14.7
Per 10.000 population						
physicians	33.0	33.6	33.0	34.0	33.9	35.1
family doctors	3.3	4.0	4.1	4.4	4.5	5.3
hospital beds	90.5	85.2	82.3	77.6	78.1	77.4
medical persons with a secondary education	62.9	61.3	62.5	62.7	63.4	63.8
Morbidity with oncologic diseases, Per 100.000 population	368.9	358.3	363.8	383.9	394.6	431.1
	2090.					
Number of oncologic patients, Per 100.000 population	2015.6	5	2113.7	2161.5	2241.8	2255.5
Newly registered patients by active tuberculosis	1673	1715	1729	1540	1481	1373
Total number of people sick with tuberculosis	2718	2570	2631	2247	2101	1939
Per 100.000 population	114.1	108.7	112.2	96.4	90.6	84.1

Table 8. HIV and AIDS (years 1998-2004)

	1998	1999	2000	2001	2002	2003	2004
Notified cases of HIV	251	492	958	1765	2307	2710	3033
Notified cases of AIDS	33	51	74	114	170	245	322
Died from AIDS/HIV	13	20	34	53	77	100	121

Table 9. Negative effects of alcohol abuse in society

Effects	1998	1999	2000	2001	2002	2003	2004
mental and behavioural disorders due to alcohol abuse (number of deaths)	228	238	188	237	90	61	57
rate per 100,000 population	9	10	8	10	4	3	2
diseases of liver caused by alcohol abuse (number of deaths)	81	67	44	25	43	52	43
rate per 100,000 population	3	3	2	1	2	2	2
incidental poisoning by alcohol (number of deaths)	231	219	229	208	173	218	238
rate per 100,000 population	10	9	10	9	7	9	10
Offenders who have committed crimes under the influence of alcohol - total	8089	7622	7061	7452	7172	8218	8122
per cent of total offenders	46	45	40	38	39	38	35
Road traffic accidents involving the influence of alcohol - total	1420	1403	1272	893	904	837	808
of total road traffic accidents, %	31,3	31,6	28,4	18,7	17,8	15,6	15,9
In these road traffic accidents: deaths	209	233	198	147	169	135	140
injuries	1724	1687	1623	1174	1221	1087	1093

Table 10. Patients registered with medical institutions (years 2001-2005)

Total number of sick with:	2001	2002	2003	2004	2005
Alcoholic psychosis	1878	1831	1711	1895	2050
Chronic alcoholism	24400	25281	26285	27542	27648
Narcomania and toxicomania	2711	2659	2680	2784	2441

Table 11. Cause of death

Cause of death	2001	2002	2003	2004
TOTAL	32991	32498	32437	32024
Certain infectious and parasitic diseases	394	310	328	291
Malignant neoplasms	5802	5729	5803	5813
Diseases of blood and hematogenic organs and disorders of immune system	30	25	31	31
Endocrine, nutritional and metabolic diseases	311	271	304	260
Mental and behavioural disorders	252	109	84	85
Diseases of nervous system	346	389	372	326
Ear and parotid gland diseases	4	3	4	2
Diseases of the circulatory system	18435	18190	18205	17903
Diseases of the respiratory system	784	851	822	799
Diseases of the digestive system	1063	1009	1063	1037
Skin and subcutaneous tissue diseases	23	31	33	30
Skeletal, muscular and connective tissues diseases	67	83	92	63
Diseases of genitourinary system	336	347	345	322
Pregnancy, childbirth and the puerperium	5	1	3	2
Diseases of the perinatal period	90	75	81	90
Congenital anomalies	121	116	106	87
All other diseases	1222	1293	1388	1710
External causes of mortality	3706	3666	3373	3173

Table 12. Deaths by external causes

Number of deaths by all main groups of external death causes in Latvia in 2000 - 2005	2000	2001	2002	2003	2004	2005	2005 (%) versus 2000
Number of deaths due to external death causes	3773	3706	3666	3373	3173	3214	85,2
including							
Transport accidents	699	628	602	552	538	487	69,7
Falls	365	425	393	348	274	253	69,3
Accidental drowning and drowning	255	315	268	207	183	250	98
Suffering from the impact of smoke, fire and flames	214	204	241	227	190	199	93
Intoxication and suffering from the impact of harmful substances	427	365	330	338	348	403	94,4
Including intoxication with alcohol	234	208	173	218	238	205	87,6
intentional self-harm	770	708	672	605	562	564	73,2
assault	297	290	265	247	217	229	77,1
Other external death causes	746	771	895	849	861	829	111,1
Including freezing to death	187	261	275	207	263	278	148,7

Table 13. Mortality rate of infants (per 1 000 birth cases)

1999	2000	2001	2002	2003	2004
11,3	10,4	11	9,8	9,4	9,4

Sources: www.csb.lv

Section 2. Causes and correlates of social inequality

Talking about social inequality causes in Latvia, we should take into account such factors as gender, age, socio-economic activity status, number of members in the household and region.

It also has to be pointed out that separate aspects of reasons and consequences of social inequality in Latvia have been objects of a few researches and reports. Description of socially – economical reasons and enumeration of vulnerable groups is mentioned also in Joint Memorandum of Social Inclusion of Latvia.⁵ Several researches in poverty aspect have been executed with a support of UNDP and in cooperation with Ministry of Welfare⁶. Comparative research about poverty and social inclusion in Baltic countries – in Latvia and in Estonia, has been executed also by the authors' collective.⁷

According to the data (Table 14) we can see, that both in 2004 and 2005 the percentage of female employment is lower than that of male employment (for example, in 2005 in national economy there were employed 62,6% of men of economically active age and 53,6% of women). But the percentage of jobseekers is higher is regarding men (in 2005 it was 5,6%), whereas regarding women of economically active age it is 4,2%.

According to the data (Table 15), men have higher average monthly gross earnings (in year 2005 - 204 LVL (female) and 249 LVL (male)). In 2005 the gap among the average monthly gross earnings was increasing and constituting 45 LVL, whereas during the previous years (2000 - 2004) the difference between male/female average monthly gross earnings was 33 LVL on average. A considerable difference (428 LVL in year 2005) between male and female earnings can be observed in the financial intermediation sphere.

Data of Table 16, reflecting dynamics of the poverty risk index by gender and age, show that the percentage of the women, living below the line of poverty risk, is higher than that of men, besides, the gap between the percentages of poor men and women is increasing (in 2004 the poverty index regarding women was 21% and regarding men - 18%; in 1996 regarding women it was 16% and regarding men - 15%).

