

Work provides not only the possibility of earning a living, but also of fully participating in the social, economic and political life of the country. The transformation to a market economy has resulted in a number of fundamental changes in Latvia's labour market. The unlimited creation of new jobs and the demand for labour characteristic of the Soviet era has given way to officially recognised unemployment.

In Soviet Latvia, the demand for industrial labour exceeded the supply of local labour reserves. The construction of large industrial enterprises in Latvia caused a massive flow of immigrants into the country from all parts of the Soviet Union. This policy resulted in a situation in which Latvians lived predominantly in rural areas and in small provincial towns, while non-Latvians who arrived in Latvia after World War II lived mainly in urban centres.

The restructuring of the economy has affected both the urban and the rural populations. After the collapse of collective and state farms, rural workers created share-holding and statute companies, the majority of which have ceased to exist in the course of two years. This has sharply raised unemployment figures in rural areas.

After the collapse of the Soviet Union, it turned out that a considerable portion of the products manufactured by Latvian enterprises was not in demand due to low quality and high production costs. Due to difficulties in selling products and the high costs of raw materials, electricity and heating, many large enterprises reduced production and dismissed employees. While unemployment has emerged in agriculture and industry, the private sector has generated new jobs. However, the pace of job creation by entrepreneurs thus far has lagged behind the pace of job reduction in the state sector.

Official and Hidden Unemployment

Over the past few years, qualitative macro-economic changes have taken place in Latvia's economy. The decline of 1992–1993 seriously aggravated the problem of employment (see also the Chapter on Declining Incomes and Rising Poverty).

Since the registration of the unemployed was begun in January 1992, unemployment figures have been steadily growing. By 1 January 1993, the State Employment Service (SES) had registered 31.3 thousand unemployed, by 1 January 1994 – 76.7 thousand, and by 1 January 1995 – 84.0 thousand or 6.5% of the economically active population. The proportion of women among the unemployed is gradually decreasing: at the end of 1992, it stood at 58.8%, at the end of 1993 – 52.1% and at the end of 1994 – 51.9% (see also the Chapter on Women in Transition). The situation differs sharply in Riga, the capital of Latvia, where the share of women among the 12.5 thousand registered unemployed is 68.0%.

The Law "On Employment" states: "An unemployed person is any Republic of Latvia citizen or resident alien (stateless person) capable of working, who has obtained a permanent residency permit or who has in his/her passport a stamp of the Registry of Inhabitants with an individual code number, is not employed, but is of working age, has no other source of income amounting to at least a minimum salary, who does not engage in entrepreneurial activity, who is seeking work and is registered in the State Employment Service office in the place of residence for which he/she has a residence permit (registered in the passport) and who applies to the Service at least once a month."

The total length of the period for which a person is entitled to receive unemployment benefits constitutes six months of a twelve month period. According to procedures promulgated by the Cabinet of Ministers, the period of time a person can receive unemployment benefits can be prolonged up to twelve months by local governments. Unemployment benefits amount to 90% of the minimum wage for those who have lost employment through no fault of their own and 70% of the minimum wage for those who have never been employed. These categories include graduates of educational institutions, people released from correctional facilities, etc.

At the end of 1994 the number of registered long-term unemployed in Latvia was 36.1 thousand, which constitutes 43% of the total number of unemployed. Of those, 21.2 thousand or 58.9% had been unemployed for 6 to 12 months and 14.8 thousand or 41.1% had been unemployed for more than 12 months. The number of

Table 7.1

Distribution of the Unemployed by Age and Sex, 1993–1995
(in thousands)

	1 January 1993	1 January 1994	1 January 1995
Women 50–55	2.3 (7.4%)	5.7 (7.9%)	5.9 (7.0%)
Men 55–60	1.1 (3.5%)	3.7 (4.9%)	4.3 (5.2%)
Young people up to 18	4.7 (15.0%)	11.9 (15.5%)	13.9 (16.6%)
Young people 18–25	0.6 (1.9%)	1.5 (1.9%)	1.5 (1.7%)

the unemployed according to age and education is constantly changing. However, it can be surmised that young people with no profession (15–24 years of age) have added greatly to the ranks of the unemployed. At the same time, the number of unemployed with higher and vocational education is diminishing.

