



The System of Social Security of Latvia

Signe Dobelniece

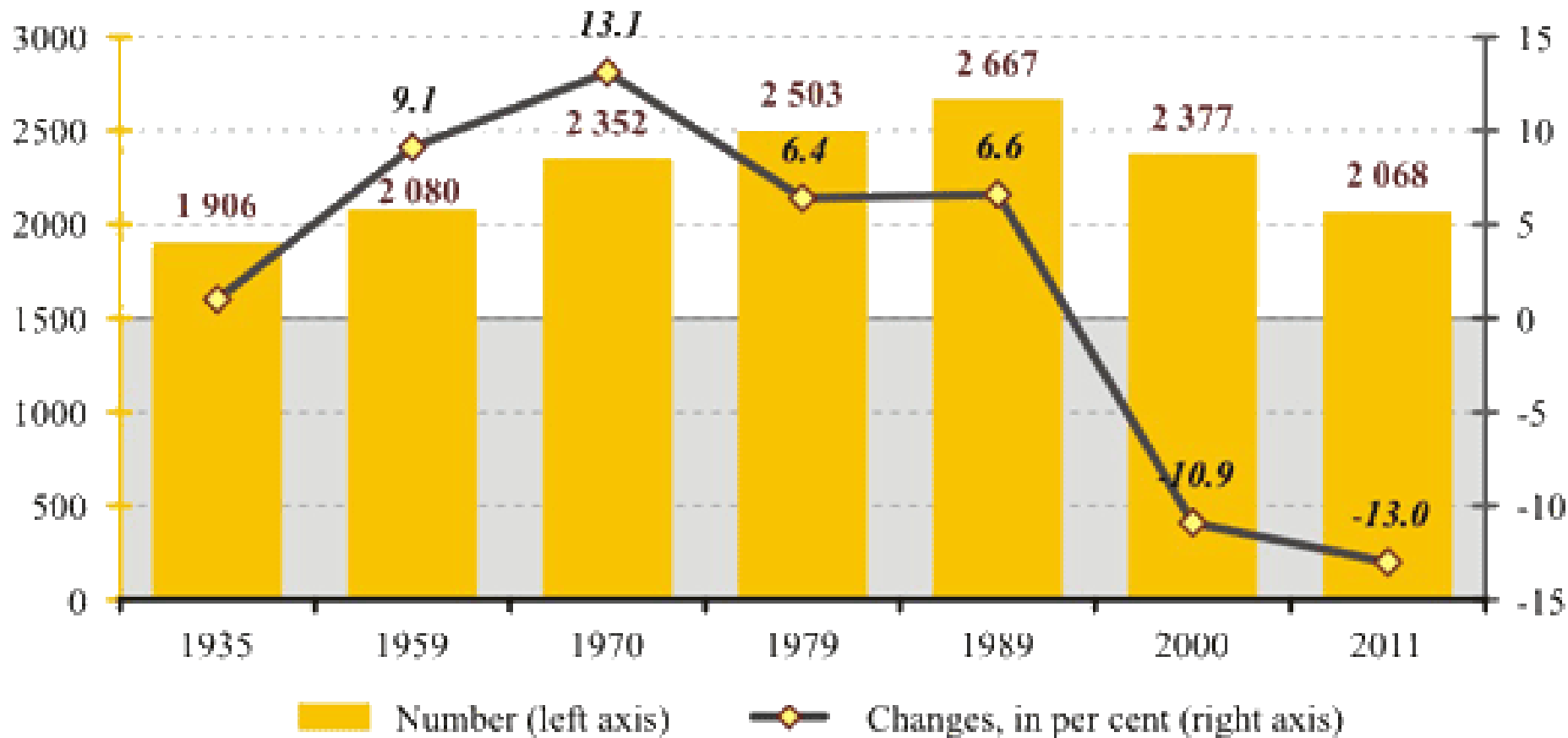
PhD Social Work, Assistant Professor
Latvia University of Agriculture

Map of Latvia





Number of Latvia population



Population

- In 2011, the population of Latvia is **2.068 million**
 - 46% male
 - 54% female
- It has been **declining** since independence, having fallen by approximately 22% from 1990
- This is a result of
 - emigration and
 - a combination of low birth rates (9.6 per 1000 inhabitants) and high death rates (13.3 per 1000 inhabitants) .

