Annual National Report 2012

Pensions, Health Care and Long-term Care

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1 Executive Summary

The Annual National Report gives an overview of the latest trends in the development of the social protection system in Latvia in 2011 and at the beginning of 2012 (up to February). The report focuses on key themes in pension policy, health care and long-term care, assessing the impact of the crisis on the area of social protection.

Policy in the **pension** area in 2011 has been developed in accordance with the Concept on Long-term Sustainability of the Social Insurance System, approved as an Instruction of the Cabinet of Ministers on 17 November 2010.[1] In accordance with the Concept, in the state PAYG scheme it is envisaged that retirement age will be raised, early retirement abolished, expenditures unrelated to social insurance removed from the social insurance system and some favourable entitlement conditions abolished. Thus, the general trend in pension policy in 2011 remained the same as in the previous year: to maintain the system's long-term sustainability. But the clear vision of the Concept may be influenced by popular proposals from other political groups (for example, to make the early retirement scheme permanent).

It certainly cannot be said that the majority of pensions are adequate, but at the same time it is undeniable that pensioners are not the section of the population most affected by the crisis, and the only possible way to reduce the deficit in the social insurance budget is to remove favourable entitlement conditions from legislation in line with a rise in the employment rate and action to combat the "shadow economy".

Evaluation in the report of the operation of the state funded pension scheme leads to the conclusion that the need for more prudent management of private pension plans is undeniable.

In **health care** Latvia has launched a new Public Health Strategy for the years 2011–2017 in partnership with WHO/Europe. The Strategy was approved as an Instruction of the Cabinet of Ministers on 5 October 2011.[2] The Strategy gives relative priority within the existing budget to: primary care, essential medicines, outpatient specialist services and integrated emergency medical services.

Protecting the poor with a new Social Safety Net is foreseen, too, although the changes in the safety net mean that patient fees and co-payments for low income earners will no longer be reduced (as of 1 January 2012) and the reimbursement system of medicines is being changed to save expenses allocated to this purpose. The Strategy also names the improvement of the demographic situation as a priority, with the passing of cross-sectoral political decisions.

Public financing for health care has been cut further and constitutes 3.06% of GDP. Overall, this means that accessibility of health care has become more restricted than ever before.

In the current situation no special attention is being paid to **long-term care** problems. In Latvia, access to care is not universal, but rather is limited by restrictive criteria. The problems of long-term care are being discussed in academic circles, for example, at the yearly conferences at Stradiņš University .The people dealing with these matters (at the universities, specialists at the Welfare Ministry and Riga's Welfare department) are working on quality standards in long-term care, introducing students and practitioners to the requirements of result-oriented performance indicators and, as far possible, implementing them in the work of social carers.

[1] Concept on Long-term Sustainability of the Social Insurance System (approved as an Instruction of the Cabinet of Ministers on 17 November 2010) http://polsis.mk.gov.lv/view.do?id=3518.

[2] Latvijas sabiedrības veselības stratēģija, approved as Instruction No. 504 of the Cabinet of Ministers on 5 October 2011 http://www.vm.gov.lv/index.php?top=121&id=834.

This knowledge will be useful to social work practitioners and researchers when Latvia returns to growth, which gives brighter prospects for the years to come.

As in previous years, research in the field of social protection has been very limited. To prove that this is not simply my own impression I will refer to a newly published book – a collection of papers by distinguished scientists – entitled "Interdisciplinarity in Social Sciences: Does it Provide Answers to Current Challenges in Higher Education and Research?"[3] The authors point out that in Latvian science policy reports, one can find only a few reserved judgments regarding the development of the social sciences and humanities (SSHs).The main document setting priorities in sciences assesses the situation as follows: "The Latvian R&A (research and development) potential should be created and developed first of all on the basis of the existing and maintained scientific schools: in organic chemistry, medicinal chemistry and genetic engineering, physics, material sciences and informational technologies." This document does not even mention the humanities and social sciences.

2 Current Status, Reforms and the Political and Scientific Discourse during the previous Year (2011 until February 2012)

2.1 Overarching developments

Latvia's policy in 2011 was heavily influenced by external and domestic events. Latvia has gone through a period of deep economic crisis and recovery. Learning from this painful experience, Latvia's economy continues to grow and is relatively well-positioned to weather future external shocks. The government's policy aims at helping to sustain the economic recovery and bring the country closer to meeting the conditions for Euro adoption, in line with its target date of January 2014. Latvia's foreign debt in 2011 constituted 48.2% of GDP, in comparison with an average of 82.2% in the EU27 and 87.7% in the Euro zone.

On 21 December 2011, the Executive Board of the International Monetary Fund (IMF) decided to close the Latvian loan programme, within the framework of which Latvia used 4.4 billion EUR or 3 billion LVL in total, received from the European Commission, IMF and World Bank in the period from 23 December 2008, when the IMF Executive Board approved the first part of the loan.

The real GDP in the year 2011 has increased by 5.3%. The international credit rating agency Moody's Investors Service (Moody's) has retained Latvia's rating at "Baa3", with a positive outlook for the future.[4]

However, growth is likely to slow down in 2012, owing to the deteriorating external environment. The Bank of Latvia estimates that the growth rate of GDP will be 2.5% in 2012.