As can be seen in Table 7.1 the distribution of the unemployed according to age has not changed significantly over the last several years.

Unemployment has affected all ethnic groups in the population, and the breakdown of the unemployed by ethnicity corresponds to the ethnic composition of labour force (see Table 7.2).

Latvia also has "hidden unemployment" caused by involuntary work stoppages, unpaid leave and a reduction in the work week. Hidden

unemployment has been caused by a number of economic and financial factors, such as a shortage of raw materials and material resources, difficulties in selling products and the like.

After the expiration of the six-month period during which they are entitled to receive unemployment benefits, many inhabitants who reside far from SES departments and offices in rural areas do not turn to the SES and register as long-term unemployed. There are no official statistics as to the number of such persons. According to the rough estimates of the SES, hidden unemployment might total 6–7% of the economically active population.

In 1994 the highest unemployment figure, 6.6%, was registered in April. During the summer, the figure dropped to 6%, but in autumn it began to rise again. The rise was mainly linked to the provision of special winter unemployment benefits by local governments to low-income families who had registered at SES departments and offices. Thus, disregarding seasonal fluctuations, officially registered unemployment can be said to have stabilised at 6% in 1994. A further rise in unemployment is to be expected as a result of the recent onset of privatisation of large and medium-size enterprises. According to Ministry of Welfare estimates for 1995, unemployment might reach 8–9%.

Regional and Urban/Rural Aspects of Unemployment

As of 14 March 1995, there were 86,962 unemployed registered at SES departments and offices. This means that unemployment has

Table 7.2

Distribution of the Unemployed
By Ethnicity, end 1994

Ethnicity	% of total unemployed
Latvians	47.2%
Russians	38.2%
Belarussians	5.4%
Ukrainians	3.0%
Poles	3.1%
Lithuanians	1.6%
Jews	0.2%
Others	1.3%

struck 6.0% of all those capable of working or 6.8% of all economically active people. Analysing the labour market, it can be concluded that unemployment levels differ substantially across different regions in Latvia as well as across big cities and rural areas.

The lowest unemployment level among urban centres is in Ventspils (1.74%) and Rīga (2.6%) and among rural areas in the Saldus district (1.6%), the Ogre district (2.4%), the Rīga district (3.2%), the Tukums district (3.24%) and the Ventspils district (3.2%). As can be seen in Map 7.1, at the beginning of 1995 the two industrially developed port cities Rīga and Ventspils and nearby districts had the lowest levels of unemployment at the beginning of 1995.

The most difficult situation is in the southeast of the country, in Latgale, with 16% of the total population and 36.6% of all the unemployed. In some districts of Latgale, the unemployment level is three times the national average. For example, in Rēzekne district the rate is 21.9%, in Prei-ī district – 20.6%, and in Krāslava district – 20.4% (see Map 7.1).

Latgale has always been the least developed region of Latvia. During the Soviet era, special measures promoting investment in the region were adopted. However, these measures had little impact. Developing the economy of Latgale will be a matter of time, special programmes and investments.

According to SES data, the situation in Latvia as a whole is as follows: Rīga has 33.6% of the total population and an unemployment rate of 2.6%; in Vidzeme region has 22% of the total population and 5.4% unemployment; Kurzeme region has 13.7% of the population and 5.8% unemployment; Zemgale region has 14.9% of the population and 6.3% unemployment; and Latgale region has 16.0% of the population and 14.0% unemployment.

Of all the officially registered unemployed, 38.4% live in big cities, and 61.6% in rural areas. Among the long-term unemployed, the distribution is even less balanced: only 29.1% live in cities and 70.9% live in rural areas. For instance, by 14 March 1995, 1489 unemployed registered at the Daugavpils SES. These were primarily tractor drivers, dairy maids, cattle-breeders, agricultural workers, truck drivers, construc-

tion workers, and people without a profession. This demonstrates that the enterprises which have dismissed people are located in rural areas. Of 27 share-holding companies in the Daugavpils district, only one has survived, and it employs a very small number of people. All the others have dissolved and the limited liability companies found in their stead have closed one after another.

