

Latvian ESF Operational Programme “Humans Resources and Employment” Comments

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Introduction

The Operational Programme “Humans Resources and Employment” (OP) is essentially the ‘business plan’ for the deployment of the European Social Fund (ESF) in Latvia for the programming period 2007-2013. As a general comment it has to be said that this is a weak document – there are many weak and inconsistent arguments, the links between problems and solutions are often poorly developed, the activities proposed are vague, and the expected outputs are notably unambitious given the scale of resources that will be deployed. In fact I have the impression that the output and results indicators have not been fully worked out. Overall, the document gives the impression of something that has been ritualistically prepared to meet the formal requirements of an OP but one that lacks real understanding of the issues let alone the solutions. It could have been written by a student and indeed might well have been since the Latvian civil service employs many ‘full-time’ students as ‘full-time’ public officials. Indeed, this is a quality issue in both higher education and in the administration that is not addressed in the OP.

The OP has five priorities of which overwhelmingly the most important in terms of funding (see table 1 below) are Priority 1: “Improving Quality of Education and Development of Science” and Priority 2: “Promotion of Employment and Public Health Measures”. By contrast, Priorities 3 “Promotion of Social Inclusion” and 4 “Administrative Capacity Building” have one tenth or one sixth of the funding allocated to the first two. On the whole this is probably right especially the priority given to education, though one must question whether the health measures proposed under Priority 2 really address labour force issues.

Table 1: Allocation of funds by Priority

Priority 1: Education and science	55%
Priority 2: Employment and health	31%
Priority 3: Social inclusion	5%
Priority 4: Administrative capacity	6%
Priority 5: Technical assistance	4%

Each priority contains a number of measures and each measure has a number of activities. A proper appraisal of the OP would require a breakdown of how the funds are expected to be allocated by measures and activities. Unfortunately, this is not provided in the OP. Some information is available on the Latvian structural funds website www.esfondi.lv but it is incomplete and rather clearly provisional and for Priority 2 also on the welfare ministry website www.lm.gov.lv.

The structure of this review will be as follows. First will be some brief comments on Chapters 1-3 which provide an introduction, a 'current situation overview' and 'strategy' and this will be followed by an analysis by priority and within that by measure.

Chapters 1-3

Some parts of the current situation overview make bleak reading – there are clearly problems with the education system in all spheres and it is difficult to reconcile the statement in Para 9 that “The results of PISA 2003 show that the number of students reaching average and high level of competency is still low in Latvia and has not increased materially” or in Para 10 “The secondary education final centralised exam results indicate that the proportion of individuals graduating with low or very low basic skills is still high at 27.18 %. Particularly low performance is shown by the graduates of vocational education schools at 49.48 % and evening schools at 36.35 %” with the claim made in the SWOT analysis in chapter 3 that one of Latvia’s educational strengths is “a high general educational level of the population” (p74).

The amount of space devoted to higher (tertiary) education is rather small (5 pages), especially if account is taken of the fact that Latvia has one of the highest per capita higher education enrolments in the world and the highest in the EU. The only substantive issue discussed is the low proportion of science and engineering students where the poor quality of school tuition in these areas and high fees are put forward as contributory factors. In general there is no discussion of quality of the higher education system although quality assessment as part of the accreditation process is mentioned as is the aging professorial workforce. Issues that are not raised (in no particular order of importance) include:

- The high proportion of 'full-time students' that also do 'full-time work'. This is partly a consequence of the fact that most student have to pay what are now quite hefty fees
- The fact that (in the University of Latvia at least) the only prerequisite to do a masters degree in some faculties is a bachelors diploma in any subject – this means that the masters does not really build on previous study
- The quantity and quality of research undertaken by university staff
- The role of private institutions – more than a quarter of Latvian higher education students are enrolled in private establishments
- The demographic crunch – the numbers in the higher education age cohorts are set to fall dramatically over the next years

In the section on continuing education the insufficient involvement of employers in education and training is correctly pointed out.

In the analysis of employment and unemployment the coming demographic decline and its implications for the workforce and for the age structure is documented and the

potential of emigration to exacerbate the natural decline is signalled. Otherwise recent employment and unemployment indicators in Latvia have been good as a consequence of the economic boom. Here perhaps a risk could be noted ...what would happen to the labour market if there were a significant downturn in the economy?