At the same time the economic recovery has not immediately influenced the everyday situation of the population. Labour market conditions have improved, but long-term unemployment remains high, and skill losses and skill mismatches require particular attention. Poverty rates remain among the highest in the European Union. Using the Europe 2020 indicators, in 2010 the risk-of-poverty threshold in Latvia was among the highest in the EU: 38.1% of total population, the third highest in the EU after Bulgaria and Rumania. Latvia has the highest indicator for at-risk-of-poverty after social transfers: 21.3% of total population. According to

[3] Tatjana Muravska, Zaneta Ozolina (editors) "Interdisciplinarity in Social Sciences: Does it Provide Answers to Current Challenges in Higher Education and Research?" University of Latvia Press, Riga, 2012.

[4] Moody's retains a positive future outlook on Latvia's credit rating. 3 November 2011, http://export.by/en/?act=news&mode=view&id=37284.

Eurobarometer No. 76, the latest surveys demonstrate a slight improvement in the financial situation of households in Latvia (by 4%) in comparison with the previous year (2010), although it remains far from the EU average.[5] The latest news from the Ministry of Welfare is that poverty among children is growing, and the ministry recognises that most at risk of poverty in the country are families with children. The biggest problem is, however, that poverty among children is carried on to the following generations.[6] The number of needy children has grown 1.5 times during 2010 (from 39.4 thousand in January 2010 to 60.6 thousand in December 2010).[7]

Domestic policy was strongly influenced by the snap elections held in September 2011. In May, President Valdis Zatlers dissolved parliament. In a July referendum, some 95% of voters backed Zatlers' decision to dissolve parliament and trigger snap elections. After the elections, Prime Minister Valdis Dombrovskis ("Unity") was appointed for a third term in office. The coalition includes the PM's party "Unity", the recently-founded centre-right Zatlers Reform Party, the far right National Alliance and 6 independent MPs, providing a total of 56 seats in the *Saeima*, Latvia's unicameral parliament. After parliament was dissolved and snap elections announced the character of discussion on social protection issues in the public space changed radically. In the pre-election period the political parties came up with promises to increase pensions and parental benefits ("Harmony Centre", which proclaimed their party to be social democrats) and to index pensions in 2012 (Farmers' Union and Green Party). Only the government party "New Era" (now united with other political groups to form "Unity") proposed no populist changes in the social protection system.

2.2 Pensions

2.2.1 The system's characteristics and reforms

The state social insurance system in Latvia has been created according to the redistribution principle (PAYG), with the objective of providing a maximally close link between social security benefit levels and social insurance contributions paid during one's working life.

All pension rights are highly individualised, i.e. there are only 'direct rights'. The only exception in the pension sector, where one can find some elements of derived rights, is in the survivors' pensions for dependent children, since, unlike adults, they have no possibility of establishing their economic and social independence.

Initially there were no non-contributory redistributive elements in the pension insurance system.

The pension system is designed in three tiers.

The statutory social pension insurance system consists of tiers I and II of the pension system.

The first is the state compulsory social insurance scheme, operating according to the redistribution (PAYG) principle.

The 2nd pension tier operates according to the accumulation and investment principle of individual mandatory social insurance contributions.

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[5] Eurobarometer No. 76, http://ec.europa.eu/public_opinion/archives/eb/eb76/eb76_first_en.pdf.

[6] "Poverty experienced in childhood reduces the expected earnings of adults by 30 percentage points on average." Christensen Sejersdal Karen, "Poverty politics and children", ISSA, 27th General Assembly, Geneva, 2001.

[7] Ministry of Welfare "Bērnu nabadzība palielinās un nabadzības riskam galvenokārt ir pakļautas ģimenes ar bērniem", 24 January 2012.

The 3rd tier provides the possibility of making private savings in pension funds on a voluntary basis.

The three-tier pension system combines the principle of generation solidarity and personal responsibility for one's income in old age.

In the original Pension Reform Concept (approved by parliament in 1995), a transitory (4th) tier was foreseen, to provide additional income support for those retired before the new law takes effect and those retiring in the transitional period, with the aim of protecting previously acquired rights. However, this idea was not realised.

In the years of growth the parliament passed some populist decisions, such as supplements to old age pensions, which were implemented as of 1 January 2006. This trend was continued, making gradual increases in the following years. This does not follow the basic concept of the pension reform, namely to create as a close as possible a link between contributions and benefits, but to some extent these supplements could replace the lacking transitional tier (4th tier) that was envisaged in the original Pension Reform Concept. Only it was not foreseen in the concept that the transitional tier would be financed from the State Social Insurance Budget – instead, it was to be financed from revenues earned in the privatisation process and from some other sources.

Besides the general pension insurance system, there are special pensions for some categories of people: 1) the President; 2) the police; 3) state prosecutors; 4) persons in active military service; 5) MPs who voted for independence in 1990; and 6) children of people killed during the independence struggle of 1991. These are generally covered from the state budget. The pensions of the police, prosecutors and army are service pensions, granted upon completing a given service period. They are paid entirely from state budget until the person reaches legal retirement age. After that the social insurance budget pays the pension amount due from the performed contributions, while the rest of the pension is still paid from the state budget.

A person residing in Latvia is entitled to an old age pension if s/he has reached the statutory retirement age and his /her insurance record is not less than 10 years.

The 1st tier pension scheme is designed as an earnings related, defined contributions pension scheme, which is financed on a pay-as-you-go basis, but resembles a funded scheme in terms of its construction – a Notional Defined Contribution (NDC) scheme.

<u>The pension formula</u>

The amount of the pension is determined by the individual's lifetime earnings (or more precisely, by the lump sum of social insurance contributions paid in). On retirement, the aggregate pension (the sum of the contributions paid in and the amounts this sum of pension credits has been increased by) is divided by the so-called 'divisor'. This is primarily based on the average predicted life expectancy at the time of retirement, providing an annual pension amount under the reformed system.

