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Unemployment problems in Latvia

**Background.** From the years of Soviet domination Latvia had inherited excessively exaggerated economy, obsolete technologies and management techniques. Production volume increased due to extensive production pattern, creating new jobs. The main market of production, approx. 95%, was Soviet Union. After collapsing of Soviet Union Latvia to a great extent lost economic ties with former soviet republics. The transition period to the market economy was accompanied by sharp declines in output and employment. As a result Latvian society has experienced severe economic hardship.

Processes of economic development in the last two years have supported the growth of living standards of people, still they are rather low. A substantial part of people lives in poverty, demographic figures are low, unemployment is high. According to the people’s development index (PDI) calculated within the UN Development Program (UNDP) Latvia in 1997 was placed in the 92nd position in the world (Estonia – in 71st and Lithuania – in 76th). Although since 1995 the average life expectancy in Latvia has gone up – for men from 60.7 to 64.2 years, for women – from 72.9 to 75.9 years it is still one of the lowest in Europe. These indicators are directly linked with the poor health condition of people and high death rate. Per 1000 people, the number of births in 1997 in Latvia equaled only to 7.6 and deaths to 13.6. Although the natural growth has slightly gone up compared to the middle of 1990s it is still negative.

However, in the last 2-3 years there are also some positive changes in demographic indicators. Compared to 1994, in 1997 the number of deaths had dropped by 19.7%, death in the result of a murder and suicide – by 21%, mortality of infants – by 24%.

In the last years there have been some positive tendencies also in education. The number of students in secondary schools starting with the academic year 1994/1995 has gradually gone up and in 1997/1998 has reached 360 thousand students which is by 7.6 thousand or 2.1% more than in academic year 1990/1991. Yet, this should be linked with the overall demographic situation in the state. After 1987 when the number of newly born in Latvia was the highest during the whole post-war period – 42 thousand, it started to reduce and in 1997 compared to 1987 the number of newly born children has gone down more than 2 times. These indicators in the nearest years will more and more influence the number of students in secondary schools and other educational establishments. It must also be noted that in the mentioned period the number of persons which have studied in vocational schools and secondary special schools has gone down dramatically.

At the same time, according to estimates of the Ministry of Education and Science – at the beginning of year 1997/1998 secondary schools were not attended at all by 12 thousand or 3.5% of children between 7 and 15 years of age. Large is the percentage of academic failures and there is a shortage of skilled teachers.

The number of students in higher educational establishments starting with year 1994/1995 gradually goes up and in 1997/1998 their number equaled to 65 thousand
which is the highest number of university students in the whole postwar history of Latvia.

Changes in the employment. Since 1990 the number of economically active residents has gone down from 1.4 million people to 1.2 million people in 1997. This is based on both the emigration of people and a radical decline of natural growth of population. Similar tendencies refer also to employment where the number of employed people during the mentioned period of time has gradually gone down to 1 million people. This was linked with restructuring of national economy to face the requirements of market economy, loss of solvent markets in the CIS countries and slow adjustment to requirements of the Western market. Due to activation of economy the number of employed went up in 1997 and at the beginning of 1998. Yet, in the result of the Russian crisis the workforce has started to become smaller again.

Since the 1990 important changes in the structure of employed persons in the national economy by kind of activity has taken place. The number of employed has sharply decreased in the production branches of economy. For instance, in industry by 45%, in construction by 56%, in agriculture - by 20%. More than half of total number of employed are working in service sectors, two thirds - in the private sector of economy.

At the same time it should be taken in consideration that after foreign expert estimation the enterprises of Latvia’s industry are overmanned 2-4 times at present. The worst situation is in agricultural sector where are working almost every fifth of employed in economy, but the share of the sector in the GDP only 6 - 7 percent.

According to the information provided by the Labour Force Survey (LFS) of the Central Statistical Office (CSO) in May 1998 the level of employment was 50.6%

The survey shows that according to the status of employment in Latvia – 83% of the total workforce are employees, 3% employers, 8% – self-employed, 5% – non-paid family members working in family farms and relatives.

Unemployment. On 23 December 1991 the Law “On Employment” came in force. The Law provides that the unified state employment policy is realised by the State Employment Service (SES). The Law provides for the responsibilities of local governments and for the obligations of employers in promoting employment. For the first time in Latvia the Law set the conditions for obtaining the unemployed status, defined the rights and obligations of the unemployed, formulated active and passive unemployment measures.