⁵ Joint Memorandum of Social Inclusion of Latvia, 2003, Brisel

⁶ The poor people's opinions – social evaluation of poverty in Latvia, Riga, the Ministry of Welfare & UNDP, 2000, 2004; Gasmane F., Who and were in Latvia is poor? Riga, the Ministry of Welfare & UNDP, 2000, 2004; Gasmane F., How to survive with insignificant means in Latvia, Riga, the Ministry of Welfare, 2000; 2004

⁷ Poverty, social assistance and social inclusion – developments in Estonia and Latvia in a comparative perspective; Feliciana Rajevska, Zane Loža, Linda Ziverte, Aadne Aasland; Fafo (Norway), Tartu University, Latvian University, 2006

We should add that a higher poverty risk index can be observed regarding pension age people (in 2004 regarding the group of people aged 65 and older - 23%). An especially high poverty risk index is regarding separately living women (in 2005 - 42%), see Table 20.

Table 17 and Table 18 show the purchasing power of employees and pensioners – for example, employees in 2004 can purchase twice more meat, milk, bread than pensioners.

Table 19 shows that an essentially higher poverty risk is faced by self-employed persons than by employed ones (in 2005 the index regarding employed persons is 9%, but regarding self-employed ones it is 25%).

Traditionally employed persons in Latvia in private sector have a higher salary than those working in public sector. In 2005 this difference constitutes 61 LVL. Average monthly wages and salaries in private sector constitute 285 LVL (gross), but in public sector – 224 LVL (Table 22). Table 9 also shows income differences in regions. A considerable difference can be observed between Riga and the poorest Latvian region – Latgale, in 2005 in Riga the average monthly wages and salaries in public sector (gross) were 333 LVL, while in Latgale - 213 LVL; in private sector -224 LVL in Riga and 144 LVL in Latgale.

According to the data on the number of household members and household type (Table 20), a higher poverty level is among separately living pensioners; (in the year 2004 the poverty rate among such persons was 53%) single parents with children (41%) and households with 3 and more children under 18 years old (32%).

We already analyzed differences of the Gini coefficient in Latvian regions. Table 21 reflects the differences of dynamics of average monthly income per one household member in Latvian regions. Considerably higher income can be observed regarding those living in Riga and Riga surroundings (in 2004 135.24 and 102.77 LVL per one family member a month respectively), while it is on average almost twice lower in the Latgale region (67.2 LVL).

Table 14. Inhabitants aged 15-74 by gender and economic activity, at the end of the year

		Number			
		(thousands)	%		
2004	Total	Inhabitants aged 15-74	1815,1	100	
		Economically active inhabitants	1135,3	62,5	
		..employed	1018,6	56,1	
		..employment searchers	116,7	6,4	
		Economically inactive inhabitants	679,8	37,5	
	Male	Inhabitants aged 15-74	848,8	100	
		Economically active inhabitants	581,6	68,5	
		..employed	519,7	61,2	
		..employment searchers	61,9	7,3	
			Economically inactive inhabitants	267,2	31,5
		Female	Inhabitants aged 15-74	966,3	100
	Economically active inhabitants		553,7	57,3	
	..employed		498,9	51,6	
	..employment searchers		54,9	5,7	
	Economically inactive inhabitants		412,6	42,7	
2005	Total		Inhabitants aged 15-74	1813,2	100
		Economically active inhabitants	1136,2	62,7	
		..employed	1047,8	57,8	
		..employment searchers	88,5	4,9	
		Economically inactive inhabitants	676,9	37,3	
	Male	Inhabitants aged 15-74	849,1	100	
		Economically active inhabitants	579,1	68,2	
		..employed	531,2	62,6	
		..employment searchers	47,9	5,6	
			Economically inactive inhabitants	270	31,8
		Female	Inhabitants aged 15-74	964	100
	Economically active inhabitants		557,1	57,8	
	..employed		516,5	53,6	
	..employment searchers		40,6	4,2	
	Economically inactive inhabitants		406,9	42,2	

Table15. Average monthly wages and salaries by sex and kind of activity (lats)

	2000		2001		2002		2003		2004		2005	
	male	female	male	female	male	female	male	female	male	female	male	female
TOTAL	160	126	166	133	179	146	194	162	212	179	249	204
Agriculture, hunting and forestry - total	113	94	116	100	135	113	154	127	178	157	204	180
<i>agriculture, hunting and related service activities</i>	79	82	83	88	92	96	107	108	128	130	156	152
<i>forestry, logging and related service activities</i>	163	156	156	137	189	181	206	189	228	233	251	267
Fishing	85	86	102	84	94	94	105	104	124	129	148	143
Industry -total	156	127	160	131	169	136	185	147	204	161	234	180
<i>mining and quarrying</i>	143	113	147	125	183	132	201	160	227	181	243	195
<i>manufacturing</i>	146	123	151	127	157	131	173	142	192	156	218	177
<i>electricity, gas and water supply</i>	213	180	220	183	244	202	269	225	283	236	348	224
Construction	127	111	128	115	129	119	143	138	159	163	183	172
Wholesale and retail trade; repair of motor vehicles, motorcycles and household goods	129	93	134	96	143	104	161	118	188	136	215	157
Hotels and restaurants	106	78	119	84	118	93	128	100	149	116	173	125
Transport, storage and communications	204	170	209	180	215	182	239	198	235	213	282	236
Financial intermediation	491	281	539	314	637	344	645	362	643	369	871	443
Real estate, renting and business activities	181	145	193	154	212	165	213	176	232	195	269	206
Public administration and defense; compulsory social security	182	181	188	189	207	208	220	228	262	253	319	297
Education	133	119	151	135	168	155	189	177	199	191	242	222
Health and social work	134	116	140	117	156	131	183	153	201	180	231	203
Other community, social and personal service activities	145	107	155	109	164	122	176	135	185	144	226	165

Table16. Poverty risk index (%) by gender and age

		1996	1997	1998	1999	2000	2001	2002	2003	2004
All inhabitants	Total	16	15	17	16	16		16	16	19
	Male, total	15	15	18	16	17		16	15	18
	Female, total	16	16	16	15	16		16	17	21
0 – 15 years										
	Total							19	19	21
16 – 24 years										
	Total							18	19	21
	Male							18	19	21
	Female							18	20	20
25 - 49 years										
	Total							16	15	16
	Male							16	16	16
	Female							16	15	17
50 - 64 years										
	Total							17	16	20
	Male							18	17	20
	Female							17	16	19
65 and more years										
	Total							10	14	23
	Male							6	7	14
	Female							13	17	28

