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DEMOGRAPHIC POLICY OF LATVIA: PROBLEMS AND PROSPECTS

POLITYKA DEMOGRAFICZNA ŁOTWY: PROBLEMY I PERSPEKTYWY

DOI: 10.15611/pn.2017.465.17

Summary: The article examines the effects of influence of demographic policy on the formation and development of human resources in Latvia. The objective of the article aims to determine “weak points” of population system’s policy and develop the conceptual proposals that will resolve existing disputes. The main indicators characterizing a demographic situation in Latvia are analysed. The results of the analysis indicate the existence of deep demographic crisis in Latvia. Without taking effective measures to improve the demographic situation, the population of Latvia will decrease dramatically. In the conclusion, the proposals on the increasing the effectiveness of the system of demographic policy in Latvia were put forward.

Keywords: Latvia, demographic situation, demographic policy, indicators, demographic crisis.

Streszczenie: Autorka bada efekty oddziaływania polityki demograficznej na tworzenie i rozwój zasobów ludzkich na Łotwie. Celem artykułu jest określenie słabych punktów prowadzonej w tym zakresie polityki oraz sformułowanie propozycji koncepcyjnych, które rozwiążą istniejące spory. W artykule analizowane są główne wskaźniki charakteryzujące sytuację demograficzną na Łotwie. Wyniki analizy wskazują na występowanie głębokiego kryzysu demograficznego na Łotwie. Bez podjęcia odpowiednich działań i zastosowania efektywnych środków mających na celu poprawę sytuacji demograficznej populacja Łotwy dramatycznie się zmniejszy. We wnioskach zawarto również propozycje zwiększenia efektywności systemu polityki demograficznej na Łotwie.

Słowa kluczowe: Łotwa, sytuacja demograficzna, polityka demograficzna, wskaźniki, kryzys demograficzny.

1. Introduction

In the coming decades developed EU countries will have considerable demographic changes. The retirement of the children born in the period of the baby boom, increased life expectancy and decreasing birth rate will change the age structure of the European

population and its number. The expected aging of population will lie a heavy burden on the pension provision in the European countries, and exactly in a place where the distributive (solidary) system prevails. In this regard the question of migration draws public attention and is considered as a solution, connected with the expected aging and decrease in population. The flow of migrants (mainly young age) to the developed countries, is perceived as the means of softening the financial load on the pension systems of these countries.

Latvia's entry into the European Union in 2004 had a negative impact on the human resources of the state, and today the processes of depopulation and population emigration processes can be distinguished among the most acute demographic problems in Latvia. The processes of depopulation are caused, first of all, by the declining birth rate and the rapid increase in the number of residents of retirement age. The demographic situation worsens and emigration abroad takes the mass character. At the same time economic migration comes to the fore, which is associated with the search of higher wages and better living standards by emigrants from Latvia [Tsaurkubule, Vishnevskaja 2010]. Among the reasons for emigration dominated the economic issues, such as, for example, difficulties in finding work, low wages, poor conditions, etc. Of particular concern is the emigration of the most active and creative part of the population – young people and intellectuals. The emigration of qualified professionals grows and “brain drain” reduces the country's intellectual potential [Tsaurkubule 2013].

Every year emigration factor continues to exert increasingly negative impact on the natural growth of the Latvian population and, consequently, on the economic situation in the country as a whole. At the same time, the problem of reduction of the Latvian Republic population and the decline in the birth rate, the outflow of population, and, above all, of the working-age young people, and, consequently, the deterioration of quality and the quantity of the country's human resources, can be studied through the analysis of functioning of state's democratic policy mechanisms, especially in the conditions of uncertainty, accompanying external and internal manifestations of a crisis situation.

The problem of research – reduced birth rate, increased mortality and emigration in the socio-economic system of Latvia. The stated problem of the research allowed to determine the **object** of research in demographics and social-economic system of Latvia on birth rate, mortality and emigration.

Research purpose – the analysis of the demographic change impact on the prospects for socio-economic development in the context of the preservation of human resources in Latvia.