The retirement pension is calculated according to the following formula:

$P = K / G$

P - annual pension

K - the pension capital of the insured person, composed of the amount of social insurance contributions registered on the personal account and the annual capital growth, which is dependant on the social insurance contributions earnings index determined by the Cabinet of Ministers.

G - the life expectancy after pension allotment.

G is the time period (years) counted on the basis of life expectancy in the years of allotment of the retirement pension. This period is determined by the Cabinet of Ministers according to data from the Central Bureau of Statistics and calculations made in the Ministry of Welfare. 'G' depends on the age at which the individual wishes to retire and also on the life expectancy forecast in that period. Therefore it is possible that 'G' will be different from the life expectancy determined by the state statistics for the particular year. As the same life expectancy is used for men and women (when retiring at age 62), there is some re-distribution of resources within the system due to the differences in the life expectancy of men and women.

The conditional pension capital, which is created as the sum of the contributions paid during one's lifetime, is protected against loss of actual value through indexation (using the wage index). In the years of growth the automatic balance mechanism contributed to an increase in the amount of newly granted pensions. Because average earnings decreased in 2008 and 2009 the indexes were 0.9622 in 2009 , 0.7978 in 2010 and 0.99945 in 2011.

This means that for the first time since the new system was implemented, the indexation of notional capital has resulted in a decrease of the size of newly-granted pensions, because average earnings decreased in the years 2008 and 2009, thus influencing significantly the size of newly granted pensions, because each year's earnings starting with 1996 are multiplied by both indexes, which results in a decrease of each year's notional capital. Thus, the mechanism automatically reduces pensions in times of deficit.

In my first reports I criticised the notional capital indexation, which in years of growth resulted in high replacement rates, giving examples where the amount of the newly granted pension can be almost the same as the wage previously earned, or even much higher. Nowadays the situation has changed significantly.

Table 1: The decrease in average amount of newly granted old-age pensions

Year	The average amount of a newly granted pension (in LVL)	The decrease (in LVL) in comparison to 2009
2009	266.33	
2010	242. 42	23.91
2011 (from 1 January to 1 November)	157.62	108.71 or 40.8%

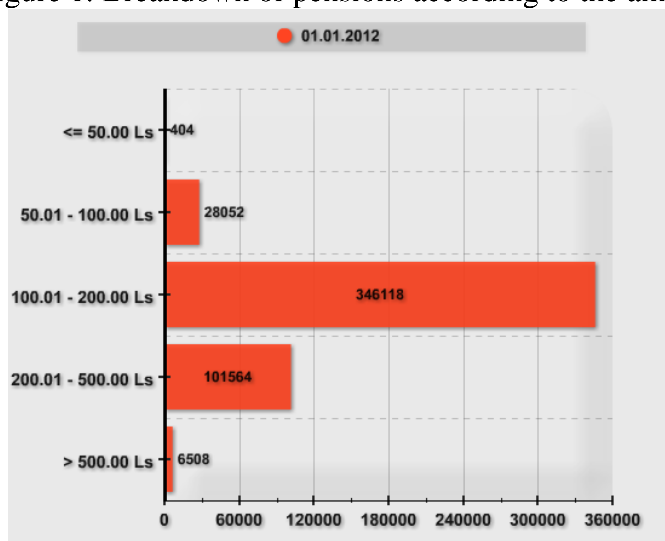
Source: Data of the State Social Insurance Agency and author's own calculations.

Case study:

A person claimed their pension in July 2011. The pension was granted in the amount of 408.51 LVL. If the same person, with the same insurance record and the same earnings had claimed the pension in July 2009, the amount of the pension would have been 517.32 LVL, i.e. 108.81 LVL higher.

When the Pension Law came in force a financial incentive to postpone retirement was introduced. The longer contributions are paid and the later the pension is required, the higher the annual pension will be. In the last years the pension formula has worked in the opposed direction: if the requirement for the pension is postponed, then the amount of the pension is lower.

Figure 1: Breakdown of pensions according to the amount granted as of 1 January 2012 (LVL)



Source: data of State Social Insurance Agency

The part of the pension exceeding 165 LVL is income-taxed (at the rate of 26%). The income tax rate has been raised as of 1 January 2010 (from 23% to 26%), thus influencing higher pensions.

Altogether, pensioners are a section of the population less affected by the crisis. There were proposals from international donors (mainly the IMF and the WB) to reduce spending on pensions, such as: reducing the tax-exempt part of pensions to 80 LVL, abolishing or reducing supplements to pensions, or abolishing the supplements to higher pensions, but these proposals where not included in the bailout agreements**.** In accordance with the Letter of Intent signed by the government and addressed to the IMF, the government has undertaken an obligation to freeze pensions. Since it has been decided that pensions will be indexed only by the consumer price index, and since deflation has replaced the high inflation of the years of growth, it has not influenced the size of pensions in the years 2009 and 2010. Inflation was observed only in 2011 at the rate of 4.2% (in November 2011). The projections show that the annual inflation rate will be close to this figure. The indexation of pensions will be resumed in 2014.

After the Constitutional Court ruled in December 2009 that the reduction of the pension amount for all pensioners (by 10%) – whether retired or still working – was unlawful, the Prime Minister promised that pensions would not be reduced, and this promise has been held.