Table17. Purchasing power of employees (the amount of goods an employed person would be able to buy if he/she used up his/her net monthly wages and salaries solely for the acquisition of a certain kind of product; in kilograms)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
beef	56	52	57	62	70	76	72	77	91	93	94
pork	46	47	51	58	71	73	65	73	84	87	97
chicken	54	55	58	65	73	78	77	88	107	115	127
sausage, boiled	37	37	40	47	51	54	55	66	79	86	95
butter	33	36	41	51	56	63	68	75	81	76	75
milk, fat content 2-5.5%, liter	319	303	340	390	447	495	501	519	575	501	502
sour cream	82	82	93	108	119	129	137	160	159	143	154
curd	101	86	94	103	113	121	111	105	110	104	100
eggs, 10 pieces	1360	1250	1400	1680	1868	1817	1889	2305	2340	2463	2931
rye bread	216	202	227	250	263	279	288	304	329	334	352
white bread	167	151	164	184	198	214	230	249	271	273	293
sugar	163	164	180	203	210	227	230	231	247	231	266
potatoes	334	492	803	573	642	838	823	541	812	884	879
electricity, 100 kWh	4101	2537	2461	2499	2634	2795	2954	3192	3540	3005	3908

Table18. Purchasing power of pensioners (the amount of goods an old age pensioner would be able to buy if he/she used up his/her average monthly old age pension solely for the acquisition of a certain kind of product; in kilograms)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
beef	23,2	24,9	27,2	32,7	39,9	40,4	36,1	38,4	42,6	43,8
pork	19,1	22,8	24,5	30,5	40,4	38,5	32,9	36,6	39,2	41,2
chicken	22	26,6	27,8	34,2	41,6	41,3	39	44,1	54,1	54,1
sausage, boiled	15	17,7	19,2	19,3	29	28,9	27,7	32,7	37	40,7
butter	13,6	17,3	19,7	26,7	31,8	33,2	34,2	37,2	37,8	35,8
milk, fat content 2-5.5%, liter	131,3	145,4	162,3	205,2	253	263	252,9	259	268,1	236
sour cream	33,6	39,4	44,4	57	67,7	68,8	69,2	79,7	74	67,5
curd	41,4	41,5	44,9	54	64	64,2	55,9	52,2	51,1	48,9
eggs, 10 pieces	55,9	60	67	88,4	105,8	96,3	95,3	115	109,1	116
rye bread	88,8	96,9	108,2	131,5	149,2	148	145,4	152	153,2	158
white bread	68,6	72,7	78,1	96,8	111,9	113	116,3	124	126,2	129
sugar	67,1	78,8	86,1	106,9	118,8	120	116,3	115	114,9	109
potatoes	131,3	210	324,6	285	363,8	445	415,4	270	378,5	417
electricity, 100 kWh	16,9	12,2	11,8	13,2	14,9	14,8	14,9	15,9	16,5	15,8

Table19. Poverty risk index (%) by socially economic status and gender

Status	1996	1997	1998	1999	2000	2001	2002	2003	2004
Employees Total							9	7	9
Male							8	7	8
Female							9	8	9
Self-employed Total							22	23	25
Male							21	26	26
Female							23	17	23
Jobseekers Total							45	51	54
Male							46	52	57
Female							43	50	49
Pensioners Total							13	15	24
Male							9	9	17
Female							14	17	28
Other economically inactive Total							23	21	26
Male							24	18	27
Female							22	22	26

Table20. Poverty risk index (%) by household type

	1996	1997	1998	1999	2000	2001	2002	2003	2004
1 person's household Total							21	25	40
Male							27	21	36
Female							19	26	42
1 person's household, aged 65 and older							17	28	53
2 adults under 65 with no dependant children ²⁾							15	14	15
2 adults with no dependant children, of whom at least one adult is 65 or older							7	10	z13
Other households with no dependant children							10	12	14
Single parent with 1 or more dependant children							35	35	41
2 adults, 1 dependant child							14	13	11
2 adults, 2 dependant children							19	13	17
2 adults, 3 and more dependant children							22	32	32
Other households with dependant children							15	18	19

Table 21. Dynamics of changes of income level in regions

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Average household income per one household member, LVL a month	51.50	55.45	62.33	64.73	69.19		80.00	86.88	101.23
- in towns/ cities	53.11	57.80	67.26	70.93	76.69		87.61	98.46	112.34
IN REGIONS :									
-- Riga								125.23	135.24
-- Pieriga (Riga surroundings)								84.48	102.77
-- Vidzeme								67.97	83.34
-- Kurzeme								68.10	89.88
-- Zemgale								73.69	89.66
-- Latgale								56.83	67.2

Table 22. Average monthly wages and salaries of employees in Latvian regions

			2001	2002	2003	2004	2005	
Gross	Average wages and salaries of employees	LATVIA	159	173	192	211	246	
		Riga	184	200	222	237	280	
		Pieriga	146	154	167	196	228	
		Vidzeme	122	134	153	169	195	
		Kurzeme	148	155	171	186	209	
		Zemgale	126	140	158	174	201	
		Latgale	114	123	140	158	177	
	public sector	LATVIA	180	200	224	243	285	
		Riga	211	235	263	282	333	
		Pieriga	167	185	206	226	267	
		Vidzeme	145	162	184	200	227	
		Kurzeme	164	180	197	209	235	
		Zemgale	147	165	187	205	234	
		Latgale	132	145	166	187	213	
	private sector	LATVIA	146	155	172	192	224	
		Riga	167	179	200	216	254	
		Pieriga	134	137	148	180	211	
		Vidzeme	103	112	128	145	170	
		Kurzeme	137	140	155	173	195	
		Zemgale	111	120	134	150	176	
		Latgale	94	99	112	128	144	
	Net	Average wages and salaries of employees	LATVIA	115	124	138	150	176
			Riga	132	143	158	168	199
			Pieriga	106	112	121	140	163
Vidzeme			90	99	111	122	141	
Kurzeme			107	113	124	134	151	
Zemgale			93	103	115	125	146	
Latgale			85	91	102	115	129	
public sector		LATVIA	129	143	160	173	203	
		Riga	150	167	186	199	237	
		Pieriga	121	133	147	160	190	
		Vidzeme	106	118	133	144	164	
		Kurzeme	119	130	141	150	169	
		Zemgale	107	119	135	147	169	
		Latgale	97	106	120	134	154	
private sector		LATVIA	106	112	124	137	161	
		Riga	120	129	143	153	181	
		Pieriga	98	100	108	129	152	
		Vidzeme	77	83	94	105	124	
		Kurzeme	100	102	113	124	141	
		Zemgale	83	89	99	109	128	
		Latgale	71	75	83	94	106	