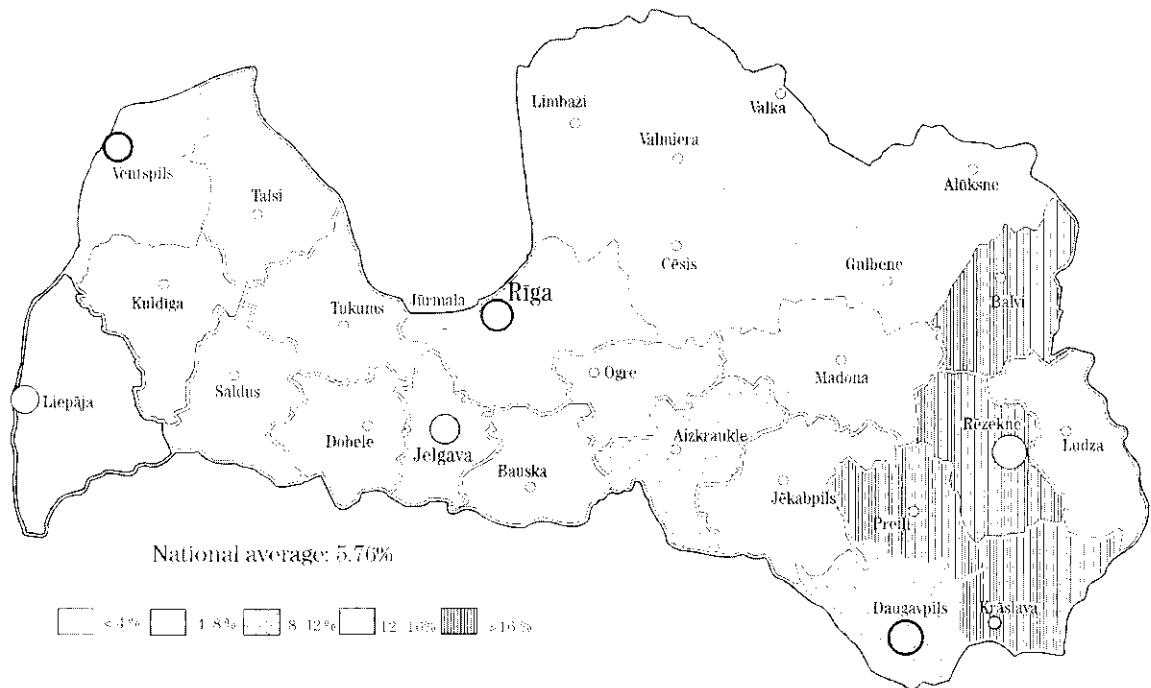
The Role of Small Enterprise Development in Reducing Unemployment

Locating employment for the unemployed is one of the main tasks of the SES, but this can only be accomplished with the active participation of employers. The number of officially registered job vacancies in the summer of 1994 fluctuated from 3000 to 3300 and in the winter from 2000 to 2200. Over a two-year period, the number of vacancies in the state sector dropped from 90% to 58% with corresponding growth in the private sector.

Since autumn 1993, the SES has sent out a biannual questionnaire to enterprises and organisations requesting predictions of increases or reductions in employees for the following six months. At the beginning of 1995, SES officers carried out a poll at 3138 enterprises and organisations with an employee total of 312,840. Despite the fact that the number of enterprises planning to increase or reduce the number of their employees is practically the same (14.2% and 13.7%, respectively), the number of employees will be reduced by 5568 persons. In other words, two parallel processes are taking place simultaneously. State enterprises are dismissing employees on a large scale, while job creation in the private sector is limited. For instance, of 67 enterprises surveyed, only five in Liepāja are planning small increases (between 10 and 50 persons). At the same time, large state enterprises, such as the Liepāja base of the Ocean Fishing Fleet (OFF) are planning to reduce employees by 1200 persons. Moreover, the state share-holding company "Lauma" is planning to reduce employees by 300 persons.