In 1992, for the first time after second world war, were registered unemployed persons (at the end of year - 31,3 thsd or 2,3% of total economically active population). From that time on this percentage has grown up and at the beginning of January 1999 reached 9.2%. To a great extent it is connected with economic crisis in Russia. Almost 15% of Latvia’s export production was sent to Russia’s market. Now this share is dropping down fast.

It should be noted that real unemployment rate in the state is much higher. Labour Force Surveys (LFS) carried out by the Central Statistical Office according to the methodology of the International Labour Organization shows that the number of people looking for jobs in May 1998 was practically 14.7% (in May 1996 – 22.2%) from economically active population. Such difference from the data of the SES may partly be linked with the fact that only one fourth of the unemployed have registered themselves in the State Employment Service, other looked for jobs through questioning of relatives, friends and in other ways. Besides there are some other preconditions to be registered as unemployed (persons only in so called working age - 15-60 year old, persons which do not receive income in the amount of the minimum wage and more, etc.).

The unemployment rate is considerably different in regions of our country. At the end of 1998 the rate of unemployment varied from 4.8% in Riga to 28.2% in Rezekne.
region. The hardest situation remains in Latgale regions and cities where unemployment rates are the highest in Latvia.

The highest growth of unemployment rate was in regions and cities occupied with production of fish, areas influenced by the Russian crisis. Elsewhere the increase of the number of registered unemployed was mainly linked with loss of sales opportunities. In Riga the unemployment rate was the highest since 1992. In Ventspils, our largest harbour, where until now the unemployment rate was the lowest in the country, in December, 1998 it reached 7.5%.

Mainly the differences of unemployment rates are the consequences of territorial distortion - excessive concentration of people and production in Riga region and relatively low density of population, weak production and infrastructure in the remaining territory of Latvia, especially in the eastern regions. As a result there are essentially different living standards in different places of Latvia (per capita income, development of social infrastructure).

There is also hidden unemployment in the form of standstills of companies, forced unpaid vacations of employees and shortened work week, day or shift work. In conformity with the data of LFS more than half of the employed persons actually worked 21 to 40 hours a week (May 1998), but 45.5% of all the employed persons worked exactly 40 hours.

In the present economic conditions it is often impossible to survive only on wage earned in one place therefore people seek for some other jobs to make their living. The results of the survey show that the number and percentage of persons holding more than one job have decreased. Thus, in May 1998, 49.6 thsd employed persons (4.9% of the total number) had secondary jobs whereas in the previous year these figures were 63.9 thsd and 6.3%. The LFS indicates that the majority of persons with secondary jobs worked in the secondary job not more than half a week, that is 1-20 hours.

In the total amount of registered unemployed more than a half are women and their share is substantially growing (in 1996 - 54%, in 1998 - 59%). Surveys testify that women look more actively for jobs and get registered in the Employment Board. Every fourth unemployed is a representative of a low skill profession (26% of the total number). In the last two years the share of high skilled workers, craftsmen, operators of machinery and equipment and assemblers falls in the total amount of unemployed. This to a certain degree testifies about the increase of entrepreneurial activity in the state. Simultaneously the number of clerks, service and trade workers and some other professions is growing. Only 7% of unemployed have higher education, 31% - general secondary education, and primary or unfinished primary education - 26%. More than half of the unemployed (53%) were 30-39 years old and every sixth unemployed (16%) was a young person under 25 years of age.

The rates of jobseekers among urban and rural population is 10.4% and 4.7% respectively. At the same time if we compare the number of jobseekers with the number of economically active persons this relation in urban areas is 18.4% but in rural ones - 7.9%.