Source: www.csb.lv

Section 3. Social inequality and national political culture

Looking at social inequality in historical and cultural perspective it could be said that the cult of „unfortunate / dishonestly treated” has been to a great degree carefully cultivated in Latvian national discourse. On the one hand that is the image of “third father’s son” (the youngest son in the family, for whom there is lack of inheritance), “widow’s son” (poor young man from the country, who comes to the city to win his way), “Cibinsh” (poor pupil, who dies of cold in winter, because he is half-starving and badly dressed and does not have received any support from his richer peers) – heroes from classical literature, which children have to learn at school, but, from the other side, that is historical reality – Latvians protractedly were a “nation of enslaved farmers”, which turned into a modern nation (even at this present day not everybody is confident about that) with its bourgeoisie only in the second half of the 19th century.

Nevertheless, at the same time it has to be pointed out that although mentioned historically cultural aspect in the level of political discourse was still actively reproduced in the beginning of the 20th century⁸, but after resumption of independency in 1991 „lefty” egalitarianism ideas were not actively reproduced in the public area. In their place a standpoint was popular – „even if in best footwear [poor people], but in free Latvia”!

On the eve before independency Latvian society split up into two politically – ethnical societies – in „Latvians” (who were for resumption of the Republic of Latvia and for independency from USSR) and in „Russians” (who in political level were for maintenance of the USSR, and for Russian language as an official language). In ideological level that meant that „Latvians” turned into „the Rights” (liberals and centrist-conservatives), but „Russians” turned into „the Lefts” (socialists, communists). In this way reproduction of different „socialistic” ideas in Lettic discourse (Latvians form the major part of electors) was taken as the „bad form” and pro-Russian orientation. Such politically – ethnical division of society explains why the rapid growth of unemployment and decrease of the level of living, caused by „shock therapy”, did not trigger off political regeneration of egalitarianism ideas – since resumption of independency in Latvia rightwing centrist parties have been at power⁹.

⁸ In the turn of the 19th and 20th century in Latvia social democratic (and also socialistic) ideas became popular. On the one hand, Latvians actively engaged in development of communism in Russia (even until „the fight with nation’s enemies”, in result of which the majority of Latvia’s communists, who lived in USSR, were subject to repressions) as well as formation of „welfare country” in Latvia (social democrats traditionally were the biggest fraction in the parliament).

⁹ During the occupation, on the one hand, Latvia’s industry was „exaggerated” to a great extent on USSR inner consumption’s account, but, from the other side, importing Russian-speaking workforce, „threat of nationalism” were decreased. In the result in factories, which produced goods, which were consumed by USSR inner market, mainly worked Russian-speaking employees. Transforming to the market economy, these production units

Although in ideological level likely exists this dichotomy „the Right Latvians” and „the Left Russians”, nevertheless it does not mean that all Latvians would be wealthy and all Russians would be poor – for example, if we have a look at the list of Latvia’s richest people, then we can see that there are exactly Russian speaking Latvia’s inhabitants at its top. That is why there is no reason to talk about ethnical or citizenship’s character of inequality. (For further elaboration on this point, please see the Appendix.) At this moment in Latvia’s society, the same way as in other places, distinction of social inequality goes between city and the country, between the centre and the suburb, between educated and less educated parts of the society.

In general it has to be said that in Latvia’s national discourse problematic of social inequality has become actual only within last years, after Latvia’s accession to the EU. In public discourse, accession to the EU was noted as a borderline, behind which the „paradise” will begin. But accession to the EU brought to the Latvian society an after light that it is statistically the poorest member country. If after resumption of independency Latvian society was ready to accept lower life level due to freedom, then after 15 years it has started to require level and quality of living, which is corresponding with the EU level.

Section 4. Social inequality and the national party system

As it is noted in the previous chapter even till the last time problematic of the social inequality was not actual in Latvia’s political discourse – ethnical and safety questions were dominating in it (accession to the EU and NATO as guarantee of independency). Solutions of problems connected with social inequality offered in programmes of different parties in previous elections would be characterized with an Olympic device: „Citius, Altius, Fortius”. Parties’ attitude to promises of pre-elections could be the most magniloquent way characterized by the party’s „Jaunais laiks” (got the biggest number of seats on the 8th Saeima elections) leader’s response to journalist’s question about possibility to fulfil the promises: „Well, how can it be not promised?”

became uncompetitive and Russian-speaking employees, who had immigrated from former USSR, became unemployed persons. As majority of these Russian-speaking employees did not know Latvian language, which had become an official language, their expectations to find new qualified job were very small. Besides, resuming independency, only those persons, whose ancestry were citizens of the Republic of Latvia before occupation, could become citizens of the Republic of Latvia. In the result all employees, who had immigrated from the former USSR, did not become citizens and did not get right of voting, in this way automatically also „the Left’s” expectations to be represented in parliament decreased.

In general, evaluating only before elections of 9th Saeima in 2006, when parties understood that all strategic goals are reached (Latvia's accession to the NATO and to the EU since 2004), dimension of social inequality started to „seriously” appear in parties' pre-election programmes. At the same time it has to be pointed out that the only significant difference among parties in this field is that the rightwing centric parties at power are a little more serious in their promises¹⁰, because they are aware that promises have to be fulfilled at least partially, besides promises given by „the Lefts” could not be covered by any budget.¹¹

Only significant differences, which are observable among Latvia's political parties, are connected with their „specialization”. For example, rightwing centric parties – LPP (Latvijas Pirmā partija), which propose Christian and family values, stands for „mothers' benefits” and increase of other benefits, which are connected with family; LZS (Latvijas Zaļo un zemnieku savienība), which protects farmers, more oriented to increase farmers' welfare (subsidies and grants) and decrease differences among cities and the country; TB/LNNK („Tēvzemei un Brīvībai”/LNNK), which is „traditional” Latvian party, for these elections it registered the most voluminous „social programme”, which was based on support of Lettic middle class and taxation reform, which would make real estate market more accessible for the new families.