Research objectives:

1. To investigate dynamics of the main indicators of the demographic policy of Latvia.
2. To identify trends in policy formation and the reproduction of human resources in Latvia and the impact on it of emigration processes.

3. To develop proposals for improving the socio-economic policy of Latvia in the context of the preservation of human resources of the state.

Research methodology. The studies are based on the methodology of system analysis, involving the structural-functional approach of allocating objects in the system of structural elements and defining their roles (functions) in the system. The result of the system analysis of the Latvian demographic policy was the researched **subject** definition as a body of knowledge about the subject being studied.

2. Results and discussion

Demography

According to the ONS data, the total population of Latvia at the beginning of 2015 was 1,986,096. The general number of residents in 2015 decreased by 290 thousand, or 12.8% relative to the same indicator of 2004 – the year of the accession to the EU. Statistical data testify to an annual decrease in the population of the country.

The total population of Latvia continues to decrease. According to Eurostat, since 2006, the growth of the population of Latvia has been negative.

In fact, the population of Latvia in 2013 returned to the level of 1959.

Based on figure 2., it can be concluded that the birth rate in the country is annually declining. The annual death rate remains approximately at the same level: 1.4% dead

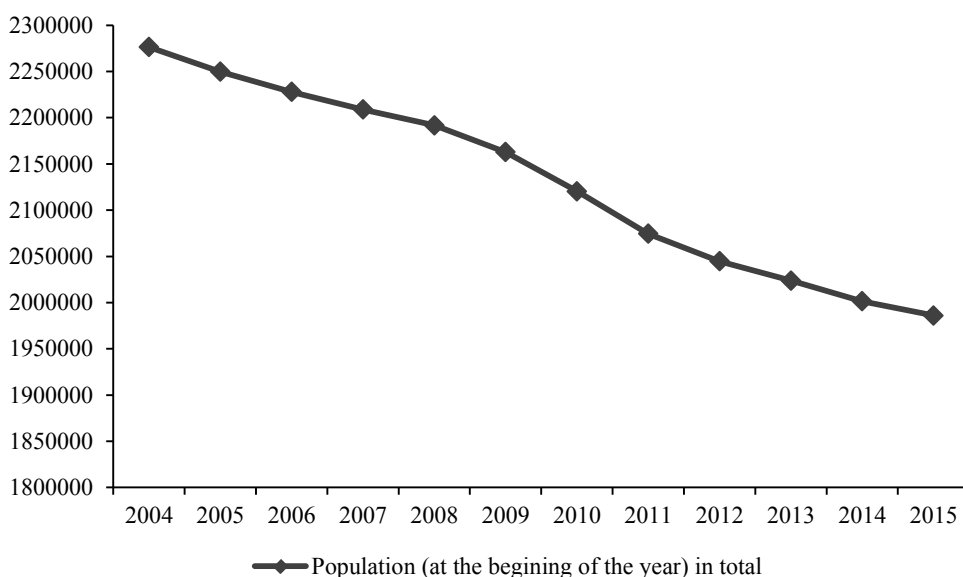


Fig. 1. The dynamics of Latvian population from 2004 to 2015 (number of inhabitants in thousands)

Source: [Statistical Yearbook of Latvia].