The policy in the pension area in 2011 has been developed in accordance with the Concept on Long-term Sustainability of the Social Insurance System accepted as an Instruction of the Cabinet of Ministers on 17 November 2010 (hereinafter – the Concept).[8] In accordance with the Concept it is envisaged in the state PAYG scheme that retirement age will be raised, early retirement abolished, expenditures unrelated to social insurance removed from the social insurance system and some favourable entitlement conditions abolished.

From 1 January 2012 the amount of old-age pensions is linked to the contributions really paid to the State Social Insurance Agency. In my previous report (ANR11) I wrote that this is a controversial issue, because in 2001 the Constitutional Court ruled unlawful the link between entitlement to social insurance benefits and actual payment of contributions. In contrast to the previous populist judgments on social protection (for example, two judgments on payment of the full amount of the old age pension to employed pensioners), this time (on 19 December

[8] Concept on Long-term Sustainability of Social Insurance System (approved as an Instruction of the Cabinet of Ministers on 17 November 2010) http://polsis.mk.gov.lv/view.do?id=3518.

2011) the Constitutional Court ruled this linkage as lawful in a judgment entitled "On equal responsibility of a person and the state for sustainability of the pension system", stressing that each person has the right to check whether their employer has paid the social insurance contributions for him/her or not, and that the law offers employees the possibility of paying the whole amount of contributions themselves to the State Social Insurance Budget: "The Court indicated in this respect that a person has the right rather than the duty to follow accumulation of his or her pension capital. However, a person should be aware that failure to exercise such a right may impact the amount of the state old age pension to be granted".[9]

On 8 December 2011 parliament prolonged early retirement once again (two years before the statutory pensionable age – 62 years) until 31 December 2013 and entrusted the government with the task of weighing up the possibility for early retirement without restrictions in the course of time. In the same amendments to the Pension Law (in force from 1 January 2012) parliament entrusted the government with the task of submitting a draft law by 1 May 2012 on long-term sustainability of the pension system, weighing up the possibilities of raising the statutory retirement age and prolonging the insurance record for entitlement to old-age pension (which under the Pension Law is only 10 years).[10] Thus, it is possible that some of the essential ideas of the Concept on Long-term Sustainability of the Social Insurance System mentioned above and analysed in detail in "ANR11-Latvia"[11] will become law.

From 1 January 2013 a bigger share of contributions – 6% – will be channelled to the 2nd tier of the pension system (currently 2%).

From 1 January 2014 the indexation of pensions will be resumed.[12]

On 5 December 2011 the Cabinet of Ministers decided that the amount of minimum old-age pensions, which had been set until the end of 2011, would be retained for the coming years. The size of the minimum pension depends on the length of a person's insurance record and amounts to between 49.5 LVL and 76.5 LVL.

Only 0.05% of all pensioners received minimum pensions in 2009. In the year 2010 11% of all newly granted old-age pensions were minimum pensions[13], which means that the proportion of minimum pensions is tending to grow.

<u>The 2nd tier – the State Funded Pension Scheme</u>

By 30 December 2011, 1,149,755 participants, or 99.9% of Latvia's economically active population, had joined the 2nd tier of the state pension scheme. Of the total number of participants in the state-funded pension scheme, 665,207 participants, or 57.9 %, had joined the scheme on a compulsory basis, while 484,539 participants, or 42.1%, had joined the scheme voluntarily. The average return rate on state-funded pension scheme investment plans in the first three quarters of 2011 was minus 4.6% (in the first 3 quarters of 2010 the average nominal return rate was 6.6%).[14]

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[9] Latvijas Republikas satversmes tiesas spriedums lietā nr. 2011-03-01 "Par likuma "Par valsts sociālo apdrošināšanu" 5.panta ceturtās daļas atbilstību un 21.1 daļas atbilstību Latvijas Satversmes 1.un 109.pantam". http://www.satv.tiesa.gov.lv/?lang=1&mid=7.

[10] 08.12.2011. likums "Grozījumi likumā "Par valsts pensijām"", "Latvijas Vēstnesis", 202 (4600), 23.12.2011.

[11] Ināra Bite "Annual National Report – Latvia", http://www.socialprotection.eu/files_db/1130/asisp_ANR11_Latvia.pdf.

[12] Information from the Ministry of Welfare, http://www.lm.gov.lv/news/id/3222.

[13] Ministry of Welfare, information for mass media "Arī nākamajos gados saglabās pašreizējos minimālo pensiju apmērus", 5 December 2011, http://www.lm.gov.lv/news/id/3173.

[14] http://www.fktk.lv/lv/publikacijas/pazinojumi_masu_informacijas_l/2011/2011-12-16_par_pensiju_sistemas_otr/.

<u>The 3rd tier – private pension funds:</u>

Participation in private pension funds is voluntary.

Personal income tax is not deducted from those contributions that do not exceed 20% of a person's gross income in the tax year.

With a private pension there is the option of receiving the pension already at the age of 55. In contrast to the 2nd tier pension, a private pension is inheritable. The contribution amounts and timing are flexible – it is possible to pay as much as the participant in the fund wishes, and when s/he wishes.

In 2011 there were seven private pension funds operating in Latvia: six open funds (subsidiaries of Latvian banks) and one closed pension fund. These offered 21 pension plans. By 30 September 2011, there were 197,304 participants in the private pension plans, or 2.7% more than on 30 September 2009 (17.2% of Latvia's economically active residents). 22.9 % of the private pension plan participants were passive in 2011 (not paying contributions for at least one year). Investments made in Latvia decreased compared with the end of Q3 2011, and at the end of Q3 amounted to 41.7% of total investments. The average yearly return rate on 30 September 2011 was minus 6% (fluctuating in individual pension plans from -27.4% to 2.3%).

