

Social Community Teams against Poverty (The Netherlands, 19-20 January 2016)

Country paper on social assistance system in Latvia¹

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1. Brief overview of the social security system

The Latvian social security system shall include the social insurance system, the State social benefits, as well as social services and social assistance system.

The social protection system in Latvia is to a certain extent inherited from the Soviet period, and has undergone several stages of reforms. Firstly, in early 90s the systemic transformation of the social security system was carried out with advice from the World Bank, with simultaneously happening socio-economic changes in the economy.

Studies (Aidukaite 2004, Ainsaar & Trumm, 2009, Guogis & Koht 2009, Rajevska 2009) indicate that since 1991, the social protection system of the three Baltic states has been somewhat reformed into a more liberal direction compared to the social democratic one, which means more individual responsibility for its welfare and less state responsibility to ensure a decent standard of living for its population. Nevertheless, there is still a remarkable evidence to claim that the three Baltic States have not developed into a liberal welfare state system, if we study social security programmes in detail. Studies (Aidukaite 2004, 2009b) indicate that when it comes to social policy structures and the coverage of the population, the Baltic welfare state still shows more comprehensive solutions to social problems than residual ones.¹

Through insurance-based schemes in such areas as working capacity, old age, invalidity, illness, maternity, parental leave and the loss of the breadwinner are covered. These play a major role in the social protection system and at some point in the life-course, every person can rely on it. Further there are certain State social benefits that are universal benefits that cover everyone who meets a certain status or set of criteria. Social assistance is defined by law as one of the autonomous functions of municipalities² (see Scheme No.1).

Since 2003, social assistance is regulated by the Law on Social Services and Social Assistance (adopted on 31.10.2002). The Law defines the division between social services and social assistance, the division of responsibilities between state and municipalities, clients' own duties, as well as gives the definition and the tasks of social workers, social carers, social rehabilitators and social assistance organisers, types of services etc. (see Scheme No.2).

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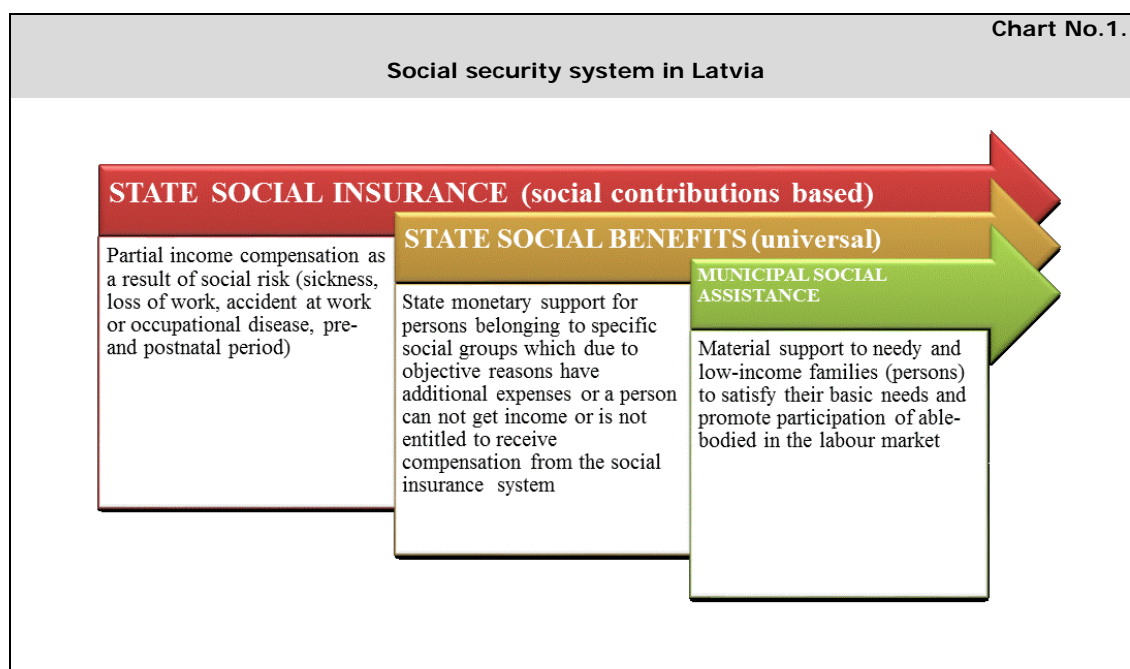