	Fertility rate 2009	Birth rate 2009	Death rate 2009
EU-27	1.59	10.7	9.7
Latvia	1.31	9.6	13.3

Fertility rate- the lowest

Birth rate – lower in Germany, Italy, Romania

Death rate- higher in Bulgaria

Population – age groups

- **Comparison of Latvia with EU states 2010**
 - The ratio of **children** (up to 14) -13.8% - is lower only in Bulgaria and Germany
 - The ratio of **elderly** (65+) - 17.4% - is higher only in Germany, Greece, Italy and Sweden
 - The ratio of elderly (80+) – 3.9%

Main population age groups in 2000 and 2011

	Share in percent	
	2000	2011
All population	100	100
Of which aged:		
under working age (0 – 14)	18.1	14.1
of working age (15 – 61)	63.6	64.1
above working age (62+)	18.3	21.8

Life expectancy at birth 2009

	Total	Men	Women
EU-27	79,4	76.4	82.4
Latvia	73.3	68.1	78.0

Lower –in Lithuania (total, men) and Bulgaria, Romania (women)

Population

- **Average age of mothers** giving birth to a child increases
 - In 2000 – 27.3 years
 - In 2009 – 29.8 years
- **Average size of households** – 2.48 persons
 - Most widespread type – 1-2 persons without children
 - In rural areas $\sim 1/3$ of households consists of 4 and more persons
 - In urban areas $\sim 1/5$ of households consists of 4 and more persons

AVERAGE DISPOSABLE INCOME PER ONE EQUIVALENT CONSUMER

	2008	2009	2010
EUR per year	6,625.4	5,517.0	5,133.0
EUR per month	552.12	459.75	427,75

SUBSISTENCE MINIMUM and AVERAGE INCOME PER ONE PERSON PER MONTH,, LVL

	Minimum	Income
2008	160.32	387.97
2009	168.17	324.50
2010	166.43	303.17
2011	173.33	-

AT-RISK-OF-POVERTY THRESHOLD

	2008	2009	2010
EUR per year	3,284.2	2,722.0	2,516.0

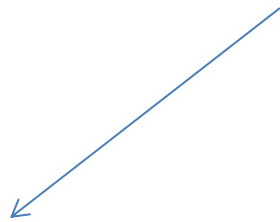
AT-RISK-OF-POVERTY RATE

	2008	2009	2010
0-74	23.5	21.5	20.1

Inequality

GINI COEFFICIENT (%)			
	2008	2009	2010
Gini coefficient	37.4	36.1	35.2

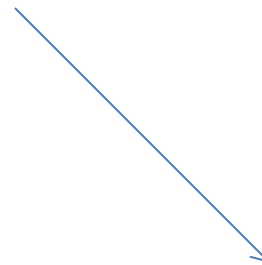
Social Security



Social Insurance



Social Assistance



Social Services

Legislation

- On Social Security

State social insurance system

- On State Social Insurance,
- On Maternity and Sickness Insurance,
- On State Pensions,
- On Mandatory Social Insurance Against Accidents at Work and Occupational Diseases
- On Insurance Against Unemployment

Legislation

State social benefits

- Law on State Social Benefits

Social services and social assistance (and social work)

- Law on Social Services and Social Assistance

State social insurance pensions and benefits

Pensions Benefits	Pensions Benefits
Old-age pension Disability pension Survivor's pension	Unemployment benefit Sickness benefit Maternity benefit Paternity benefit Funeral allowance Compensation for loss of working capacity Compensation for loss of provider Compensation for additional expenditures and services during the treatment period

State social benefits paid on a regular basis 1

- the state family benefit and an additional payment for a disabled child;
- the child care benefit;
- the child care benefit for a disabled child;
- transportation compensation for the disabled with mobility problems;
- the state social maintenance benefit.