Here it should be noted that one of the main arguments when implementing the pension reform was: the fully funded component in the pension system would provide Latvia with investments so badly needed for promoting Latvia's economic growth. However, the author can now state as a fact that each year a larger share of accrued pension capital is being invested abroad.

In the third quarter of 2011, the amount of benefits paid out to participants from the pension plan capital amounted to 4.4 million LVL, the greater part, or 95.8 %, of total benefits being paid to beneficiaries upon the retirement of pension plan participants, and 4.2% upon the death of participants. There are no data available on the size of pensions paid.

2.2.2 Debates and political discourse

After parliament was dissolved and snap elections announced, the character of discussions on pension issues in the public space changed radically. Until this point such opinions as "The pensioners were the only group within the population whose income did not decrease in 2009 and … they are eating up our future." [15] prevailed in the public space, whereas in the pre-election period the political parties came up with promises to increase pensions ("Harmony Centre") or to index pensions in 2012 (Farmers' Union and Green Party). Only the government party "New Era" (which became Unity" after uniting with some other political forces) proposed no populist changes in the pension system. There were some weak attempts to reopen a discussion on the financial sustainability of the pension system, such as in an article entitled "In five years there will not be any pensions in Latvia". In this article social anthropologist Roberts Ķīlis declared that in five years time all pensions would be replaced by benefits for the needy.[16]

An interesting proposal came during the pre-election campaign from the newly-established Zatlers Reform Party: to introduce a fourth tier of the pension system. The amount of this pension would be dependent on the number of the pensioner's children and the lump sum of social insurance contributions paid by the children. "It means that the more you have invested in the education of your children, the higher your pension will be".[17]

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[15] Raudseps Pauls, "Apēst nākotni", weekly "ir" No. 7 (46), February 2011.

[16] Roberts Ķīlis "Pēc pieciem gadiem Latvijā pensijas vairs nevienam nemaksās", 27 June 2011. http://www.kasjauns.lv/lv/zinas/51447/pec-pieciem-gadiem-latvija-pensijas-vairs-nevienam-nemaksas.

[17] "Zatlera partijas ekonomikas programmas autors sola būtiskas reformas nodokļu sistēmā un pensiju ceturto līmeni", 26 July 2011, news agency "LETA".

Currently, due to the ageing of society and the financial situation in the country, the decision has been taken on a further gradual increase of the retirement age starting with the year 2014 by a half a year each year up to age 65 in 2020[18]. Nevertheless, discussion is continuing in political circles and in society as a whole as to when the increase in the retirement age should start. As Latvia has one of the lowest life expectancy indicators in the EU, many arguments have been presented against the rise in retirement age. For example, the current affairs writer Viktors Avotiņš in his article "The pension – a bonus before death?" stresses that there are no positive arguments for raising the pensionable age, such as longer life expectancy, improvement of health conditions for the elderly, the demand for elderly people in the labour market etc. and that it is being proposed only for financial reasons.[19]

As result of the financial and economic crisis the number of insured persons has substantially decreased and so have earnings, which has had a highly negative impact on the Social Insurance Budget. In response to these negative trends the *Concept on Long-term Sustainability of the Social Insurance System* was developed, passed as an Instruction of the Cabinet of Ministers on 17 November 2010. The government has followed the Concept in 2011 and is resolute on doing so in 2012, although, as described above, some changes are possible under pressure from other political parties (as in case of the early retirement schemes, for example).

2.2.3 Impact of EU social policies on the national level

Although the Social OMC has not been mentioned much in the discussions in political circles and in society as a whole, the general perception of the OMC in the field of pensions is significant. The common objectives and common indicators of the OMC are used in all policy planning documents and reports prepared by the ministries involved and have made their way into the vocabulary of the civil servants of these ministries. For Latvia, one of the strengths of the OMC has been the possibility of exchanging good practices and mutual learning between Member States. The pension policy in the country, as described above, closely corresponds to the EU 2020 Strategy and the objectives specified in the Annual Growth Survey 2012.[20] There has been progress, starting in 2010 with the acceptance of the Concept, in which the abolition of early retirement possibilities was foreseen in line with restrictions on other early exit pathways (such as for people working under hard and hazardous circumstances). But, as described above, the early retirement scheme is once again under discussion (since December 2011).

Many programmes have been developed in the area of lifelong learning (LLL). The Ministry of Education and Science has developed a Programme for Implementation of the Lifelong Learning Policy Guidelines for 2007–2013 (updated in accordance with "EU 2020").[21] Nevertheless, the indicator of involvement of adult individuals (25–64) in LLL is bellow the average EU level. There are examples of best practices, where many elderly people have been involved in LLL programmes, mainly supported by the European Social Fund (ESF). For persons in pre-retirement age the programme for improving skills is fully funded by the ESF. LLL measures were foreseen in the *Draft National Reform Programme of Latvia for the Implementation of "Europe 2020"*: "Improvement of the lifelong learning system, including incentives to employ older workers, offering flexible vocational education programmes

[18] Supplemental Memorandum of Understanding (Fifth addendum to the Memorandum of Understanding) between the European Union and the Republic of Latvia) on 21 December 2011 http://fm.gov.lv/?lat/starptautiska_aizdevuma_programma/saprasanas_memorands_ar_eiropas_savienibu.