Map 7.1

Distribution of the Unemployed by District, 1 January 1995



The results of the poll show that dismissals will mainly take place in big cities (87.3% of the planned total). Only four rural districts – Krāslava, Kuldīga, Saldus and Valka – are planning small increases of employees. In analysing these processes, it becomes clear that the number of newly-created jobs in the private sector will increase in the near future, but the employment situation as a whole will depend very much on the initiative of private entrepreneurs. Unfortunately, existing legislation does not stimulate the initiative of private entrepreneurs and further development of an enabling environment for increased business activity.

Education and Retraining of the Unemployed

A key tool in fighting unemployment is educating and retraining the unemployed. Positive results can only be achieved if the unemployed are willing to change their present professions or acquire new ones. Of the 115 thousand

newly-registered unemployed in 1994, only 9.5 thousand or 8.3% expressed a willingness to change professions. Two-thirds of the unemployed willing to study are women. In 1994 5251 unemployed were sent to training or retraining courses. The unemployed were offered more than 30 different study programmes, including personal computer operation, accounting, private entrepreneurship, sewing, secretarial skills, welding, brick-laying, tree-felling and carpentry.

In the past year, several new study programmes have been initiated, such as the training of insurance agents, which includes study of the insurance profession as well as its legislative basis. On passing an examination, trainees are given a license to work as insurance agents. One of the newest forms of training involves teaching the unemployed how best to seek new work. This training resembles the "job clubs" widely known abroad and used in Sweden, the United Kingdom, the United States and elsewhere. 108 unemployed took part in such training. Experience shows that the chances of the

Table 7.3

Distribution of the Unemployed by Education, 1993–1995
(In Thousands)

	1 January 1993	1 January 1994	1 January 1995
Higher education	4.1 (13.1%)	6.5 (8.4%)	5.4 (6.4%)
Secondary Vocational education	7.0 (22.2%)	16.1 (21.0%)	18.0 (21.4%)
Vocational education	4.4 (13.9%)	8.0 (10.4%)	8.2 (9.8%)
Secondary education	9.6 (30.7%)	24.6 (32.0%)	28.9 (34.4%)
Elementary and incomplete secondary education	6.3 (20.1%)	21.6 (28.2%)	23.6 (28.8%)

unemployed in successfully completing their studies and adjusting to labour market demand largely depend on age and education.

Due to a shortage of job vacancies and limited resources, work in the sphere of training and educating the unemployed was concentrated in the following directions: retraining of the unemployed who were guaranteed employment on completing their studies; training of workers and specialists in professions for which there is high demand in the labour market; and training the unemployed to start small businesses.

In order to motivate the unemployed to take up studies, the state has granted them stipends of 50% of the minimum wage during the course of studies. As of 1994 the unemployed may receive the grant during the course of studies (for a period not exceeding 6 months) regardless of whether they are entitled to receive unemployment benefits. This measure has been effective: in 1994 the number of the retrained unemployed from rural areas has radically increased, particularly in the Latgale region, where unemployment is highest. According to SES data, about 35–50% of such people find employment within half a year after completing their studies.

To make the strategy in the labour market more effective in 1995, training and retraining of the unemployed in the places of their future employment has been planned. This form of training could be less costly and shorten the period of unemployment. The training of the unemployed to become craftsmen should be

started. In cooperation with the Latvian Centre for the Selection of a Professional Career (LCSPC), which functions under the auspices of the Ministry of Welfare, it is planned to continue teaching the unemployed how to look for a job, to help with the choice of a profession and a course of study. The LCSPC helps the unemployed better understand their own desires and possibilities and teaches them how to seek jobs effectively.

In 1995 two million lats have been allocated for education and retraining of the unemployed, which will make it possible to render assistance to twice as many people as last year. Resources have also been allocated for the education of the disabled and for employees dismissed from state-owned enterprises that are being privatised.

The Role of the State in Reducing Unemployment

In order to activate the regulatory role of the state in the labour market, Parliament adopted a Law "On Employment" in December 1991. The Law paid particular attention to creating a body to regulate the labour market, increased the role and responsibilities of the SES, and bolstered its staff fourfold. As a consequence, the creation of a broad SES network in the country was completed in 1993–1994.