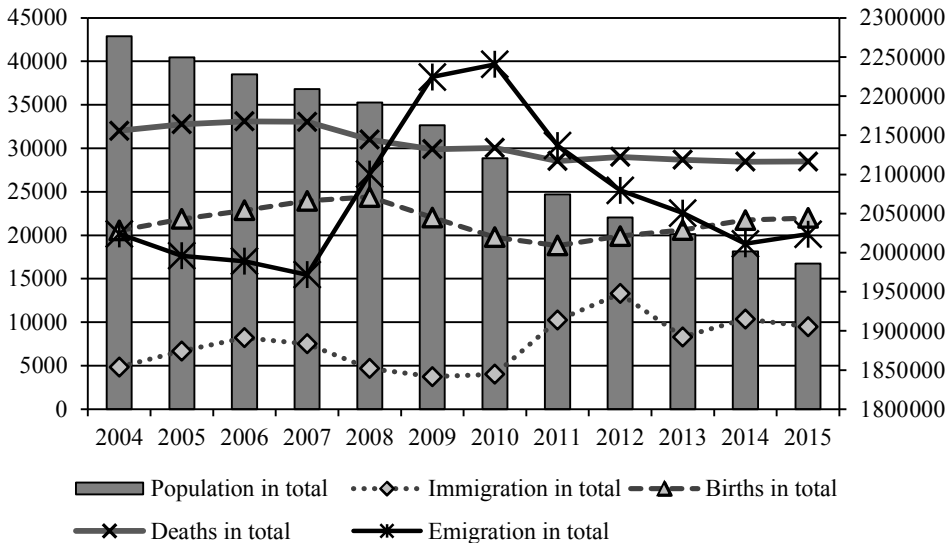


Fig. 2. Natural movement of the population of Latvia in 2004-2015

Source: [Statistical Yearbook of Latvia].

people of the total population (calculated by the author of the research). The negative dynamics of natural population growth is quite evident.

In recent years, Latvia has continued to experience a decline in the birth rate: during 10 months of 2014, 18,000 children were born, which was 800 babies more than for the same period last year. At the same time, for 10 months in 2014, 24,000 people died, which was 400 fewer than for the same period last year.

Thus, the age structure of Latvian population is close to the following parameters: the number of children and young people under the age of 27 years is reduced and the number of elderly people aged 65 to 85 years is increased.

Calculations of the European Commission show that in the next 50 years the population of Latvia will be reduced by another 25%, and the number of residents of working age – by 43%. This is a dramatic impact on the age structure of the population. If today in Latvia for four residents of working age, there is one person aged 65 years and older, by 2060 this ratio will amount 4 to 3 [Swedbank 2012].

According to the baseline scenario of the strategy of long-term development of Latvia [Swedbank 2008] intended to identify the guiding development of the state line for the period until 2030, Latvia's population will be 1.9 million people with an average age of 44 years and the demographic load of 57 unemployed per 100 workers, with more than 30% of the population older than 60 years.

Aging and declining population will occur more rapidly in rural areas or in economically weak regions (e.g., in Latgale).

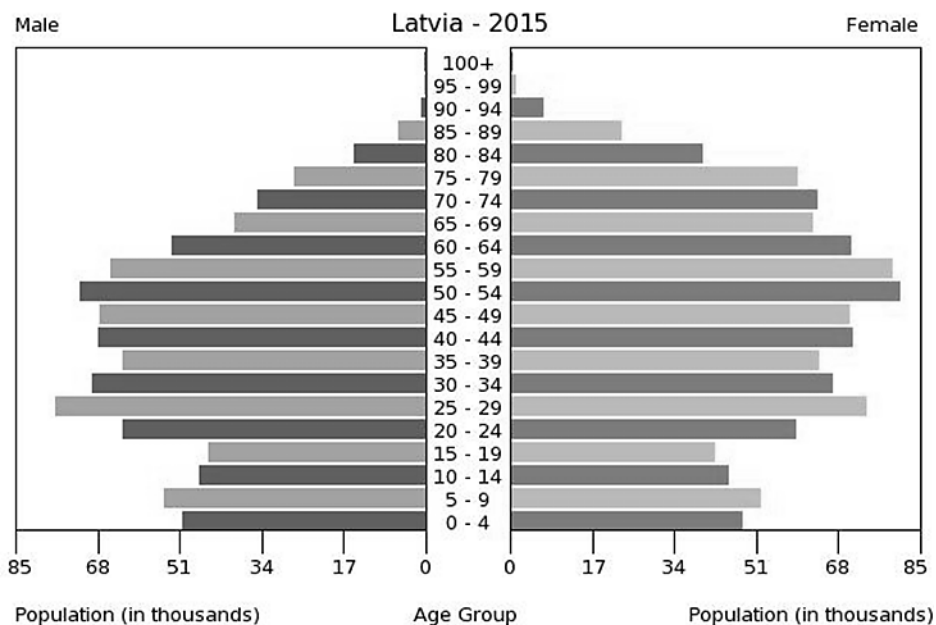


Fig. 3. Age structure of the population of Latvia

Source: [The World Factbook 2015].