[19] Viktors Avotiņš "Pensija – pirmsnāves prēmija?", newspaper "Neatkarīgā Rīt Avīze", 11 November 2011.

[20] EC com (2011) 815 final, Annual Growth Survey 2012, http://ec.europa.eu/europe2020/pdf/ags2012_en.pdf.

[21] Programma Mūžizglītības politikas pamatnostādņu ieviešanai 2008. – 2013. gadā http://izm.izm.gov.lv/nozares-politika/izglitiba/muzizglitiba/4298.html.

according to short-term labour demand and ensuring the possibility in primary vocational education of acquiring several professional qualifications in the framework of a single educational programme."[22] Within the framework of budget consolidation measures in 2011 the financing for LLL programmes was substantially decreased. The incentives to employ older workers are excluded from the final version of the *NRP*. They can be found only in context of general targets of involvement of adult individuals (25–64).[23] In the framework of the European Year 2012 of Active Ageing and Solidarity between Generations (EY2012)[24] the Ministry has elaborated a programme of activities to be developed in this year and in the years to come. The programme envisages the creation of better possibilities for the elderly to participate in the labour market.

For the Latvian authorities it was possible to overcome the crisis with the support of the EU financial assistance and professional guidance in all structural reforms. With regard to the social protection field implementation of policy intentions for 2012 and onwards, will be assessed within the Post Programme Surveillance framework. In this context enforcement of the measures agreed in Supplemental Memorandum of Understanding (Fifth Addendum to the Memorandum of Understanding) between the European Union and the Republic of Latvia)[25] on 21 December 2011 is of major importance and I very much hope that Latvian authorities will be able to overcome the difficulties arising from the activities of some players in domestic politic and fulfil the programme agreed in the Supplemental Memorandum.

2.2.4 Impact assessment

I really cannot indicate any important scientific publications/analysis on pension issues. There have been debates (quoted above) on changes in the pension system and on current and future adequacy of pension benefits, but only in the public space. Respected scientists (mainly economists) have participated in this discussion, but they are not specialised in pensions economics. On the other hand, no arguments have been employed against the Concept adapted by the government**.** At the same time, the author has to say that the only serious research papers prepared on pension policy are the documents elaborated by the government and state institutions. The main targets in pension policy are set out in the *Declaration of Intended Activities of the Cabinet of Ministers* headed by Valdis Dombrovskis[26] and in other policy planning documents. The declaration aims to continue the work on long-term financial sustainability of the social insurance system.

So far, privately-funded pensions have not played an important role in retirement income or in the economy of the country, constituting 0.9% of GDP.

As an evaluation of the operation of pension funds in Latvia has never been performed, I will refer to some international sources. "Crisis country case study – Latvia", performed by ISSA points to poor investment performance, and that all 25 social security funds recorded a negative return rate. The real rate of return has been negative: minus 3.5% from the time the pension plans began operating (on 1 July 2001).[27] In an interview in "Professional Pensions" Peter

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[22] National Reform Programme of Latvia for the Implementation of the "Europe 2020" draft, November 2010.

[23] National Reform Programme of Latvia for the Implementation of the "Europe 2020", April 2011.

[24] European Year 2012 of Active Ageing and Solidarity between Generations (EY2012), http://www.age-platform.eu/images/stories/EY2012_Campaign.pdf.

[25] Supplemental Memorandum of Understanding (Fifth addendum to the Memorandum of Understanding) between the European Union and the Republic of Latvia) on 21 December 2011 http://fm.gov.lv/?lat/starptautiska_aizdevuma_programma/saprasanas_memorands_ar_eiropas_savienibu.

[26] The Declaration of Intended Activities of the Cabinet of Ministers headed by Valdis Dombrovskis, 21 November 2011. http://www.mk.gov.lv/en/mk/darbibu-reglamentejosie-dokumenti/valdibas-deklaracija-eng/.

[27] WB staff using data from national sources, in: "Pensions in Crisis: Europe and central Asia regional Policy Note", Document of the World Bank, 12 November 2009.

Diamond stresses "... the importance of banks working closely with governments as they issue bonds to fund the deficit, working with pension funds to find the appropriate investments to get their returns at the right level." According to Diamond, pension funds today need to get a return of about 7%.[28] At the same time the operating costs in Latvia as a percentage of total assets are high in comparison with OECD countries: 1.9% in Latvia, 0.1 % in Denmark, 0.2% in Belgium and 0.4% in Poland. Of all the countries observed only Ukraine has higher operating costs than Latvia.[29]

Currently, the number of employed pensioners is shrinking each year: in 2008, 18% of all old-age pensioners were employed, whereas in September 2011 only 10.2% of all pensioners (62+) were employed.

Latvian legislation had created real incentives for the elderly to work longer: the longer contributions are paid and the later the pension is required, the higher the annual pension will be. But in the years of crisis the situation has changed significantly: postponement of retirement has had an adverse effect. The incentive that remains is the possibility of receiving a full pension in addition to a salary.

As stated above, pensioners are not the section of the population most affected by the crisis. Nevertheless, poverty is widespread in Latvia, and also affects pensioners.

Table 2: Pensioners at risk of poverty (2010)

Total	21.2
Males (62+)	17.0
Females (62+)	23.3

Source: Eurostat

The at-risk-of-poverty or social exclusion rate rises with age, being highest in the age group 75 years and over, especially for women (44.3% in 2010) in contrast to the rate for men – 30.6%.