Differences in composition of the unemployed with the view to nationalities in the total number of residents are very small and are mainly linked with the development problems of sectors of national economy where representatives of one or another nationality mostly work (Latvians basically work in agricultural processing companies, fishing, wood industry, etc. and Russian speakers – in machine building, radio-technical companies, etc.). However it must be pointed out that since 1994 the share of Latvians in the total number of registered unemployed has risen from 47% till 52% at the end of September 1998, at the same time the number of Russians unemployed has gone down from 37% to 35%.
Labour market situation.
As testifies LFS data in May of 1998 1177 thsd persons of Latvia (age 15 years and over) were economically active. 85.3% of them were in employment. The percentage of economical activity almost the same in rural and urban areas - 59.1% and 59.3% respectively, but unemployment is a much bigger problem in urban areas than in rural ones. In rural areas the percentage of employed among economically active people was higher than in urban ones (92.1% and 82.5%). The percentage of economical activity for the population over working age are 37.4% for rural and 14.3% for urban areas However, this is mainly because, agriculture absorbs a lot of the potentially unemployed, providing them with quite unproductive and often insecure jobs. This is often preferred to unemployment. It would be interesting to remark that in the last period of 2-3 years the number of selfemployed has grown nearly 1.5 times and reached 85 thsd. peoples, the number of unpaid family members and relatives has grown up by 12.5% and achieved 52.4 thsd people. The 80% and 97%, respectively, of them are inhabitants of rural areas. It is remarkable that, although unemployment is higher in urban areas for all deciles, per capita expenditure, according to Household Budget Survey, in urban areas is higher than in rural areas for all deciles. It shows that major deficiencies exist concerning the quality of employment in rural areas.

An important characteristic of economic activity is that it depends strongly on the level of education. The activity rate is particulary low for people with only a basic education (37.8%), with less than a basic education (18.1%) and without a formal education (6.0%). For the other educational levels, the activity rate lies between 64.0% and 79.4%. On the one hand, these differences exist because a relatively large share of the population with a basic or less education consists of people over working age (50.1%) who have a much lower activity rate than the population of working age. On the other hand, they are result of the difficulties encountered by lowly-educated people in finding a job, especially lowly-educated women, who, therefore, often cease to participate in the labour market altogether.

Unemployment shows a clear relationship with the level of education: the higher the level of education, the lower the unemployment rate of the respective population group. Lowly-educated women, especially in rural areas, form the exception to this rule. This is probably the result of the great difficulty this population group encounters in finding employment, resulting in very low activity rates rather than in high unemployment (the low activity rates for lowly-educated people are also a result of a high share in the population over working age).

Gender. As far as the labour market situation of men and women is concerned, according to the LFS a slightly higher percentage of active women was employed in 1998: 86.2% compared to 84.5% for men. It should be marked that in total population the ratio of females is 54% and males - 46%. There were cases when gender discrimination has occured, especially engaging work. In the published advertisement or in other form often are indicated that women or men are needed. Sometimes for applicants desirable age has indicated, for instance, not older then 35 years old. Now some Labour Code changes are worked out to eliminate facts of gender discrimination.

Age also plays an important role in determining unemployment. For young people it is especially difficult to find a (first) job and to start their career. According to the LFS data, 30.4% of the population between 15-24 years old, was unemployed in 1998, 2.1
time the average rate. The unemployed between 15-24 years old make up 21.8% of total unemployment. The problem of youth unemployment is more strongly accentuated in urban areas than rural ones, in line with the overall differences in unemployment between the two. Some 35% of urban youth between 15 and 24 years old (from economically active persons) suffer from unemployment, compared to 19% of rural youth in this age group. LFS data testifies the most disadvantaged group are young urban males between 15-19 years old for whom the unemployment rate is near to 50% (for rural area - 14%).

High youth unemployment is due to the fact that employers often prefer to hire people with working experience and that it is simply difficult to find a first job in a depressed labour market. It also suggests, however, that there may be problems with the adjustment of the educational system to the new knowledge and skill demands of the labour market.

Also interesting is the situation of pensioners in the labour market, responsible for 12.3% of total employment (including a number of pensioners of working age that have been sent on early retirement). Of all employed pensioners for 28.5% people employment is their main source of income, more important than their pension (according to the Household Budget Survey). Having employment means additional income for pensioners, supplementing their pensions and preventing them and the households they belong to from falling into deep poverty. In 1998 compared with the 1996, the number of employed at the age of 60 and older was grown up by 80 percent and reached more then 70 thsd. people. Large differences exist between rural and urban areas. In rural areas pensioners are responsible for 21.2% of total employment, compared to only 7.7% in urban areas.