According to Eurostat data on human development, life expectancy in the Baltic countries is lower than in most European countries. Experts compared the lifespan of men and women in the member states of EU.

For example, in Latvia the average male life expectancy is 65.4 years and women – 76.5 years. In Lithuania, men live on average 65.3 years and women – 77.3, respectively. In Estonia – 67.3 and 78.2 respectively [Eurostat].

Migration

The population of Latvia is rapidly reducing, both due to low birth rates and migration. Official statistics do not take into account the fact that about 5% of the population temporarily went to work abroad and remain there forever on semi-legal status.

Figure 4. illustrates an annual increase in emigration up to and including 2015. In 2011 fewer people than in 2010 and 2009 left the country, and more people compared to the three previous years arrived. In all the mentioned years the number of emigrates was higher than the number of immigrants. That is why the balance of migration is negative.

Labour migration in Latvia is explained by relatively low wages, the inability to find a job and huge loan obligations. Statistics shows that since 2004 the Latvian

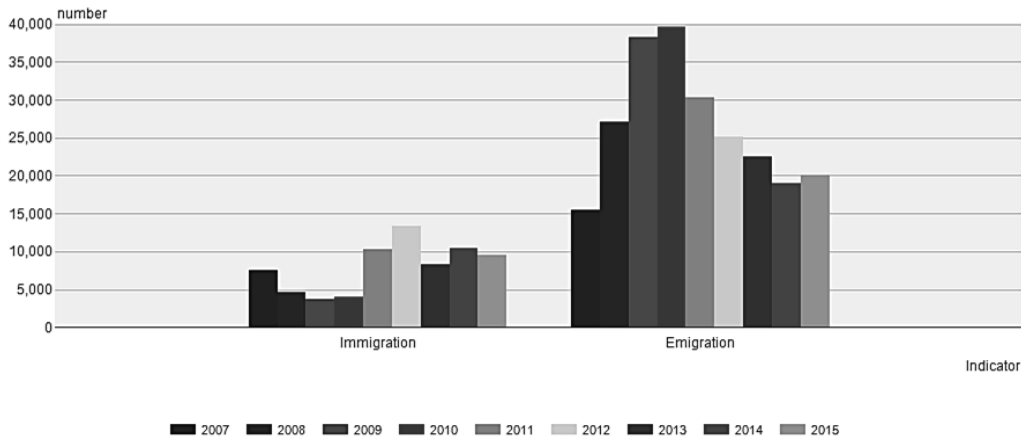


Fig. 4. Indicators of emigration and immigration in Latvia, 2007-2015

Source: [Statistical Yearbook of Latvia].

population have decreased by 290 thousand people, and 90% of them (261 thousand) have emigrated.

Over the last few years we can see a trend of qualified workers' departure, but only few of them have been leaving the country to work within their speciality. Most of them are doing menial work and earn more than in Latvia.

During the economic crisis the number of families with children who have decided to leave Latvia sharply increases. Emigration falls during the economic growth. However, the change of economic situation has almost no effect for immigration. These fluctuations show that emigration is a consequence of the extensive economic problems. The figure below shows that not only adults leave for permanent residence in other countries.

One of the main reasons that the deterioration of the economic situation influences the emigration of children and young people so much, but almost does not affect immigration, is always a low level of living standard of families and children in Latvia.

Every year the World Bank writes an analytical report. The main concern of the study, involving 210 countries around the world, is to calculate the number of financial transfers sent by migrants around the world to their homes, as well as the impact that the money has on the economy of their homelands.

The report [Migration and Remittances Factbook 2011] contains information that in 2010 Latvian economy received more than 310 million lats from its emigrants. This was the exact amount of money sent by working and permanent emigrants to their historical homeland in 2010. In 2010 more than 272 thousand Latvian emigrants lived and worked outside Latvia, given the fact that 8.8% of Latvian emigrants are educated and highly qualified. About 3% of them are doctors.