At the same time the at-risk-of-poverty rate for people aged 65 and over differs only slightly from the rate for the total population – 38.1%.

There is no data available for 2011; but we can presume that no significant changes have occurred during 2011 if we analyse the data on average income, the growing number of needy people etc.

In Latvia the Central Statistical Bureau calculates the subsistence minimum – a monthly average value of a minimum consumer basket of goods and services (*per capita*) as well. This indicator was established in 1991 and nowadays is much criticised by the Ministry of Welfare, the Central Statistical Bureau and the mass media. Nevertheless, it is calculated each month, is understood by the public and is widely used by trade unions and political parties. Thus, I will make use of it for comparison with pensions.

The average pension is almost the same as the subsistence minimum level. Thus, the average old age pension in July 2011 amounted to 174.52 LVL (the subsistence minimum being 174.24 LVL). 57% of all pensions are below the subsistence minimum.

The overall unemployment rate, although it has decreased notably (from 23.9% at the end of 2009 to 14.8% in September 2011), still remains high, which influences the employment level of older workers too and correspondingly, their well-being.

[28] Diamond: "Stable investment banking crucial to maximising scheme returns" in: "Professional Pensions", 4 November 2011.

[29] OECD 2011 – Pension Markets in Focus – July 2011 – Issue 8.

In 2010, the following employment levels were recorded:

Age group	men	women
55–64	47.6%	48.7%

Source: Eurostat

The latest news from the Ministry of Welfare is that poverty among children is growing, and the ministry recognises that most at risk of poverty in the country are families with children. This statement is proven by statistical data: 26.6% of people less then 18 years old are at risk of poverty (Eurostat). According the Central Statistical Bureau of Latvia the monthly average income *per capita* of a family (two adults and two children) comprises 78.02 LVL (110 EUR). Those data I have given to illustrate the statement that other sections of the population are worse off than the pensioners.

2.2.5 Critical assessment of reforms, discussions and research carried out

The general trend in pension policy in 2011 remained the same as in the previous year: to maintain the system's long-term sustainability. But the clear vision of the Concept may be influenced by popular proposals from other political forces (for example, to make the early retirement scheme permanent). The targets set in policy planning documents and in the Concept generally do correspond to the objectives agreed in the OMC and in the framework of Europe 2020. The government declaration contains new targets in pension policy: to weigh up the proposals of the new coalition party (Zatlers Reform Party) concerning implementation of a 4th tier in the pension system (dependent on the number of the pensioner's children) and to insure pension capital accrued in the 2nd tier pension scheme against possible losses. As these were proposals from coalition party it was not possible to disregard these ideas, but from the author's point of view it is hard to imagine how the ideas might be realised. More realistic is a third proposal from the coalition party: to create incentives for joining the 3rd tier of the pension system, including co-payments by employers.

As in previous years, the policy planning documents set no targets for improvement of the management of funded pension schemes.

The Joint Report on Social Protection and Social Inclusion (2010) stresses the necessity for better supervision of funded schemes.

"The crisis has … highlighted the need for policymakers, regulators and supervisors to promote more prudent management of people's retirement savings thus finding a balanced way of reaping the advantages of funded schemes."[30]

This conclusion is one that Latvia's policymakers have disregarded.

Under the law, the Financial and Capital Market Commission, which is an autonomous public institution, should carry out the supervision of Latvian private pension funds. Until now, in its reports the commission has only published impassive data on the numbers of pension fund participants, nominal return rates etc. An evaluation of fund performance has never been given.

After the insolvency of the bank *Latvijas krājbanka* in December 2011, the Head of the Financial and Capital Market Commission resigned because of criticism with regard to insufficient supervision of Latvia's financial markets. Thus, some changes in the sector may be possible.

[30] Joint Report on Social Protection and Social Inclusion (2010) http://www.ec.europa.eu/social/main.jsp?langId=en&catId=750.

2.3 Health Care

2.3.1 The system's characteristics and reforms

Government policy distinguishes between primary, secondary and tertiary health care. Patients normally enter the health care system via the primary sector, by visiting the family doctor (usually a general practitioner – GP), who acts as gatekeeper to higher levels of care. The system should be accessible, well understood and effective. It is difficult to separate health promotion and preventive activities from primary health care: prevention, diagnosis, treatment and rehabilitation at the individual level are delivered in outpatient conditions because some of these activities are strongly interrelated.

When necessary, the primary care doctor refers a patient to a specialist or to hospital for further treatment.

There is a marked trend of increasing ambulatory (outpatient) visits, while the number of hospitals and days spent in hospital are decreasing.

Health care services are also provided by private heath care institutions. The Association of Health Care Employers unites approximately 60 private health care organisations. Public-private partnership is also used by public institutions to outsource their functions to private health service providers.

In 2011 private health insurance has revived to some degree. In 2009 the Prime Minister forbade the purchase of insurance policies for employees in the public sector. Since salaries in the public sector have decreased significantly in the last years, the veto on purchasing insurance policies has been cancelled, with the aim of creating a bonus for employees without raising the remuneration for work.[31]

Nevertheless, the role of private insurance in overall financing of health care is insignificant: in accordance with different methods of calculation it constitutes 2%–5% of the financing of the health care system.

In 2011 there were four companies offering private health insurance to individuals. The premium payments for insurance are from 132 LVL to 150LVL. This insurance does not cover the full costs of treatment: for some kinds of treatment it covers from 50% to 70% of real costs. The remaining part must be covered by the insured person. Neither company offers its services to the elderly; for example, the insurance company ERGO insures individuals only up to the age of 55.