In conclusion it has to be noted out that in Latvia political parties to a great extent operate as „machines of elections” – that is, they are numerically small and develop active public action only before elections (during the rest of the time not parties, but separate politicians appear). Also in elections electors mainly vote for certain individuals and not for pre-election programmes, that is why only some rare people pay attention to that what is written in them (election law requires that each party presents pre-election programme, which consists of 4000 signs. It is understandable that in a programme of such size it is impossible to outline the planned action of the party in details, but also the long programmes very rarely outline the plan of action – those are rather manifestos.).

¹⁰ The right wing centric parties, the same as oppositionists, populists and the Lefts, promise to increase salaries for employees in budget institutions, pensions and benefits, but they avoid from mentioning certain amounts and time-limits, including the promises in advisability expression.

¹¹ See, for example, such political scientists' as Gatis Puriņš un Uģis Šulcs articles www.politika.lv.

Section 5. National mechanisms for mitigation of social inequality

5.1. The Role of the State in Social Protection

In 1991 after recovery of Latvia's independency transfer to the market economy took place, which significantly changed also the model of social protection, requiring change of accent from enhancement state's role to enhancement individual's role in his and his family's social protection. Project of welfare reform, for whom a credit was granted by the World Bank, was realized from 1997 till 2002. Since 2002 Latvia participates in Community Action Programme to Combat Social Exclusion 2002-2006. Activities, executed by Latvian government, in order to decrease social castaway take place according to the EU inclusion strategy for the time period until year 2010.

Tax system in Latvia

Latvian taxation system is determined by "umbrella" Law on Taxes and Fees, which was established on 2nd of February, 1995 and its amendments¹². In accordance with this law, in Latvia are established 10 taxes.

Personal income tax rate (25%) in Latvia has not changed since beginning of its establishment¹³. There is proportional income tax system for individuals with a basic exemption (non-taxable minimum) in Latvia. In 1997 amount of non-taxable minimum was 21 LVL per month or 252 LVL a year and it remained the same till even year 2004, but since year 2004 the non-taxable minimum is settled by annual State Budget Law. On 2005 it was 26 LVL and 18 LVL personal income tax relief for dependent person; on 2006 accordingly 32 LVL and 22 LVL per month, but starting from the 1st January of 2007 with personal income tax non-taxable minimum is increased to 50 LVL a month, but tax relief for dependent persons – till 35 LVL a month.

On 1995 a comprehensive legislation reform in social protection was realized, establishing 7 new laws¹⁴. Law on Social Tax¹⁵ determined equal personal income tax rate to the tune of 38% for all working people, within next five years gradually decreasing it to 33% and changing correlation of employers' and employees' social tax contributions. At this moment social tax is 33.09% of salary or 9% (of salary, which is paid by employee) + 24.09% (of salary, which is paid by employer).

¹² 02.02.1995 Law "Par nodokļiem un nodevām" (Law on Taxes and Fees), www.likumi.lv

¹³ 11.05.1993 Law "Par iedzīvotāju ienākuma nodokli" (Law on Personal Income Tax) with amendments, www.likumi.lv

¹⁴ 07.09.1995 Law „Par sociālo drošību“ (Law on Social Protection), umbrella law, www.likumi.lv

¹⁵ 31.01.1991 Law "Par sociālo nodokli" (Law on Social Tax) and its amendments, www.likumi.lv

Welfare benefits

In welfare system in Latvia social assistance benefits and services (provided mainly by local municipalities, non-governmental organizations) and social insurance services (pensions, benefits, and compensations) are separated¹⁶. Within this report state social insurance services are discussed.

1. Family State benefits. Family benefits are all benefits in shape of money or services, which goal is compensation of family expenditures, excluding social benefits in case of birth or adoption of a child¹⁷.

The main types of family benefits are:

- **Universal family benefits** are monthly paid by state for every child up to 16, or, until a child obtains secondary education in educational establishment. The child benefit for a child per month is 8-14,40 LVL, depending on the number of children in the family.
- **Parental benefit** is meant for the parent who has taken parental leave. The amount of the payment is based on the parent's previous earnings, but not less than 56 LVL per month. The maximum payment is 392 LVL per month. The parental benefit is paid to the working mother after the end of maternity benefit. The parental benefit in this amount is paid till the child reaches 1 year. Nonworking parents have the right to parental benefit for 12 months starting from childbirth, and in this case the amount of parental benefit is 50 LVL a month. When the child is between 1 and 2 years old, childcare benefit is 30 LVL a month for employed as well as for unemployed persons, fathers equal to mothers have the right for parental benefit beginning 6 months from childbirth. If childcare benefit is awarded for the birth of twins or more children born during one delivery, supplement is granted in addition to the benefit.
- **Additional payment to the family state benefit for a disabled child.** Additional payment to the family state benefit for a disabled child under the age of 18 years is 50 LVL per month..

¹⁶ 31.10.2002 Law „Sociālo pakalpojumu un sociālās palīdzības likums” (Social Services and Social Assistance Law); 23.11.1995 Law „Par valsts pensijām” (State Pensions Law); 19.11.2002 „Valsts sociālo pabalstu likums” (State Social Benefits Law); 23.11.1995 „Par maternitātes un slimības apdrošināšanu” (Law on Maternity and Sickness Insurance); 29.05.2002 „Bezdarbnieku un darba meklētāju atbalsta likums” (Law of Support for Unemployment Persons); 15.12.1999 „Par apdrošināšanu bezdarba gadījumam” (Law on Unemployment Insurance); 21.10.1997 „Par valsts sociālo apdrošināšanu” (State Social Insurance Law); 03.08.2000 „Valsts fondēto pensiju likums” (State Funded Pensions Law); www.lv.lv ; www.likumi.lv

¹⁷ State Social Insurance Agency, Information about Benefits, Pensions, Compensations, www.vsaa.gov.lv

- **State support to the children suffering from celiac disease without formally stated disability.** Benefit amount is equal to the amount of the state family benefit for a disabled child and namely - 50 LVL per month.
- **Disabled childcare benefit.** Amount of disabled child (until the child reaches 18 years of age) care benefit is 50 LVL per month.
- **Maternity benefit** is meant for working mothers. It is allocated and paid in the amount of 100% from the average contribution wage, that is calculated from the six month period income (for the self-employed – 12 months).
- **Paternity benefit** shall be granted and paid to socially insured neonate father who shall be allocated a leave of 10 calendar days due to birth of a child. Paternity benefit is granted and paid in the amount of 80% from the average insurance contribution wage calculated from the six-month income.