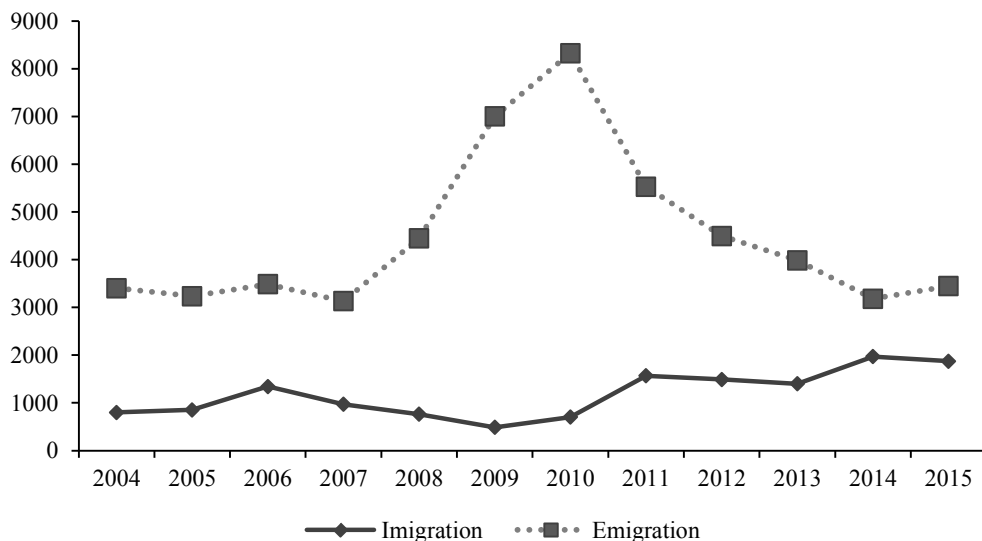


Fig. 5. Migration trends in Latvia: children and young people aged 0 to 19 years, 2004-2015

Source: [Statistical Yearbook of Latvia].

According to the CSO of Latvia, from 22,561 people who left Latvia in 2013 in order to stay in a foreign country permanently or for a year or more, 82.8% were of working age. In 2013, 8299 people came to Latvia for permanent residence or for a year or longer, of whom 28% were from the EU and 74.9% were of working age.

Because of low wages, Latvia is not attractive to workers from the Third World countries. The residents of these countries can be employed, if they have received a residence permit or a visa with a work permit. Most of all registered workers come to Latvia from the CIS countries: Russia, Ukraine, Belarus.

According to the survey conducted in August 2012 by the agency TNS Latvia and television company LNT, which was participated by 750 people, most Latvia's residents were extremely skeptical about the government's ability to stem the flow of population leaving the country. Skeptical respondents accounted for 94%, including 59% of "completely sure" that the government could not cope with the problem of emigration. Only 4% of respondents gave an affirmative answer to the question whether the government would soon keep the outflow of people, and only 2% have no opinion on the matter [Kasjauns.lv].

Even assuming that the natural increase of Latvian population continues, it is reduced to nothing and turns into its opposite because of emigration. According to Latvian researchers, from those (aged 18 to 60 years) who have not left yet, more than a third is going to do it in the near future. As noted in the review of the IMF: "Emigration – it is a safety valve that can help overcome the serious unemployment problem in Latvia. But if most entrepreneurs and skilled workers are leaving in large

numbers, Latvia will lose the very people who will create new companies and jobs. And reducing the amount of labor emigration may reduce production in Latvia. While the damage caused by emigration will be recovered by significant funds transfers, there will be reduced tax revenues in Latvia and it will be difficult to fund public spending, such as pensions” [IMF Survey Online 2010].