Unemployment is also noticeably high for urban males of pension age (for 60 and over years -14.6%, LFS data) especially in comparison with the virtual absence of this phenomenon amount amongst their rural counterparts (2.0%). The latter may often have a plot of land where they can grow food to add to their pension while the former do not have such a possibility and look for work to strengthen their income. The unemployment rate for rural males of pension age is extremely low, but their activity rate (the share of economically active people in the population of age 15 and over years) is higher than that of urban males of pension age:22.9% and 13.2% respectively.

Apart from unemployment rates, **the duration of unemployment** is also likely to influence the well-being of an individual or his household. Still there is quite a big number of long-term unemployed. According to the opinion poll carried out by the Central Statistical Office (LFS) in May 1998 – 27% of job seekers (including also unregistered) could not find a job for 1 to 2 years and the same number – for 3 years and more. As to registered unemployed the situation is looking differently. The share of long term unemployed (longer than one year) in the total number of unemployed has substantially changed. At the end of September 1997 the share of long term unemployed was 37.7% of the total number of registered unemployed whereas at the end of September 1998 – 31.3% which was partly influenced by the revival of economic activity in the preceding year. The number of long term unemployed was influenced also by activities of the State Employment Service (SES): recruitment with SES recommendations, training, retraining or skill raising courses, participation in Job Club activities etc. Three fourths of people in search of jobs have been looking for job for longer than six months. The considerable length of time spent for looking for jobs
indicates to a slow adjustment to market requirements by a certain part of population, low rate of retraining and low mobility of people in search for jobs.

At the same time still very small is the number of the unemployed who have been sent to vocational training or retraining. In 9 month of 1998 the number of such persons was 9.0 thousand or 10% of the total number of registered unemployed (in 9 months of 1997 – 6.6 thousand people or 7.7%). Of them 23% was long term unemployed, 27% - young people in the age of 18-25 years. Low is the number of people involved in temporary public works. In 9 months of 1998 it was only 9.4 thousand people (in 9 months of 1997 – 7 thousand people).

A relatively high incidence of long-term unemployment would place the respective population group in a deprived situation. Most affected by long-term unemployment are unemployed rural males. More than 66% of unemployed rural males have been looking for a job one year or longer, more than 6% points higher than the average. Long-term unemployment is below average for unemployed people with specialised secondary and comprehensive secondary education. Unemployed people who have had an education that is less than the basic have the highest incidence of long-term unemployment but their share of total long-term unemployment is only 3.1%.

The highest demand in the labor market according to the data of SES is for skilled workers and craftsmen, workers of services and trade, specialists with good theoretical knowledge and practical work experience. In turn, the highest supply in the labor market, as told above, is that of low skill profession workers which covers 27% of the total number of unemployed. Unemployed without any profession cannot find jobs at all. At the end of September 1998 the number of such job-seekers constituted almost 5% of the total number of unemployed. Discrepancy between the supply and demand of labor in the labor market reduced the opportunity to fill the free jobs declared by employers. In 9 months of 1998 only 9.7 thousand job-seekers were recruited with SES recommendations.

The quality of employment is an important problem also. It refers to a combination of physical working conditions, wages and other employment income, job security, opportunities etc.

In short about wage problems. Unemployment is likely to lead to low levels of material well-being, but having employment is not enough to allow people to stay out of poverty. Even in the poorest decile, the vast majority of the economically active population has employment (57% of households) but their average expenditure per capita is remarkably low. This is especially true in rural areas. The above mentioned points to the fact that there is a large group of working poor, who have employment but whose employment income does not guarantee their household a decent standard of living due to low level of wages and other employment income or part-time employment etc. Especially there should be taken into consideration two aspects: the first is the lack of observance of the minimum wage and unpaid wages affecting 1.2% of full-time employees; the second is the low overall level of wages. More than a quarter of the gross wages paid to full-time employees is below Ls 50 (85 USD) and two thirds - below Ls 100 (May,1998). This is quite disappointing taking into consideration that the per capita subsistence minimum, as estimated by the Ministry of Welfare in 1998, amounted to Ls 82 and that often more than one person has to live on one wage.