On social inclusion the key problems (Para 168) say it all:

- Social care and rehabilitation services and infrastructure are not available at required level, range, quality and location,
- Lack of properly educated and trained social workers at social services and service providers,
- Insufficient professional rehabilitation services and infrastructure for disabled,
- Inability of former convicts to re-integrate in labour market and society in general,
- Individual needs of patients with sicknesses that can cause functional disorders and disability are not assessed, according technical and infrastructure support is scarce. This delays supply of rehabilitation services to decrease disability burden,
- Lack of comprehensive studies regarding progress of National Plan for Reduction of Poverty and Social Exclusion, efficiency of implemented measures and upgrading of activities.

The section on healthcare also makes bleak reading: Latvia has the highest mortality rate of working age people in the EU, the highest mortality rate from heart disease etc.

Improving health in Latvia is an important priority – but is it the province of the ESF?

The section on public administration quite well documents the needs for capacity building both at the level of management and in terms of human resources as well as the problem of a fragmented system of local government. One major omission is the hitherto poor performance of Latvia in the sphere of Government. According to the latest EU data (June 2006) Latvia remains firmly in last place in the EU in terms of the percentage of a set of 20 services that are fully available on line. According to the OP, “State and municipal institutions provide around 900 different services to inhabitants. Inhabitants need easy and permanent access to information and services” (Para 230) ... so there is a long way to go.

In Para 238 there is a curious inconsistency “According to data of the Central Statistics Bureau for the end of 2004 out of 1 018.6 thousand working population (age 15-74) 245.0 thousand worked in the public sector and 367.3 were employed by the private sector”. Where are the rest?

The section on balanced territorial development notes as one of the main problems to be solved “monocentric development of the country” ... so it is then curious to find that the next area to be discussed is the “international competitiveness of Riga”. Promoting Riga will surely exacerbate the monocentric development of Latvia. Like health this surely

does not belong to the ESF. This section also contains some statements that have to be taken with a pinch of salt eg Para 280 “development of Riga as one of the most powerful capitals of the EU” or are misleading eg Para 281 “the number of companies per 1000 inhabitants in Riga is 40 which amounts to the average in the EU” ... here the problem is that many companies that operate outside Riga are nevertheless registered in the capital.

Chapter 3 is devoted to the strategy and consists of a SWOT analysis and the strategy description.

I personally regard the SWOT as a substitute for real analysis and here comment only on some curious statements: the claim of a high general education level on p 74 has already been mentioned; on p 78 it is claimed as a strength that “several e-government elements are well-developed in public administration” ... this does not square with the general evidence on e-government in Latvia; on p79 high GDP growth is claimed as a strength with respect to macroeconomic stability ... actually it is a risk; also on p 79 even distribution of urban areas and even distribution of transport infrastructure are claimed as strengths ... very curious for anyone familiar with Latvia. In a sense all of these are rather trivial but they illustrate the general level of argument in the document.

The strategy description is partly a ritualistic statement of conformity of the OP with norms, goals, strategy documents etc but Para 303 contains one substantive element namely:

A goal that consists of “ the following attainable results for implementation of the Lisbon National Reform Programme of Latvia (LNRPL) and also EU funds in 2007 – 2013”

- To maintain a consistent annual GDP growth at 6-8%;
- To increase the employment rate to 67%, including female employment rate up to 62% and the employment rate of older people – up to 50%;
- To reduce the long-term unemployment rate to 3.8% of the total of economically active population;
- To reach 1.5% of GDP for domestic spending on research and development;
- To achieve a basic secondary education level for 85% of 20-24 year olds;
- To achieve at least 53% of the EU average productivity rate (GDP in PPS per employed person).

Here I would argue that some targets are too soft eg productivity where currently (2005) labour productivity stands at 46.3% of the EU average and Eurostat forecasts 51.5% for 2007. If real GDP growth of 6-8% is credible then a productivity target of 53% of the EU average by 2013 is surely too soft. Long term unemployment (currently 4.3%) and basic education (currently 81.8%) also look to be soft targets.

Analysis of priorities Chapter 4

Priority 1 “Improving Quality of Education and Development of Science”

Priority 1 consists of three measures:

- 1.1 Development of scientific and research potential
- 1.2 Development of tertiary education
- 1.3 Development of vocational education, lifelong learning and inclusive education

The SWOT analysis at the beginning repeats some of the points made in ch3 but contains as an opportunity “exporting education services”) (p90) ... yes maybe but first it is necessary to ensure the availability of courses in English. Currently exchange students struggle to find such courses.

Paras 333 and 334 outline the output and results indicators:

Outcomes:

- Number of supported applied research projects - 150;
- Number of created workplaces - 300;
- Number of supported international cooperation initiatives - 100;
- Number of improved (higher, professional and general) education programmes - 150;
- Number of persons engaged in life-long learning (by gender and age) – 5 000;
- Number of young people re-commencing education after early drop-out and long-time disruption (by gender and age) – 5 000.