Due to the emigration of the working age population from the country, another problem has recently escalated. It is the problem of labor shortages for local businesses. Indeed, the availability of labor in the local labor market (aka – the availability of potential consumers) has recently become the major concern for companies operating in Latvia. To these conclusions comes Workingday company’s representative on staff recruitment Maris Silinieks [*Эксперт...* 2011], commenting on the results of public opinion poll “DnB NORD Latvijas barometrs” [DnB NORD 2015], according to which one third of Latvia’s residents believe that a good and adequately paid jobs in the country are hard to find, so it is necessary to leave the country for work abroad. “Most of those leaving are the low-skilled workers, people without higher education. Specialists with higher education and work experience have no problem with employment”, he emphasizes.

Latvian economist O. Pavuk [Павук 2011] believes that selfemployment can reduce unemployment and the flow of emigration. “Salvation drowning – the handiwork of drowning. There is a way, and it was not us who thought about it. The outcome is small and micro business which in the US GDP generates about half of value of income of all enterprises, and this ratio has remained stable for more than half a century”.

3. Conclusions

Work within this research has allowed the following conclusions:

1. Modern demographic situation in the Baltic States is regarded as unfavorable: negative natural increase and migration outflow. All three countries are highly urbanized. The proportion of urban population is close to 70%. The summary of the problem by demographers and sociologists is as follows: the reduction of population in all three Baltic countries is likely to continue in the near future, with all the attendant socio-economic, political and ethnic problems.

2. Today, Latvia is in last place in the EU in terms of fertility, and according to demographic projections, in 40 years the population will be reduced by half. This fact is cited in a document by the European Parliament, which is sent to all EU member states. This dangerous tendency is widespread: by 2050, the average age of people in Europe will have increased by 10 years, approaching the 50-year mark. However, if in other countries the demographic problem is solved at the governmental level, the Latvian government only talks about it.

3. According to official figures, in the last year, 2,500 people left the country, predominantly young people. In just 20 years of independence, approximately

400,000 people have left the country, or nearly every 13th person among those that lived in Latvia in the early 1990s.

4. Emigration equally affects both main ethnic groups in Latvia. The main attractive place for those and other emigrants are countries of Western Europe. Five times more people of working age emigrate than immigrate. Among those emigrating most are young people aged 20-30 years, and if emigration continues at the current pace, in 20 years there will be nobody to pay taxes, even to the extent which allows to pay pensions. Characteristically, people leave with their families. The number of children leaving Latvia is twice higher than the number of those entering the country.

The analysis of the findings enables to author of the article to formulate a number of proposals, the implementation of which may speed up the system reforms:

1. It is known that long-term growth and welfare of the inhabitants determine the number of employees in the labor market and increase their productivity. In order to solve the problems associated with unfavorable demographic situation in the future – aging workforce and low birth rates, as well as the low levels of education, and non-compliance to requirements of the labor market, it is necessary to develop short-term, medium-term and long-term migration strategy that includes migration, emigration and integration aspects.

2. The solution of demographic problem requires a comprehensive, ie. a systematic approach. If the goal is a radical change of the situation, it is not enough to focus on the separate, even an extremely important element, losing sight of other components of the system (for example, to achieve the increase of birth rate without the construction of new kindergartens, planning of timely payment of benefits, guarantees that parents will not leave and the child will not become a part of a foreign system).

3. Since the demographic policy is closely linked with the emigration of young people, the creation and implementation of such a youth policy is necessary, which in the area of youth employment would provide the creation of state support programs and discount for payments of the state social insurance to employers who would establish both workplaces and places of practice, so that employers would be interested to employ the youth.

4. It is necessary to develop a mechanism of state support for young families with children, to accelerate the consideration of the mortgage support at birth of newborns.

5. It is necessary to organize the management structure of the demographic policy of Latvia, having reduced the number of controls to a minimum in order to avoid multi-level transfer vertical information

6. The main condition for changing the current situation of purposeless functioning of the mechanisms of reproduction and development of human resources is the existence of the political will guiding the country to start a specific program of restructuring inefficient in today's conditions human resources conservation system.

Without such a solution, and the clear mechanism of social control and personal responsibility of decision-makers, all implemented measures will be at some point reduced only to formal action and will not give the desired result.

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