At the beginning of 1995, the SES consisted of an administrative office with a staff of 35 persons, six financially independent city offices, 22

Table 7.4

The Composition of the Unemployed in Study
and Retraining Programmes by Age and Education

Age	%	Education	%
18-19	13.0	Higher	23.2
20-24	18.4	Secondary special	30.5
25-29	13.6	Vocational	6.1
30-34	15.7	Secondary	30.1
35-39	14.6	Incomplete secondary	3.8
40-44	11.9	Elementary	6.3
45-49	7.6		
50-54	5.2		

city and district departments and 41 agencies. Thus, SES representatives work in every town or village with a population over 1000.

In implementing employment policy, the SES focuses primarily on "active" labour market measures: locating work for the unemployed, educating and retraining the unemployed, and involving the unemployed in salaried temporary social work.

Last year 21.8 thousand persons found jobs with the assistance of the SES, a 150 per cent increase from 1993. 5.3 thousand persons were sent to training and retraining programmes and 20.2 thousand were involved in salaried temporary social work, which is 1.9 and 2.4 times more, respectively, than the year before.

In the experience of the SES, it is easier to locate employment for highly qualified construction workers, textile workers, plumbers, welders, medical nurses and teachers. Judging by the vacancies in the SES register, the wood processing and construction industries are developing faster than others. In big cities, it is difficult to locate jobs for the unemployed who lack knowledge of the state language. According to SES data, about 40% of all registered unemployed in big cities do not know the state language (see also the Chapter on the Development of Multi-Ethnic Society).

1,166,460 lats were allocated from the state budget for the provision of salaried temporary social work in 1994. Such work is rather popular among both the unemployed and employers. Involvement in salaried temporary social work is particularly important for the long-term unemployed and for people from rural areas, as such work is often the only possibility for these people to earn their living. Most of the unemployed engaged in such work are no longer entitled to receive unemployment benefits. People engaged in social work do not feel like social outcasts, they have work and the possibility of receiving unemployment benefits in the future. After having worked for six months in 1994, 3505 unemployed received the right to receive unemployment benefits again. While people are involved in social work, employers "test" them in practice. As a result, a number of the unemployed have been able to find permanent jobs.

Many local governments have understood the possibilities inherent in temporary social work: social tensions caused by unemployment are eased, the unemployed get some material assistance, and a number of other problems are ameliorated – the surroundings are cleared up, the disabled and the elderly receive care, etc. In 1995 1,263,000 lats have been allocated from the state budget for the financing of salaried temporary social work.

Since 7 June 1993, the "Regulations on Approving Invitations to Work and Receiving Temporary Residence Permits for Foreigners and Stateless Persons" have been in force. When a Latvian enterprise signs an agreement with a foreign partner under which foreign workers and specialists work by contract in Latvia, the enterprise must get approval from the SES regarding the number of foreign employees and their posts. SES local offices approved 367 invitations of foreign labour in 1994.

In July 1993 the Ministry of Welfare Licensing Commission began functioning. This Commission reviews applications for licenses of companies that conduct job searches for fee. In 1994 the Commission reviewed the applications of 16 such companies and approved 14. Three were granted the right to search for jobs abroad as well.

The role of the state in regulating the labour market is increasing with every year. In 1992, of all resources used by the state to combat unemployment, only 4.1% were spent on "active" employment measures. In 1993, the figure rose to 7.9% and in 1994 to 21%. The implementation

of an "active" employment policy is essential in overcoming unemployment and the attendant social problems and promoting human development.

SES Priorities in 1995:

1. To strengthen cooperation between the SES and employers, especially private entrepreneurs, in finding jobs for the unemployed;
2. To train the unemployed in the professions and specialties in demand in the labour market and to organise small and medium-size business courses for those unemployed having specific plans to start their own businesses;
3. To ease the social tensions caused by unemployment in rural areas by exploiting the opportunities inherent in salaried temporary social work;
4. To draft a new "active" employment policy for young people and the long-term unemployed;
5. To create a computerised information system in SES institutions.