2. Unemployment benefit. In Latvia the amount of the unemployment benefit is determined, taking into account the length of the covered insurance period and the average insurance contribution wage¹⁸. Total period for receiving of the unemployment benefit is nine months.

Unemployment benefit is paid, taking into account duration of unemployment:

- during first 3 months – 100 % of granted benefit amount;
- during the following 3 months – 75 % of granted benefit amount;
- during the last 3 months – 50 % of granted benefit amount.

3. Pensions. Since year 2001 there operates three tier pension system, which includes 1st level (Mandatory State Non-funded Pension Scheme), 2nd level (Mandatory State Funded Pension Scheme) and 3rd level (Voluntary Private Pension Scheme) in Latvia. The 1st tier of the pension system ensures pensions for all persons, who had been socially insured for at least 10 years. If the person's insurance period is less than 10 years the state social insurance benefit is granted to him. Besides, everyone who is socially insured is entitled to be the participant of the Mandatory State Funded Pension Scheme (2nd tier), if on the 1st July of 2001 the person was not older than 50. Participants of the 2nd tier do not have to pay additional social contributions. Additional savings in the 2nd tier of the pension scheme are made by investing part of the resources registered on the person's personal account into shares, bonds and other securities as well as in the bank deposits. Intermediary – the licensed fund manager, performs

¹⁸ State Social Insurance Agency, Information about Benefits, Pensions, Compensations, www.vsaa.gov.lv

investing. The 3rd tier of the pension system - private voluntary pension scheme – was launched on July 1998. The 3rd tier stipulates the free choice of any person to create additional savings for their pension by paying contributions into the private pension funds.

Other government mechanisms for reducing social inequality

It has to be remarked, that in Latvia's National Development Plan¹⁹ and in „National Report on Strategies for Social Protection and Social Inclusion”²⁰ in Latvia there are identified such social groups under risk of poverty and social castaway: large families and one-parent families, disabled persons, pre-retirement and retirement age people, children and young people under risk of poverty and social castaway, unemployed people (especially long-term unemployed people), homeless people, discharged persons from prison, ethnical minorities (especially Romas) and victims of human trade.

In that way, governmental priorities at this moment are:

- 1. Improvement of accessibility of different resources and services** for representatives of before mentioned groups;
- 2. To overcome problems connected with acquiring education possibilities and quality of education:** for example, lifelong education accessibility for adults; development programmes for local governments to involve persons with invalidity into society; accessibility of resources for children and young people under risk of poverty and social castaway;
- 3. Establishment of involving labour market and promotion of employment:** accent on long-term unemployed people, young unemployed people, mothers after child care vacation;
- 4. Provision of appropriate housing:** for people who are not able to purchase housing in the housing market – families with children, orphans who have attained full legal age, ex-prisoners, persons who live in denationalised housing fund;
- 5. Integration of non-Latvians:** it has to be remarked, that indicators of poverty and social castaway do not differ significantly for Latvians and non-Latvians, excluding already mentioned Romas' minority.

¹⁹ Latvian National Development Plan (years 2007 – 2013), www.nap.lv

²⁰ „National Report on Strategies for Social Protection and Social Inclusion 2006.–2008”, Rīga, 2005

5.2. Non-governmental mechanisms for amelioration of social inequality

Non-governmental organizations.

During the Soviet period in Latvia non-governmental organizations were tightly controlled by the government. After the war non-governmental organizations, which consisted of Latvian refugees, were actively operating in Canada, America, Australia, and Germany. Non-governmental sector in Latvia is increasing, since January 1991 till February 2005 there were registered more than 8000 NGOs. Currently there are more than 10 000 associations and foundations registered in Latvia.²¹ Disposition of NGOs in Latvia is irregular – in Riga there are 5.3 organizations per 1000 inhabitants, but, for example, in Ludza District – only 0.8 organizations (in Latvia on average – 3.7 organizations per 1000 inhabitants).²²

Majority of **Non-governmental organizations** operate in health and social services field: those organizations, which consolidate people with special needs / social problems. One of the oldest NGO in Latvia, which operates since year 1918, is Latvian Red Cross. One of the most familiar and most active non-governmental organizations in Latvia is an organization of people with disabilities and their friends – “Apeiron”, which operates since 1994. The organization is very actively involved in different projects, offers consulting and training, and in Latvia as the first ones started to draw attention to environmental accessibility-related problems of invalids with disturbances of movement. Also Latvian Pensioners’ Federation is actively operating.

Non-governmental organizations for protection of children rights and prevention of violence against children and women (for example, centre for women and children in crisis).

Non-governmental organizations that trying to avoid or combat against social inequality manifestations connected with minorities (ethnic, sexual). In late years number of organizations, which propose ideas about gender equality and facilitation of women welfare, has increased.²³

During post-soviet union period in Latvia its operation has started also Soros Foundation – Latvia (SFL), established in 1992 with the support of George Soros. Their main focus is on strengthening the civil society, sharing experiences of transition as well as reinforcing principles of participatory democracy and equality.

²¹ „Lursoft” data bases of enterprises, www.lursoft.lv

²² K.Gaugere, SFL, Riga, 2005, “Report: NGO sector in Latvia”

²³ Informative report about „*Programme for gender equality 2005- 2006.*” realization of activities in 2005, Riga, Ministry of Welfare, 2006

Trade Unions

Starting from May 1990 in Latvia operates also Union of Independent Trade Unions in Latvia (LBAS)²⁴, which realizes protection of professional trade union's members' and employees' interests in the branches' level and inter- sectoral level. At present, LBAS unites more than 164 000 thousands members (approximately 18% of all employed people) in around 2902 state, municipal and private enterprises.

Starting from 1993 in Latvia operates also Employers' Confederation of Latvia (LDDK)²⁵, which members employ at large 25% of employees in Latvia. On 1993 in Latvia also the Tripartite Advisory Council of Employers, State and Trade Unions commenced its work.

The number of labour union members was bigger during the Soviet period, but their activities and influence was controlled by the government and the party. Role of trade unions is increasing in late years. LBAS main goals at present time period in social dialogue with government and LDDK: increasing the minimum wages; increasing the non-taxable minimum, increasing the benefits for dependent persons – especially for families with three and more children.