Chart No. 2

Responsibilities of state and municipalities as regards social services and social assistance

State responsibilities	Responsibilities of municipalities
<ul style="list-style-type: none"> ▪ State social benefits ▪ Vocational rehabilitation ▪ Social care institutions for mentally disabled and blind ▪ Social rehabilitation for misusers and abused children ▪ Social rehabilitation for blind, deaf and persons with functional disorders ▪ Technical aids ▪ Social rehabilitation for victims of human trafficking ▪ Support of children suffering from coeliac disease 	<ul style="list-style-type: none"> ▪ Municipal social assistance benefits (GMI) ▪ Home care for all groups ▪ Day-care centres for elderly and mentally disabled ▪ Social care institutions for children and elderly ▪ Night shelters ▪ Crisis centres ▪ Serviced flats for special care ▪ Social rehabilitation for alcohol and drug abusers and former prisoners ▪ Special workshops for mentally disabled and blind

Traditional **social partners** and other non-governmental organisations are usual and regular partners in policy development. This relationship has been formalised in form of a Cooperation Memorandum with the Cabinet of Ministers and contractual agreements with line ministries. This partnership model is appreciated and actively used by NGOs as it allows them to be partners in the design, development and implementation process of policies.

2. Current policy context

In general, social benefit levels and the share of GDP spent on social protection (compared to well-developed welfare states) can be regarded as rather low. In 2014, social protection expenditure accounted for 14.2 % of the GDP, which is



0.2 percentage points less than in 2013 (14.4 % of the GDP). The EU–28 average in 2012 was 29.5 %, in Latvia 14 %.

The relatively lower levels of social benefits (even if they cover all those in need) do not contribute enough to ensure an adequate standard of living for the Latvian population, and they hinder the successful reduction of poverty and the expansion of the welfare programmes.³ Therefore, adequacy of these benefits has been of high concern for policy makers throughout recent years.

The **Social Investment Package** invites Member States to focus more on social investment in order to develop the people's competences and to support their participation in society and the labour market. This initiative of the European Commission intends to ensure that a more efficient and rational use of resources guarantees adequate and sustainable social protection, the development of personal skills and competences, provides more possibilities for integration in the society and the labour market, and also that the social security system complies with the needs of people in cases when there is a social risk and prevents emerging difficulties instead of minimising damages caused. It is clearly emphasised that social policy is not viewed as expenditure hindering the economy development; instead it is considered to be a productive investment in the economic development and the growth of employment.

Commission Recommendations provided to Latvia since 2012 emphasise the necessity to reduce poverty, in particular highlighting children as a target group, to reform the social assistance system with the goal to ensure better coverage and also adequacy, as well as provide more efficient support to solve the long-term and youth unemployment issues by improving active labour market policy measures.

Each EU Member State sets its quantitative target on the basis of the three indicators defined at EU level and forms an indicator of the target for poverty reduction: the "at-risk-of-poverty" rate, the rate of people living in households with very low work intensity and severe material deprivation, or another national indicator. Latvia's target on poverty reduction is based on two indicators: at-risk-of-poverty rate and/or the people living in households with very low work intensity, defining that until 2020 the risk of poverty and social exclusion should be eliminated for 121,000 residents of Latvia.

In order to start the revision of the social security system and to ensure that justified decisions are made in proposing the measures and the directions of action for the improvements of the area, a study called "Latvia: Who is Unemployed, Inactive or Needy?" was carried out by the World Bank in 2013 (hereinafter the WB study). The following can be highlighted as major common problem areas of the social security system in the conclusions drawn within the framework of this research:

- the lack of targeting in the support provided by the state and municipalities and the necessity of its improvement for the most poorest population;
- the necessity to implement measures that would allow smoother transition from social assistance support to paid employment;
- the necessity to define more accurately the priority target groups to be supported;
- the necessity to improve the implementation of certain active employment measures.



Latvia's **poverty reduction goals** are outlined in the *National Development Plan for 2014-2020*⁴ and the *National Reform Programme*⁵ by defining both the priority target groups and outlining the major support areas and directions of action:

- 1) implement measures to raise the standard of living of employed persons by reducing the proportion of employees exposed to the risk of poverty in the 18-64 age group from 9.5 % in 2010 to 5 % in 2020⁶;
- 2) by means of a comprehensive family support system that encourages reconciliation of work and family life, reduce the at-risk-of-poverty of children from 25 % in 2010 to 20 % in 2020⁷.