Women have lower wages than men. Of all male full-time employees 20% earn less than 50 Ls while the same wage get 32% of women (May 1998). The differences are even more pronounced between urban and rural areas. Less than 22% of urban full-time employees earned less than Ls 50 while this was true for no less than 40% in
rural areas. 36% of urban employees earn more than Ls 100, compared to only 22% in rural areas (May, 1998).
The level of wages also depends on the age of the employed. Young people between 15-24 years trail behind the average, as do people of 65 years and older. No less than 17.8% of full-time employees between 15-19 years old earned less than the minimum wage (Ls 38 or 65 USD, first half of 1998), compared to the average of 7.1%. For people 20-24 years old, this percentage is still far above the average (8.8%). Older full-time employees have low proportions earning less than minimum, however, they have a very high percentage earning between the minimum and Ls 50. Both for the young and the old the proportions with a wage over Ls 100 is relatively low. The age groups which are better off are those 40-49 years old and 55-64 years old.
The quality of employment does not only depend on wages. Other relevant factors are, for example, the share of employment on a full-time or part-time basis. According to the data of LFS, 62% of part-time employed people work part time involuntarily. Especially high share of part-time employment has taken place in agriculture, industry and trade sectors.
In 1998, 87.7% of employed people had a full-time job, but this share was much higher in urban areas (93.3%) than in rural ones (75.6%). This means the main share of part-time jobs can be found in rural areas, further weakening their position. Differences between men and women are quite small. Urban males have the highest share of full-time employment, 94.3%, but urban women are not far behind with 92.3%. Females and males in rural areas have the lowest rate, 76.1% and 75.0% respectively.
The quality of employment may also depend on the status of the employed. Noticeable is the position of unpaid family members or relatives working in a family enterprise or farm. They may be employed, but they do not have a direct income from employment, which puts them at a disadvantage compared to the rest. In urban areas, there are very few unpaid family members: 0.2% of full-time employees and 1.3% of part-time employees. However, in rural areas 10.8% of full-time employees and no less than 33% of part-time employees belong to this category. Their incidence is highest for rural women and lowest for urban males.
In rural areas employment did show some growth between 1996 and 1997, but this took place almost entirely in low-productivity and low-wage agricultural jobs. In 1998 a marked fall, by 2.7 percentage points, in employment in the agricultural sector was noted as the result of activisation in other branches of economy. The lack of employment or other income-generating alternatives in the rest of the economy has driven many people to take up low quality employment in the agricultural sector, which seems to be dominated more and more by subsistence farming. The lack of employment alternatives also exercises pressure on wages in other parts of the economy. A substantial and sustainable increase in the overall level of wages will depend to a large extent on further economic growth and translation of this growth into new jobs and wage improvements.
**The impact of unemployment on poverty:** No less than 29.3% of economically active persons in the poorest 1st decile are unemployed, while the unemployment rate is only 4.2% for the 10th decile. Between the two extremes the rate declines gradually.
Having employment, or rather, suffering from not having employment, is intimately related to the living standards of households. Going from the poorest to the richest decile, the share of employment in the economically active population increases with every decile. The 1st decile falls by 17.1% behind the average. Thus the poorer households are doubly disadvantaged: apart from the fact that they show lower activity rates, a lower percentage of the active population actually has a job.

The negative effect of unemployment on the standard of living is strengthened by the limited level, coverage and duration of unemployment benefits.

At the end of 1998, according to the State Insurance Agency, 42.2 thsds or 39% out of registered unemployed received unemployment benefits. For instance, according to the LFS, the number of the unemployed in 1998 was 172400. There are several reasons for the low number of benefits recipients. One is simply that the funds for benefits are limited. Also, the definition of unemployed used by the State Employment Service -“SES”- is a very restricted one, and is very different from the one used by the LFS. The SES applies rather strict criteria to determine entitlement to unemployment benefits, which again excludes many unemployed people from receiving this kind of assistance. There is also evidence that a number of the unemployed lack the necessary information about their right to receive benefits. Apart from this, for the moment, unemployment benefits are still conceived of as an individual insurance and entitlement depends on the payment or non-payment of the respective contribution by the employer, or in the case of farmers, by the potential recipient himself, excluding many unemployed people from receiving benefits. Finally, the low level of benefits, combined with the obligations they embody, ensure that certain potential recipients prefer not to apply for them. The average level of unemployment benefits per month in December 1998 equalled Ls 47.15 or slightly above of the minimum wage. The level of benefits differs greatly (almost twice) between districts. It is lowest in the eastern districts of the country and highest in the capital.