Results:

- Increase of scientific personnel by 10% (2004 base value – 3324);
- Increase of students in programs playing vital role in national development by 5% (2004 base value – 5.2%);
- Decrease of number of unskilled graduates of secondary education establishments to 2% (2004 base value – 27.18%);
- Decrease of number of unskilled graduates of vocational schools to 25% (2004 base value – 49.48%);
- Increase of practicing doctors of 25-35 year age to 32% (2005 base values – 11.5%).

We do not know from the OP how much is to be spent on Priority 1, but surely these outcomes and results represent a poor return for what is going to be a substantial sum. Moreover some of the targets are difficult to interpret. For example, there is a target of 5000 persons engaged in life long learning, but the current Compendium indicator is 7.6% of the adult population aged 25-64. Back of the envelope calculations suggests that 5000 represents about 0.1% of this age group, so even if the figure of 5000 is the target increase it is not very ambitious. On the other hand, back of the envelope calculations suggest that the target for practising doctors in the age group 25-35 implies an increase in newly qualified doctors of about 1400 over the 2007-2013 period, or an extra 200 doctors a year. This seems rather high.

Measure 1.1 Development of scientific and research potential

The context here is Latvia's lowly position in the European R&D league and the aim of this measure is to "to develop R&D potential necessary to attract highly-qualified specialists to scientific research" (Para 336). The analysis is very thin – it is noted that the number of researchers per 1000 in Latvia is just over 3 as against a EU average of 5.4 and indicators of 16.2 for Finland and 10.2 in Sweden and low wages and inadequate legislation are put forward as explanations of the 75% fall in Latvian researchers since 1991. I am not sure what 'inadequate legislation' is but surely that can be fixed.

There is no discussion of what kind of R&D policy is appropriate for a small country such as Latvia. For example in the strengths it is mentioned that "scientific institutes have been granted EU centre of excellence status" and perhaps a good policy would be to build on these strengths. There seems to be a presumption that the way forward should be through further "cooperation between scientific and research bodies in the most prospective sectors: would processing, pharmaceutical industry, IT and material science". What about other sectors such as interior design, environment, or business services? There is an interesting reference in Para 338 to "interdisciplinary research in priority areas emphasising human resource deficiency solutions as part of the overall development of science", but this is not developed any further.

The three proposed activities – support for international scientific networks and cooperation; attraction of human resources to science; motivation for scientific activities – are all exceptionally vague.

Measure 1.2: Development of tertiary education

The aim of this measure is to improve "the quality of tertiary education" which is admirable. The question is how to do it?

In this measure some attention is explicitly paid to the potential of creative and innovative industries which is also commendable as is the intention to "ensure concentration of resources and investment efficiency .. [by providing] aid to the higher

education establishments showing their competitiveness within the international academic environment” (Para 373), however we then have in contradiction to this “in view of the economic development trends in the regions, it is necessary to provide aid to the development of new study programmes in the priority areas, in particular in regional higher education establishments” (Para 373). In several places the promotion of regional education is mentioned and in 375 it is stated “Preference (additional points in project assessment) will be given to those higher education establishments which are located outside Rīga. When granting assistance to master’s degree or doctor’s degree study programmes, the funding quota available for a region will be determined in view of the number of students in the priority areas, the territorial development index and correspondence of the curricula to the economic development trends in the region.” In my opinion this is a totally mistaken approach. It will provide support to inferior projects, in inferior institutions and arguably the regional impact will be negligible. The best graduates from regional institutions are always likely to end up in Riga.

I also find Para 384 astonishing: “The measure will indirectly promote the provision of equal opportunities. The priority areas of university studies within the 1st and 2nd activity of the measure will promote changing gender proportions in favour of women as the number of students studying social sciences mainly represented by women will be reduced and, consequently, the number of students of natural sciences, mathematics, information technologies and engineering sciences will increase”.

The three proposed activities are in themselves fine. Thus for activity 1 which proposes aid for doctor and masters programmes it is stated “The objective of the activity: to increase the number of educated, skilled and creative people needed for national development – specialists of the highest level in all areas of education, in particular in natural sciences, mathematics, information technologies, engineering sciences, medicine, environmental sciences and creative industries, who are able to plan and develop high-technology products and high added value products and services, and to introduce them in production, thus, contributing to the innovation-based development of the national economy, innovative industries and education”. But how is this to be done? Who is to do it?