On December 10, 2013 the Latvian government approved *Proposals for improving the social security system*, where one of the main initiatives includes a commitment to develop a new, methodologically sound and adequate minimum income level according to the existing socio-economic situation in the country.⁸ On October 30, 2014 the government approved the concept paper *Setting of the minimum income level*. The overall aim of the concept paper is to reduce poverty and income inequality based upon principles of solidarity. In the concept paper it is proposed to define a common and adequate minimum income level based on concrete calculation methodology which will serve as the reference point to develop support measures set within the social security system (state social benefits, social insurance, social assistance).

According to this concept paper, the existing minimum income levels in Latvia are not evidence-based, therefore the current minimum income amounts are very low and the poverty rates and income inequality are high. Therefore it is proposed and adopted by the government that the new minimum income level in Latvia will be defined as 40 % of national median equivalised disposable income.

The low-income families with children, low work intensity households, elderly population, in particular with addiction issues, chronic diseases or disability are the **key target groups** to whom the support measures need to be improved or for whom new initiatives should be developed.

Key reasons for poverty and social exclusion are low income of inhabitants; high unemployment level including long-term and youth unemployment; mismatch of education and skills for labour market demands; high level of undeclared work; considerable regional and local disparities; poor health status of inhabitants.

In the course of revising the municipal social assistance system, it is important to evaluate the incentive elements for a person to make social insurance contributions over the long term. In the course of revising the municipal social assistance system, the person's possibility to return to gaining independent income and the aspects related to the labour taxes are evaluated as well. The following improvements in municipal social assistance system as regards work with individuals are proposed to be implemented:

1. Create a *common system* where a comprehensive evaluation of social situation and targeted support for solution of the client's social problems by professional social workers is provided to each client of the municipal social service office by involving relevant resources in each case (for example, involving experts from other fields to solve social situation of each client, necessary social services, as well as cash support, etc.).
2. The legislation should be improved by defining that each social worker shall encourage the welfare of both individuals and society groups and their adjustment to social environment by means of social work methods.



3. Special attention should be paid to inter-institutional cooperation both at the leadership level and during the management process of individual social cases.
4. To solve the material situation of a municipal social service office client, a cash support should be provided for and it should be granted to a household by calculating its maximum amount in compliance with the minimum income or minimum provision level defined in the country by applying the OECD equivalence scale.
5. Taking into account that tax revenue is used for the provision of municipal social assistance, the common criteria for evaluation of material situation should be set for the assessment of movable property and real estate, by evaluating the possibilities of selling it, however, not exceeding one year.
6. Common key minimum standards for granting the housing benefit should be set in the country.

3. Current state of play in Latvia as regards social work with individuals

It is a legal duty of the municipality to provide appropriate **social services and social assistance** that meets the needs of the person. Municipal Social Services authority⁹ shall evaluate whether a family or single living person is capable to ensure their basic needs at minimum level and whether there is motivation to participate.

Municipalities should ensure the operation of Municipal Social Services, providing at least 1 social work specialist per 1,000 inhabitants. Funding for social services and social assistance, besides particular services that are funded by the national government, shall be ensured by each municipality.

There are two social assistance benefits which are prescribed as a mandatory responsibility of municipalities by national law and which are allocated on the basis of income tests – the Guaranteed Minimum Income (GMI) benefit and housing benefit. According to the legal acts, a right to the GMI benefit is granted to persons who are recognised as needy persons. The income threshold for such a person is defined at 128,06 EUR per person/month. However, the GMI benefit shall not be lower than 49,80 EUR. This means that not every needy person has the right to the GMI benefit. For example, if a person's monthly is 100 EUR and the municipality has not set the GMI benefit higher than mentioned 49,80 EUR, this person will not receive the GMI benefit.

However, municipalities are free to fix the amounts, procedures and scope of persons entitled to these benefits in their binding rules. As an exemption from basic social assistance principles there is a one-off benefit in an emergency situation when due to a natural disaster or other unforeseeable circumstances the individual or the family is incapable of satisfying their basic needs. Eligibility for the receipt of the GMI benefit is assessed, taking into consideration the income level of the individual.

Further, besides mentioned mandatory benefits, municipalities may establish other services and benefits to support low-income individuals and families. These benefits can be regular ones or provide for other services, but more common they are one-time benefits with specific objectives, and they are based on the assessment of an individual application.