On 1 January, 1997 the Law “On Compulsary Social Insurance against Unemployment” came into force. It provides that unemployment benefit is paid depending on the previously earned wage. If social insurance payments have been made for at least 9 months during the last 12 months before getting the status of the unemployed the benefit is paid proportionally to the insurance history, 50% to 65% of the average earning for the last six months decreasing it gradually after three months. Unemployment benefits have a maximum entitlement of 9 months.

To date, the role of trade unions in resolving employment issues has not been regulated by the above mentioned legislative acts. However, all of the legal acts that regulate employment issues are coordinated by the Latvian Trade Union and Employers Confederation or, when necessary, are examined by a consultative board of employers, state and trade unions. Issues of social dialog are covered by the following Latvian laws: “On work collective agreements”, “On work protection”, “On State Work Inspection”, “On social insurance”. The basic principles of working out the social dialog are determined by a variety of legislation, including a Labour Code.

There is a gradual improvement of the overall economic situation in the state. GDP and direct foreign investments go up, a certain turning point has been achieved in crediting of national economy. Annual inflation rate has been reduced to a single digit number.

In 1997 and first half of 1998 activity increased in almost all basic sectors of national economy. Transit business development has been particularly successful. Such factors
as liberalization of Latvian economy, external economic situation as well as infrastructure of Latvia, quality of services at Latvian ports and Latvian transport corridor has created favorable conditions for the development of Latvian transport services, mediation operations of foreign trade. Transit sector contributes approximately 18% to the GDP.

Starting with 1996, activity has gone up also in manufacturing. Still many sectors, especially those which have been deeply integrated in the former USSR economy are not able to get out of stagnation. Since the beginning of reforms the decline has not been stopped in the production of electric machinery and equipment, radio, television and communication equipment and devices, automobiles, trailers and semi-trailers. Out-dated technology, limited markets and tax debts are basic factors hindering the development of industry.

There is a complicated situation in agriculture sector. The share of this sector is declining every year. Positive solution to problems in agriculture should be found as the development of agriculture is not only an economic but also a social problem. It is also important to develop non-agricultural sectors of production in rural areas.

During the last few years the government has actively worked on the improvement of the regulatory documents and legislative base of entrepreneurial activity, elimination of barriers to business, promotion of investments and acceleration of structural reforms.

In the field of employment policy the main task is to reduce the rate of unemployment and adverse consequences created by unemployment, and to ensure maximum speed and effectiveness in recovering persons which have lost their jobs at the labor market.

It is expected that the solution of unemployment problems in the state will be encouraged by the successful implementation of the regional policy including also programs of development for the depressed areas and free economic zones.

In 1997 the Government accepted national programs of regional development, development of small and medium sized business and other programs to improve economic situation in the state.

In conformity with the national program accepted by the government a favorable environment to support entrepreneurial activity and attract direct foreign investments is created in the regions.

It is planned to award the status of the assisted area to regions respecting a set of definite criteria (social and economic development, development of infrastructure, etc. indicators) and reviewing the development plans prepared by regions and evaluated by inter-ministerial commission.

The maximum number of people inhabiting simultaneously regions having been awarded the status of the assisted region should not exceed 15% of the total population of the country.

It is envisaged that the Regional Fund will promote entrepreneurial activity in the assisted regions by supporting projects with justified business and activity plans and where the respective local governments are interested in their implementation.
From the regional fund investments in the share capital will be financed, also lump sum payments will be granted, for instance to create new jobs or activities of economic education and partial compensation of capital investments. Also interest payments (full or partial) will be made from this Fund for medium and long term loans and credit guarantees granted in special occasions.

Implementation of several important programs of promotion of entrepreneurial environment has been started at the end of 1997.

**Program of Support to Small and Medium-Sized Enterprises.** Increasingly higher importance in Latvian economy is attached to support the growth of SME and creation of new companies. In order to encourage development of SME more efficiently the Cabinet of Ministers accepted the National Program on the Development of Small and Medium Sized Enterprises.