In activity 2 there is mentioned the promotion of “entrepreneurship and innovation oriented courses” But can entrepreneurship and innovation be taught? What is the degree of desirable linkages between innovation and institutions of higher education? For example in the latest UK Innovation Survey July 2006 it is reported that universities and other higher education institutions and government or public research institutes were “not used at all” as sources of information by respectively 71% and 69% of innovative enterprises. Much higher use was made of information from suppliers, customers and competitors.

Activity 3 is aimed at upskilling of academic staff – admirable, but how is this to be done? In my opinion this is not a quick fix and requires a new generation of Western trained staff.

Finally, it may be too late for this but I regard the exclusive focus on science and engineering as mistaken. Offering more budget places in science and engineering may produce a few more graduates in these areas but it will not generate a revolution in Latvia's innovative capacities. Equally important is to ensure good quality for the thousands of students studying social sciences and humanities. Thus in my opinion in Latvia there does not exist a single masters level programme in economics or finance at a level that is equivalent in quality to even an average level programme in say the UK. I regard this as deplorable.

Measure 1.3 Development of vocational education, lifelong learning and inclusive education

This measure lumps together three somewhat different areas: vocational education; lifelong learning; and activities aimed at preventing social exclusion. There is no doubt that action is needed in all spheres.

In the activities 1 and 2 it would be helpful if actions were included that developed a dual track system whereby students in vocational schools had the opportunity to acquire academic as well as vocational schools so that it would be possible for graduates from these schools to proceed to higher education.

In activity 3 on lifelong learning it would be desirable to see specific actions aimed at encouraging the continuing education of those in work and especially of those working in SMEs. In this context the REDE programme in Portugal is an interesting example of what can be done. In this programme an SME can apply to the programme organisers for assistance from a consultant who will work with the company to identify specific training needs. The identified training will then be implemented. Moreover, the company has the option of taking on a recent graduate for an internship of a year. This give the graduate a first job and the enterprise possibly their first experience of employing a graduate.

Activity 4 which aims to enhance general knowledge and skills, activity 5 which is aimed at development of professional career counselling and professionally oriented education, and activity 6 preventative activities to fight social exclusion are all self evidently desirable.

As with many other proposed activities the question arises of where will the qualified people to implement the activities come from? So in effect what we have here is a kind of wish list but not a real plan of action.

Some concluding comments

There is little doubt that this is an important priority, but the measures and activities proposed are statements of desirable outcomes. The education and science ministry which is responsible for these activities is not one of Latvia's strongest ministries and has experienced very little political continuity. One option that might be considered here is to have a national programme of research projects (similar to the welfare ministry

programme over 2004-6) to examine some of the key issues in the education and science sphere.

Priority 2 “Promotion of Employment and Public Health Measures”

This priority has the following measures:

2.1 Employment

2.2 Public health measures

It has to be said that the version of Priority 2 in the OP document leaves much to be desired. There is another version on the welfare ministry website which is much more detailed and satisfactory. Thus for example it contains an allocation of the welfare ministry funds across activities reproduced below as Table 2 .

The aim of the priority is “to successfully integrate residents into the labour market and keep them on the labour market by ensuring the relevant skills and improving security, equality and health.” This is fine ... but the indicators and results make very curious reading:

Outputs:

- The number of assisted persons (by gender and age groups) - 140 000;
- The number of assisted institutions - 4;
- The number of medical practitioners and health care specialists trained (by gender and age groups) - 200;
- The number of supported projects - 480.

Results:

- The ratio of persons who become self-employed or set up their own business after consulting and training - 25% (base value in 2004 is not available as no assistance was provided);
- A reduction of disclosed irregularities in the inspected enterprises – by 15% (base value in 2004 – 3.67 irregularities per inspection);
- The ratio of unemployed persons and job seekers who are recruited within 6 months after training courses - 40%;
- A reduction of suicides among residents aged 15 to 64 – by x% (base value in 2004 – 53.6 per 100,000 population);
- A reduction of mortality of residents in economically active age due to cardiovascular diseases – by 0.1% (base value in 2004 – 0.34% of all population).

A target of 140,000 assisted persons means 20,000 a year over 2007-2013. This is about one quarter of the current numbers of unemployed which does not seem to be very ambitious. The target of 200 trained medical personnel is much too low to meet the

overall aim of increasing the share of young practising doctors that has already been mentioned.

Measure 2.1 Employment

This is the part of Priority 2 that is the responsibility of the welfare ministry and one point to note here is that according to the welfare ministry web-site the decision to allocate only 133 million euro of structural funds to welfare ministry activities, as against 400 million it claimed it needed, has been ‘corrected’. However on the website itself ‘corrected sum’ appears to be the same as before ie 133 m euro. So there is a certain amount of confusion here!