Churches

Currently In Latvia there are officially working around 90 registered religious organizations. There are three big churches in Latvia – Lutheran Church, Latin Church and Orthodox Church. Around 100 years ago in Latvia also Baptist tradition formed. Role and impact of churches significantly increased in society after the fall of Soviet Union.

Conclusions

When comparing all the countries in the world, Latvia belonging to the first Penta-costalists (48th place among 177 countries), based on UNDP Human Development ²⁶.

After Latvia gained back its independency on 1991, it has reached high progress, moving from a centrally planned to a market economy²⁷. Speed of Latvian national economy development within last years has been one of the highest among EU countries, nonetheless standard of living of the inhabitants still drops behind indicators in more developed countries:

²⁴ Information about Latvia's Union of Independent Trade Unions, www.lbas.lv

²⁵ Information about Employers' Confederation of Latvia, www.lddk.lv

²⁶ Latvia. Human Development Reports 2004/2005

²⁷ „Joint Memorandum of Social Inclusion of Latvia“, 2003, Brussels

gross domestic product per capita, calculated as purchasing power parity, is only 35% - 45% of an average index in the EU (on 2004 it was 43% of an average index in the EU). Income polarization, regional stratification and number of inhabitants at risk of poverty increases, besides, much higher risk to come to poverty in Latvia is for unemployed inhabitants, families with children and women²⁸. At the same time, reduction of social castaway and poverty in Latvia is acknowledged as political priority.²⁹

Term *social inequality* in Latvia, the same as in majority of European countries, is closely connected with the wider understanding of the terms „poverty”; „deprivation”; „inclusion“. In academic literature in Latvia we can find publications, and reports about these subjects, but there are not comprehensive researches about expressions of social inequality, especially in historical comparison.

²⁸ “Social Report 2004.-2005.”, Rīga, Ministry of Welfare, 2006

²⁹ „Activities Strategy Ministry of Welfare 2007- 2009”, Riga, 2006

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Appendix: Ethnicity and social inequality in Latvia

1) Aasland, Aadne. Ethnicity and Poverty in Latvia. Riga : UNDP Latvia : Ministry of Welfare, 2000

Central conclusion in this research was:

The paper has shown that ethnicity is not of major relevance when poverty is described and explained in Latvia. Transition has winners and losers among all ethnic communities living in the country. Most people have experienced hardships that are not specific to or contingent upon the ethnic group to which they belong (47 pp)...

And, other conclusions (main body of conclusions part – 48.pp. till to 50 pp.):

The data material shows that when controlling for other variables, ethnic Latvians tend to be slightly better off economically than ethnic Russians and other ethnic groups, but differences are just large enough to be statistically significant (48 pp)...

The paper has shown that background characteristics other than ethnicity are much more important in explaining differences in poverty levels. Educational level stands out as a very relevant factor; the more education a person has, the less likely it is that he or she belongs to the poor, whatever definition is applied. Some types of education certainly pay off more than others, but in general education seems to be a good investment in Latvian society. Moreover, education appears to be of great importance to all ethnic communities, and educational levels are very similar for the largest ethnic groups in the country.

Urban and rural settlements are quite different in terms of distribution of poverty and its content. The main report from this study has more about the urban/rural dimensions of poverty. Ethnic composition is different in urban and rural areas, and consequently this also affects poverty patterns for the ethnic groups. Since the majority of the rural population is made up by ethnic Latvians, they are also much more affected by problems that are more frequently encountered in rural areas compared to Russians and other ethnic groups, with only a small share of the population in the countryside. In this report we have controlled for type of settlement when we have compared the ethnic groups. The general picture is quite clear. Differences between urban and rural types of settlement are reflected in all the major ethnic groups of Latvia.

Regional variations are substantial, but not dramatic. For most of the indicators of poverty, the greater Riga region stands out as the most affluent, while other regions are somewhat worse off. Latgale, which is usually singled out as a problematic region in terms of living conditions, and in which the proportion made up by ethnic minorities is particularly high, does not stand out as much worse than other Latvian regions in terms of poverty. According to most indicators Latgale and the other regions, apart from Riga, are similar.

While a person's sex does not seem to be important for the risk of being poor, age is of some importance for some of the indicators, but no systematic trend can be discerned. Large households have a tendency to be disadvantaged. These patterns are the same for all the ethnic groups, so the risk of poverty is larger for a person living in a large household, whether a person is ethnic Latvian, Russian or belongs to a different ethnic group.

Ethnic Russians and representatives of other ethnic groups, on average, have a higher number of amenities in their dwellings compared to ethnic Latvians, even after controlling for type of settlement. This is probably due to the fact that a larger number of ethnic Latvians live

in separate dwellings, where the level of household amenities tends to be lower. However, there are no significant differences between the ethnic groups in terms of dwelling size and the number of rooms in a dwelling.

There are some areas where there are some notable differences between the ethnic groups, however. The first concerns the evaluation of the present conditions when seen through the lens of the past. Russians and other ethnic groups tend to be more negative in their evaluation of the present economic conditions. There can be several reasons for this. First, it could be that their present conditions are worse than those of the ethnic Latvians. However, there is no reason in the material to conclude this. A second possibility would be that these ethnic groups were privileged in the past and even if they now are on an even footing with ethnic Latvians, their situation has deteriorated comparatively more. There is, however, no material supporting this either. The most likely explanation is, then, that Russians and other ethnic groups see less of the positive aspects of the changes and have a more pessimistic view of social and economic developments in Latvia in general. Also, although objective conditions do not give any indication of why this is so, Russians give an impression of significantly greater economic insecurity than ethnic Latvians.

Another area where there are differences between the ethnic groups is in the labour market. Although participation rates are similar, unemployment rates which are calculated as the proportion of the labour force which has not worked, is actively looking for work and available for work, are higher among ethnic Russians and other ethnic groups than among ethnic Latvians.

Finally, although frequencies of encounters with the social assistance offices tends to be similar between the ethnic groups in Latvia, ethnic Latvians more often receive the assistance they apply for and also in general have more knowledge of which assistance they are entitled to and give a better evaluation of the performance of the social assistance offices. Russians and other ethnic groups with much lower numbers of subscribers to local newspapers, without a command of the local language also have fewer arenas where they can seek information about their rights.

To conclude, then, there does not seem to be a systematic discrepancy in poverty levels between the major ethnic groups living in Latvia. Some differences are visible in the labour market, however. And, in terms of subjective feelings of economic security, and in an evaluation of the present conditions, ethnic Latvians, more integrated in Latvian society, tend to view the situation in more positive terms than ethnic Russians and representatives of other ethnic groups. This has not, however, led to any notable differences in physical and mental health between the ethnic groups in Latvia.