**Rural Development Project** has been adopted also. It is stipulated there it will be possible to lend small amounts of money (starting with 1000 Lats - approx. 1725 USD) with minimal interest rate to farmers, entrepreneurs and persons starting business activity in rural areas provided that they can show economic motivation and their work program. The financial means for this will be received from the government of Latvia within the limits of the World Bank’s granted credit line. This Project will help to involve rural population in the nonagricultural business. Now in the agriculture are employed 18% of Latvia’s workforce instead of 5% at an average in the EU countries. As was marked above there are widespread hidden unemployment. Absolute majority of peasants farm are petty and small farms, which do not produce for sales or sell in little quantities, and they can not compete in the market. Gradually most of them should be switched on other business activities.

With the participation of specialists on employment from the European Union and the financial assistance of the EU PHARE program **Ministry of Welfare** has started the development of the new programs to activate employment policy. The National Program “People of Latvia” has worked out. It outlined the effective implementation of active measures as the most important task. Among these tasks are the following:

- to improve retraining system of unemployed, developing more targeted training programs, improving quality of training, determining interest and suitability of the unemployed. To achieve these tasks the State Employment Service has to create a new uniform system of professional training;
- to develop territorial employment programs in cooperation with the Ministry of Environment Protection and Regional Development, Ministry of Economy and other line ministries if necessary and also with SES and local governments;
- to realize alternative measures including job-seekers’ clubs to encourage long term unemployed, young people (without work experience);
- to perfect the system of payment for the temporary paid public works;
- to establish a modern State Employment Service able to quickly and flexibly react to the demand of labor and effectively act in the area of reduction of unemployment.
- to address issues of employment based on professional orientation at school, adapting of vocational training system to the needs of the labor market, life-long learning, development of alternative business and crafts, active employment measures – retraining, temporary public works, etc. and support to start of entrepreneurial activity among the unemployed.
Implementing above mentioned programs in 1998 it was introduced new training programs for the young unemployed people including the involvement of young people who have vocational education in apprenticeship practice with the employers and young people without professional education – with the craftsmen registered in the Latvian Chamber of Crafts.

Ministry of Welfare has developed several projects to address problems of unemployment in Latgale region. In 1998 individual support programs to the start of entrepreneurial activity was launched and implementation of the projects of development of ecotourism, forest planting and other activities started in some regions.

Conclusions

Important objective of the unemployment policy is designing territorial employment programs and cooperation between different institutions in this field, especially among the Ministry of Welfare, local governments and Ministry of Economy. Local governments should take more active participation in development of territorial employment programs, as well as support development of businesses in their territories. At the same time to increase mobility of labor in the state creation of apartment market should be encouraged.

Among objectives of this policy could be mentioned improvement of the retraining system for the unemployed in order to reduce structural unemployment in Latvia. The training programs should be developed based on demand in the market to give the unemployed an opportunity to find a suitable job. According to statistical data only about 1/4 of the unemployed find jobs after they have completed training courses. The professional education system needs to be improved also so that young individuals receive education which better corresponds to market requirements.

Another objective could be development of alternative measures focused on increasing activity among the long term unemployed. Analysis of unemployment in the country shows that the principle reason why more than 45% of the total amount of unemployed are not able to find jobs is people inability to change orientation and to adjust to the changed economic environment and the new requirements of employers.

Not less important task is rationalization of the system of temporary paid social work. At the end of September 1998 almost 20 thousand unemployed individuals (20% of registered) expressed willingness to undertake temporary paid social work. However less then half of them were granted such possibility, unmention unemployed which are not registered.

There are a large number of low-productivity jobs, especially in agriculture. These constitute an alternative for unemployment, but generate low output per worker and low employment income.

Education is one of the main determinants of labour market success. The higher educated have much higher participation rates, lower unemployment rates, higher wages and a higher incidence of full-time employment (compared to part-time employment).
Age is important in success or failure in the labour market as well. Young people trail behind the rest of the labour market, with a very high percentage of unemployment, especially for urban youth. This is linked, among other things, to a mismatch between their education and the level of demand in the labour market. Young people also have the lowest wages.

In a short for improving situation is necessary:

1. To establish an enabling environment for job creation
2. The strengthening of the role of active labour market policies with special attention for the long-term unemployed, unemployment of youth and women;
3. The development of local and regional employment-promotion strategies taking into account the specific local circumstances, in particular the differences between rural and urban areas;
4. Strengthening the link between the education system and the labour market;
5. Promotion of further education for the lowly educated, including adult education.