State social benefits

paid on a regular basis 2

- compensation for damage to health for the liquidators of the Chernobyl nuclear power plant accident;
- the state social benefit for the liquidators of the Chernobyl nuclear power plant accident and for the families of deceased liquidators of the Chernobyl nuclear power plant accident;
- the state special benefit for the children of people who died during the process of restoring the independence of Latvia;

State social benefits

paid on a regular basis 3

- a benefit to the guardian for the maintenance of a child
- an allowance for the performance of the guardian's duties
- an allowance for the performance of the foster family's duties
- compensation for the care of an adopted child

Lump-sum benefits

- the child birth benefit;
- a funeral allowance if a person receiving the social maintenance benefit dies;
- compensation for adoption

EXPENDITURE ON SOCIAL PROTECTION IN LATVIA CLASSIFICATION (mln lats)

	2008	2009	2010
Total expenditure for social protection	2,043.08	2,210.27	2,282.48
1. Sickness/health care	591.39	512.59	467.44
2. Disability	147.30	169.76	172.00
3. Old age	875.70	989.40	1,165.50
4. Survivors	38.92	40.40	38.32
5. Family/children	223.87	226.76	192.80
6. Unemployment	82.28	207.44	167.56
7. Housing	27.65	16.66	17.26
8. Social exclusion	18.19	18.88	30.32
Administrative costs	37.08	28.14	30.99
Other expenditure	0.70	0.24	0.30

Expenditure on social protection (% of GDP)

- EU-27 26,4
- Latvia 12,6
- The smallest spending in EU
- Per capita spending –
smaller in Portugal and Bulgaria

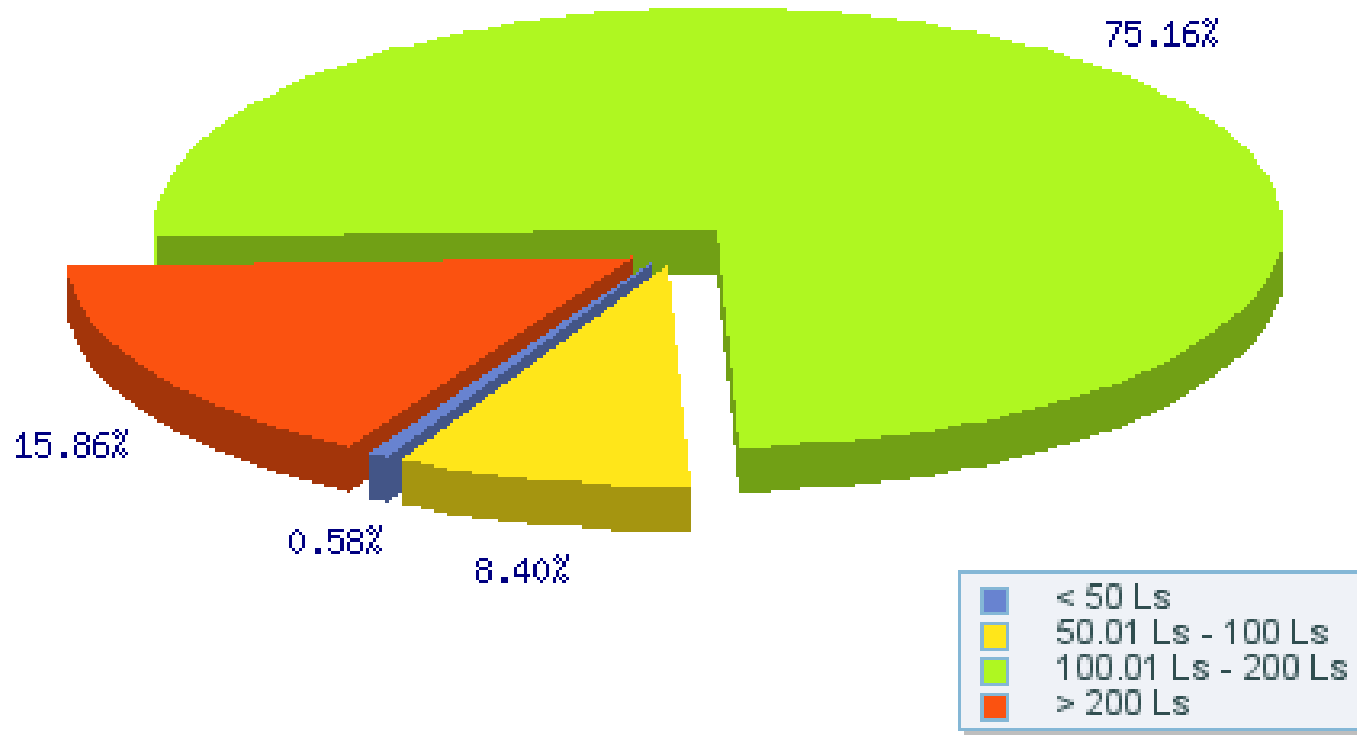
NUMBER OF PENSION AND STATE SOCIAL SECURITY BENEFIT RECIPIENTS AT END OF YEAR (thsd population)

	2008	2009	2010	2011
Old-age pensions	465.2	473.3	475.9	481.7
Recipients of State Social Security Benefits	16.6	17.3	18.1	18.4

AVERAGE SIZE OF PENSIONS PAID (lats)

	2008	2009	2010	2011
Old-age pensions	140.79	163.40	175.88	178.18
Disability pensions	103.63	124.90	121.93	119.84

Pensions by size 01.01.2010.