See also Aadne Aasland, Tone Flotten, Ethnicity and Social Exclusion in Estonia and Latvia *Europe-Asia Studies*, Vol. 53, No. 7 (Nov., 2001), pp. 1023-1049;

2) Arne Gronningsaeter, **Social exclusion and social policy in Estonia and Latvia, Fafo, 2003, page 28 and 29;**

Ethnicity¹⁴

Ethnicity has little impact on the risk of falling into poverty. The ethnic minorities' situation in Latvia as well as in Estonia is complex, but the most common denominator for poor people or people who experience social exclusion is a lack of education, not whether or not they belong to an ethnic, i.e. Slavic, minority.

The two countries of Estonia and Latvia are similar in the sense that they are both ethnically heterogeneous. Barely two thirds of the Estonian population are ethnic Estonians (UNDP 1999) while merely a little more than half of the Latvian population are ethnic Latvians (UNDP 1998). The standard of living of ethnic groups in these two countries are surrounded by myths, and with the special history of the Baltic States (see below) one would expect the large Russian and Slavic populations especially to be at risk of lagging behind the titular groups economically as well as socially. Previous research has concluded that ethnic affiliation has little impact on the risk of falling into poverty, and there are no great differences in material living conditions between the majority ethnic groups and the Slavic populations in the two countries.

(Aasland 2000, Fløtten 1996). However, the risk of being socially excluded has not yet been analysed.

The basic question

Our focus is on the differences between ethnic Latvians and Estonians and the Slavic minorities. The basic question is: *Are the Slavic ethnic minorities of*

Estonia and Latvia at greater risk of being socially excluded than ethnic Estonians and Latvians?

On closer examination a relatively complex picture emerged. Anybody belonging to the Slavic minorities in Estonia and Latvia will often lack fundamental rights associated with citizenship such as the right to vote in national elections and being eligible for leading public positions. Furthermore, it seems as if the Slavic population more often than the titular groups struggle to get integrated into several other arenas of society. The minority groups are less integrated and feel less secure on the labour market, they participate less often in civil and political activities and they tend to report more frequently that economic hardships restrict them from participating in social activities. Despite these

facts, there are no significant differences between the ethnic groups when it comes to social isolation. Moreover, the differences *between* the two countries when it comes to exclusion among the ethnic minorities are smaller than the differences *within* each country.

¹⁴ This paragraph refers to Aadne Aasland and Tone Fløtten, "Ethnicity and Social Exclusion in Estonia and Latvia" *Europe-Asia Studies*, Vol. 53, No. 7, 2001, pp-1023-1049. The main data source for this article is the Norbalt survey, see chapter on methods.

Education

Even though there is a significant relationship between ethnicity and various forms of social exclusion, and the presence of cumulative exclusion, the most important variable to explain the social exclusion that affects all groups, nevertheless seems to be education. People with little education are more often excluded. Given the importance attached to poverty in the discussions of social exclusion, we would have expected poverty to have a significant impact on all forms of exclusion as well. The strength of the relationship between income poverty and exclusion from different arenas does seem to vary, and poverty does not seem to be a dominant variable in explaining neither exclusion from civil/political participation nor social isolation.

The most important finding is that ethnic affiliation seems to be of *some* importance in explaining certain forms of social exclusion, but the findings are not unanimous, and other factors are too important for us to draw too decisive conclusions. Ethnicity is not a decisive factor in explaining income inequalities in

present-day Estonia and Latvia, and the Slavic minorities do not seem to suffer from any considerably higher risk of multidimensional exclusion than the titular groups. Ethnic Estonians and Latvians tend to view their situation in more positive terms than other inhabitants when expressing subjective feelings of economic and social security (Aasland 2000). We have reason to believe that ethnicity does play a role in the integration into the two societies.

Not poverty, but social exclusion

There seems so far no need to pay special attention to the Slavic minorities as far as poverty is concerned. The degree of exclusion along several of the dimensions selected in our analyses, however, suggests a need for consideration. Of special importance is inclusion into the labour market. To enhance the educational level of both titular and non-titular groups seems to be crucial. There is reason to fear that a prolonged exclusion from the labour market may affect inclusion into other arenas of society in the long run.

3) Franziska Gassmann; Who and where are the poor in Latvia?: UNDP Riga, Latvia; June 1998

Conclusions part (all, 47 pp)

Based on the empirical analysis of the HBS data, this paper agrees with earlier findings (UNDP 1997) that material poverty is widespread in Latvia. More than half of the population is living somewhere between the low and the high poverty lines as used in this paper. Depending on the threshold, the extent of poverty varies between 12% under the lowest standard of LVL 24 per capita per month up to 67% when taking the crisis subsistence minimum as the cut-off line. Except for the region around Riga which has a lower than average poverty rate, poverty is quite uniform among the other regions. What really makes a difference, is whether someone is living in an urban or a rural area. The larger the town, the smaller the poverty risk. Nevertheless, most of the poor live in and around Riga since one third of the Latvian population is living in the metropolitan area. There are certain vulnerable groups that are facing an above average risk of being poor: large households, households with three or more children, households where the breadwinner is young or unemployed or has a low education, and households that depend mainly on income from agriculture or social transfers (except pensions).

Although this paper provides detailed information on the extent of material poverty, there are many open questions. We do not know how people cope with the situation in their daily life and the survival strategies they apply. We do not know how the poor perceive their situation. We have not yet analyzed other aspects of poverty, such as access to health and education, or lack of opportunities to function in society. The labor market needs to be analyzed from a poverty perspective in order to see whether employment opportunities can soften the impact and move people out of poverty, i.e. make it a temporary phenomenon for a household. Another aspect that needs a thorough investigation is the social security system of the country. Is the Latvian safety net effective and able to work as a last resort? Statistics published by the CSB (CSB 1997d) based on the very same HBS data indicate that social assistance is not mainly delivered to the poorest segments of the population. Households from the highest deciles did receive local social assistance benefits as well. This is even more troublesome when considering the fact that the budgetary requirements to help families in need exceed the available funds.

To tackle the problem and to be able to formulate sound policy recommendations, more research is necessary. It should not be forgotten that this paper is only the start of a series of analyses still to come. Having, at the end, considered all the various aspects of poverty will allow overall conclusions to be drawn based on which a national poverty eradication strategy can be developed.