There are eight activities under this measure and the allocation of funding is given in Table 2.

Table 2: Allocation of funds by activities

Activity number	Activity name	% of finance
2.1.1.	Enhancement of the competitiveness of residents in the age group 15 to 64 including retraining and active employment-oriented measures.	56%
2.1.2.	Support for self-employment and business start ups	26%
2.1.3.	Implementation of legislation on work relations and occupational safety	7%
2.1.4.	Modernisation and strenghtening capacity of labour market institutions	3%
2.1.5.	Support for implementation of regional action plans to promote employment	3%
2.1.6.	Promotion of gender equality on the labour market	1%
2.1.7.	Forecasting short-term and long-term needs of the labour market and development of the supervisory system.	2%
2.1.8.	Support for seeking best innovative solutions and for integrating good practices in the labour market policies and implementation instruments	1%

Clearly standard active labour market measures receive the lion’s share of the funding.

It is interesting to note that considerable resources are to be devoted to assisting people to become self employed or to start a business. Also welcome is the attention paid to activating the so-called labour reserve.

Measure 2.2 Public health measures

I do not have any informed comments on these as they are not in any way directly employment related.

Priority 3 “Promotion of social inclusion”

The aim of this priority is to fight the risks of poverty and social exclusion and contains one measure:

3.1 Social inclusion

Again the indicators make curious reading:

Outputs:

- Number of complex support projects - 58
- Number of unemployed who received a support - 5786
- Number of clients who received services of social rehabilitation - 3318

Results:

- The proportion of unemployed who found a job out of a total number of unemployed who completed the supported employment measures - 50 %.

Do these really relate to the 2007-2013 period?

The measure has two activities: Activity 1 which contains a numbers of sub-activities aimed at increasing the motivation of inactive people in the risk groups and increasing their skills (receives 64% of the funding) and Activity 2 which is aimed at improving the system for evaluating people’s capacity to work (receives 36% of the funding).

I have no problems with this though arguably more resources could be put into social inclusion measures. However, it is mentioned (Para 555) that there is “lack of in depth research” on the implementation of National Action Plan on Eradication of Poverty and Social Exclusion 2004-2006 and it would have been nice to see such research included in the activities.

Priority 4 “Administrative Capacity Building”

This priority contains two measures:

4.1 Better regulation policy

4.2 Building the capacity of human resources

In the SWOT table the 'transition to medium term budget planning' mentioned as an opportunity and it is to be hoped that this will finally be implemented since it is the policy of several of the political parties that are likely to form the government after the October 5th election.

Once more the indicators are curious:

Outputs:

- Number of the supported public management institutions - 249;
- Number of the supported non-governmental organizations - 200;
- Number of the supported partner organizations - 61;
- Number of developed planning and management of human capital and IT systems - 1;
- Number of public management employees who completed retraining course - 6000.

Results:

- Growth of 10% in number of public management authorities, where quality management system has been introduced (base value in 2004 – x);
- Improvement of quality of services provided by public management (70-80%).
- Number of attracted specialists in regions and local area, who are working in municipality for 12 months after receiving the support (at least 50% out of total number of people who were supported – 190).
- Increase of 30% in the number of collective agreements (base value in 2004 - 30%).

Some of these are hard to interpret eg how is "improvement of quality of services provided by management" quantified? Or where does the figure of 190 people supported come from?

Measure 4.1 Better regulation policy

The so called 'annotation' system which has been in place for some time and which requires all new legal or regulatory measures to be assessed in terms of their impact on the economy, society and the budget will hopefully be further improved by Activity 1 on "Policy impact assessment and policy research" eg by including an explicit cost-benefit analysis of major changes. It is to be hoped that the second term in the title of the Activity really means implementation of more serious policy research.

Activities 2 and 3 which aim to reduce administrative barriers and to increase the operational quality and efficiency of public institutions are both desirable. Question is ... how will it be achieved?

Measure 4.2 Building the capacity of human resources

This measure seems to be partly about development of individual capabilities eg Activity 3 and partly about improving the capacity of social partners, NGOs and municipalities (Activity 2). Re NGOs it is mentioned in Para 629 that public support for NGOs in Latvia lags far behind that of Western Europe and even considerably behind other Central and Eastern European countries. So some move to redress this is very welcome. Activity 1 is aimed at improving the internal management of public institutions ... again quite desirable, but how to do it?