Social assistance

- GMI benefits
- Lump-sum benefits in emergency situations
- Housing benefits

- Health care benefits
- Benefits for schooling and upbringing of children
- Transport benefits
- Benefits for orphans and foster families
- Other purposes

Social services



Social care

Social rehabilitation

At institutions

At a place of residence

Social services

- **Home care**
- **A day centre** (91 – 17 445 persons)
 - for persons with mental disorders,
 - for children with disabilities,
 - for persons with physical disabilities,
 - for low-income families and families having unfavorable conditions for the development of children,
 - for persons of retirement age

HOME CARE AT THE END OF THE YEAR

	2008	2009	2010
Persons to be receiving homecare	10,633	9,291	8,582
..people at retirement age, elderly	7,400	6,572	7,067
..disabled persons	3,147	2,631	1,329
..others	86	88	101
Persons applied for homecare, but not receiving it, total	80	11	47
Persons applied for homecare, but not receiving it as % of the number of persons receiving homecare	0.8	0.1	0.5
Number of care-takers	1,906	1,897	1,222
Number of persons receiving homecare per one care-taker	6	5	7

Social services

- **Service apartments**

36 ; 57 persons -32 f, 25 m

- **Night shelters**

26 ; 3282 persons – 2568 m, 714 f

- **A group house (apartment)**

15; 135 persons, 16 – on a waiting list

Social services

- **A crisis centre**

7 municipality, 15 NGO' s

900 persons, 391 m, 509 f

- **A halfway house**

6 for 122 clients, 110 service users

Social rehabilitation

- abused and violated children
- children who were addicted to narcotic, toxic or other kinds of intoxicating substances
- addicted adults
- persons with impaired hearing and eyesight
- victims of human trafficking

- Vocational rehabilitation services
- Provision of technical aids

Crisis Impact on Social Policy

Economic recession in Latvia 1

GDP growth (%)

2007	2008	2009	2010	2011
10	-4.2	-18	- 0.3	3.3

Harmonized unemployment rate (%)

	2009 September	2009 December	2010 March	2011 March	2011 September
EU-27	9.3	9.4	9.6	9.4	9.8
Latvia	18.5	19.8	20.0	16.2	14.8

Economic recession in Latvia 2

- Increasing poverty

At-risk-of-poverty rate (%), 2008 -2009

EU-27	17	17
Latvia	26	26

Needy persons' rate (%)

2008	2009	2011
5.3	7.8	8.6

Needy person -

Income less than 50% of
minimum salary (< 140 euro)

Population's readiness for crisis

- Only **19%** households have savings equal or more than their monthly income
 - Of them **17%** have been spending their savings lately
- **21%** -already have spent their savings due to the crisis
- **55%** have not had savings
- Data by SKDS 2009

Governments' response

- **Borrowing**

- 7.5 billion euro or 1/3 of its 2008 GDP from the international lenders – IMF, European Community and World Bank.

- **Budget consolidation**

- Reduction of employment (22% in budget institutions)
- Cuts of wages (25% in public sector)
- Cuts in social spendings (pensions, benefits)
- Increase of taxes

Solutions – social insurance 1

- **Reduction of pensions**
(10% for retired persons; 70% for working pensioners)
Abolished by Constitutional Court, but changes are planned for future
- **Changes in the 2nd level of pension scheme**
(10% → 2% for private administration)
- **Reduction of the child care benefit**
for 50% 2009 July – 2010 May, after that – not paid to working parents
- **Payment ceilings** for child care benefits

Solutions – social insurance 2

- **Reduction of the family benefit**
- **Reduction of the sickness benefit**
(from 52 to 26 weeks)
- **Changes in the unemployment benefit**
 - Paid 9 months
 - 1-9 years of insurance – 64 euro last 5 months
 - 10-19 years of insurance – 64 euro last 3 months