The amounts and range of benefits and services depend on the financial resources and priorities of each municipality. Therefore the support provided for low-income persons in different municipalities can be very different, which creates sensitive



discussions about equality as regards provision of basic needs like food, clothing, housing, health care, compulsory education etc.

To explain the different financial capacity of municipalities it has to be mentioned that the revenues of local governments (municipalities) are composed of personal income tax (80 %), real estate tax (100 %), grants and earmarked grants allocated from the state budget, grants from the Self-government Financial Equalisation Fund¹⁰ and service fees. Taking into account the different socio-economic situation, the revenues from personal income tax are very different.

Social services is a factor that promotes inclusive growth because the resources invested there contribute to the development of human capital, thus providing medium and long term yield both from the economic viewpoint, as well as at individual and society level. Services that are not received in time may impact not only persons in need of social services, but also their family members, who often assume the care of these persons and are often forced to leave the labour market and thus lose their qualification, often unable to return to the labour market after a lengthy involuntary absence. It is stated by the law that a person has rights as regards social assistance, but also the duty to get active in the solution of the problem, provide truthful information, and use social assistance for the intended purposes.

In order to solve the identified deficiencies and drawbacks in the social work area, a medium term policy planning document "Strategy for Professional Social Work Development (2014-2020)" has been developed where the following directions of action in the improvement of the social work area are provided for:

- improvement of social work quality,
- providing the accessibility and improvement of efficiency,
- sustainable development of the social work area.

It is proposed to develop a common system where each client of a municipal social service office would be provided a comprehensive assessment of his/her social situation by a professional social worker and targeted support to resolve client's social problems in each case involving appropriate resources.

To sustain social services and to strengthen methodological support to enhance professional social work an ESF project "*Development of professional social work in municipalities*" has been developed.

Its target group are specialists of social work (social workers, charitable social workers, social rehabilitators, social carers) in Municipal Social Services and social service providers, established by municipalities. The main aims of the project are: to improve efficiency of the Social Services, to improve professional competence of employees and to initiate and develop Community social work.

Regular trainings and supervisions for municipalities as well as activities of methodological support (conferences, thematic discussions, terminological explanatory dictionary, regular publication etc.) will be enforced. Methodological handbooks will be developed for daily work with the nine main client groups as well as a baseline for development of Community social work. It is planned to sustain management capacity of social services by elaborating management assessment tools for evaluation of daily practices, by defining the scope of social work in the Municipal Social Service and developing mechanisms of cooperation with other institutions and professionals, as well as to set work load criteria and develop the remuneration policy of social workers.



End notes

- ¹ Estonian Human Development Report Baltic Way(s) of Human Development: Twenty Years On, http://kogu.ee/public/eia2011/eia_eng_2011.pdf
- ² There are no regional governments in Latvia, only central government and 119 local governments (municipalities).
- ³ Estonian Human Development Report Baltic Way(s) of Human Development: Twenty Years On, http://kogu.ee/public/eia2011/eia_eng_2011.pdf
- ⁴ To be found here - <http://www.pkc.gov.lv/>
- ⁵ To be found here – https://www.em.gov.lv/en/latvia_in_the_eu/europe_2020_strategy/
- ⁶ National Development Plan of Latvia for 2014-2020, Cross-Sectoral Coordination Centre (2012), p.37.
- ⁷ Ibid, p. 40.
- ⁸ Informative report - Proposals for improvement of the social security system, Ministry of Welfare, adopted by the Cabinet of Ministers on 10.12.2013.
- ⁹ Social Services authorities are established and ruled by the local municipality, some standards are set by the national law.
- ¹⁰ Self-government Financial Equalisation Fund is composed of state budget grant and municipality payments. Two taxes are involved in equalisation system – personal income tax (80 %) and real estate tax (100 %). Nevertheless the previous regulation has been regarded as outdated and did not provide for equal redistribution between municipalities, so new regulation and criteria have been adopted by the Parliament on June 4, 2015. The new system is in force as of January 1, 2016 and the criteria are based on demographic indicators (the number of all residents, children up to the age of 6 years, youngsters in the age between 7 and 18 years, and seniors of pension age) and the territory of the municipality. The law stipulates also that revenue per contingent inhabitant (each square kilometer gives 1.52 contingent inhabitants) is taken into account.