Solutions – social assistance

Measures for the poorest population

- Increase of the **GMI benefit** (52 euro → 57 euro, for children – 64 euro - per person per month);
- No more time limits for GMI payment (before 9 months);

Number of GMI benefit recipients (a month)

January 2010	December 2010
28.8 thousand	69 thousand

- Average number of needy persons – 170 thousand a month
- GMI benefit recipients rate- 27.9% in January, 39.9% in December 2010
- State budget spendings 2010
 - For GMI benefits - 8.7 million LVL
 - For housing benefits - 3.0 million LVL

Social Security Network Strategy

- Social support
 - state co-finances 50% for GMI benefit
 - 20% for housing benefit
- Pupils to schools
- Education for 5 to 6 year old children
 - working up the subject standards and programs for preschool and primary school
 - providing the salary to educators employed in teaching 5 to 6 year old children

Social Security Network Strategy

- Compensations for fare advantages in public transport (100% discount)
 - preschool children,
 - orphans and children without parents,
 - persons with disability group I and II,
 - disabled children
 - individual escorting a person with disability group I or disabled child,
 - politically repressed

Social Security Network Strategy

- Health care for persons with low income
 - Compensation scheme for covering patient's medical payment
 - Compensation of pharmaceuticals
 - Providing health care services at home for patients with serious diseases
 - Improvement of primary health care service availability by attracting the second nurse to family doctor's private practice
 - Introduction of family doctors' phone for consultations

Work practice in local municipalities

- organized by municipalities with a grant covered from the European Social Fund
- addition to currently existing system of social safety
- low-qualified work
- for long-term unemployed persons (registered, do not receive the unemployment benefit)
- person can work from 2 weeks to maximum 6 months within one year
- receive a grant - 100 lats (142 euro) per month

Work practice in local municipalities

	2009	2010
New work practice places	16 080	34 679
Participants	19 300	52 941
On the waiting list	30 000	50 352

Work practice in local municipalities

Rate of the unemployed involved in work practice (2010)

January - March	12.9%
April - June	17.3%
July- September	17.1%
October - December	11.1%

Individuals' response I

Is there any sense to pay taxes?

- **“Shadow economy”**
 - ~40% of GDP in 2009 (data by "A.T. Kearney“)
 - 52% agree to receive their salary or part of it without paying taxes (data by SKDS 2009)
- **Distrust in the system of social security**

In-depth interviews

- *You may not reduce financing to all sectors, increase taxes without providing benefits, and say that we must be patient ... And blame us for the existing situation (male , 45)*
- *In my opinion, when facing a difficult situation no one but my family will help me and will care for me. It's useless to speak about the state support, as the population is not its priority. This 'brightening' is sad, but this is the reality (f., 39)*

In-depth interviews

- *... When you look at reduction of pensions, at reduction of child care and family benefits , it is horribly to realize that you live in such a country. And even more - you do not want to bring up children in such a country, where you cannot feel sure neither for your pension, nor child care benefit and future of your children..." (male, 23)*
- *"Personally I grudge even a penny paid in taxes for the state." (male, 41)*

Individuals' response II

Is there any sense to stay in Latvia?

- **Emigration**
~ 300 000 (200 000) have left the country,
(total population of Latvia 2.068 million)
- *"Yes, I am also one of those who will leave because there is no perspective here" (female, 21)*
- *"I will use my knowledge in some other country as I do not want to go on living in such bad conditions as they are at present. I want to live at last, not to exist as it is done by a very large portion of the population in Latvia ..."(male, 30)*

Conclusion

- Solutions mostly lay on the medium and low-income population, and other vulnerable groups.
- Rising distrust in the system of social security, reduced motivation to pay taxes, readiness to emigration.
- ‘Vicious circle’

Existing problems and proposed solutions (seen by population as unfair) lessen population's trust in social policy →
unwillingness to pay taxes →
decrease in opportunities of social sphere →
decrease in population's trust in social policy

Conclusion

- Pessimistic future prospects
 - changes (decrease) in social insurance benefits (because of the deficit in social budget),
 - pension reform (gradual increase of retirement age 62 to 65 planned to start from 2014),
 - changes in social assistance (decrease of benefits).

Thanks for your attention!