Latvia's health system in general is tax-financed. At the same time, some kinds of treatment are provided at the patient's own expense. The share of private expenditure for health care is growing each year, and so are the prices of medicines. The national consolidation programmes have had a severe impact on health policies.

[31] "Valsts iestādes atsākušas pirkt veselības apdrošināšanas polises", 13 October 2011, http://www.kasjauns.lv/lv/zinas/61143/valsts-iestades-atsakusas-pirkt-veselibas-apdrosinasanas-polises.

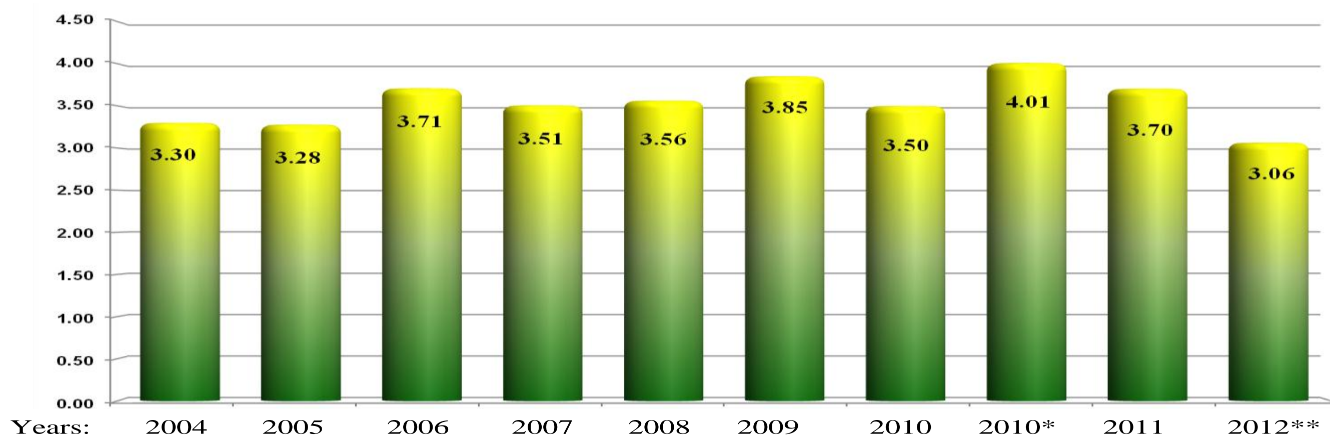
Table 3: The dynamics of prices of medicines

Year	The average price of one package (in LVL)	.Increase as percentage to previous year
2004	1.48	20%
2005	2.07	40%
2006	2.57	24%
2007	3.01	17%
2008	3.48	16%
2009	4.14	19%
2010	4.48	8%

Source: The State Agency for Medicines, Annual report 2010, Riga, 2011

According to statistics, patients' private expenditure constitutes 48% of the financing of health care, thus reaching 6.6% of GDP in total for health care, which is under the EU average for financing from public sources.[32]

Figure 2: The share in GDP from public sources for financing health care



* *with the amendments to the budget on 20 December 20010*
** *according the State budget, approved on 20 November 2011*
Source: Presentation by the State Secretary of the Ministry of Health Rinalds Muciņš on 28 January 2012.[33]

The Minister of Health asserts that the financing of basic functions in health care has grown in comparison with 2011 and financing *per capita* (218.2 LVL) is the highest since 2008. The minister is convinced that many other expenses could be reduced that are not directly related to the provision of services. For, example, data from the Emergency Medical Assistance (EMA) Service show that in 30% of cases an ambulance is called in situations where the family doctor should be called. One EMA brigade costs 136 thousand LVL yearly, and the average mileage of one emergency call outside the capital Riga is 36 to 50 kilometres. One of minister's first tasks would be to prevent situations where an ambulance is called unnecessarily.[34] In order to help avoid such situations a twenty-four hour family doctor service is being introduced, where everybody can get advice over the phone from a doctor.

[32] http://balticexport.com/?article=rentabls-un-ienesigs-bizness&lang=lv.
[33] Presentation by the State Secretary of the Ministry of Health Rinalds Muciņš on 28 January 2012.
[34] "Circene: veselības aprūpes budžeta izdevumi 2012. gadā – augstākie pēdējo trīs gadu laikā", 6 December 2011, newspaper "Neatkarīgā Rīta Avīze".

The minister wishes to see evidence that the current situation in the health care budget is transparent and that the financial means will be used for the improvement of health care in a fair way.

The Latvian Health Inspectorate, performing functions in the field of supervision and control of the sector, audited 217 health care institutions during 2011 and discovered misconduct in 80% of all audited cases, returning 82 thousand LVL to the state budget.

According to the minister, only financing of the social safety net will decrease by 10.4 ml LVL, because the austerity measures were implemented temporarily.

From 1 February 2010 patient fees and co-payments for low income earners were reduced. For families in which per capita income over the past three months does not exceed 120 LVL per month the patient fees were abolished, and for those with an income not exceeding 150 LVL they were reduced by 50%. For these categories co-payment for surgery during treatment in hospital has been set at 15 LVL. From 1 January 2012 these families will pay the full amount of patient fees and co-payments. The payments allowances will be maintained only for needy persons[35].

Latvia has launched a new Public Health Strategy for the years 2011–2017 in partnership with WHO/Europe. The Strategy was accepted as an instruction of the Cabinet of Ministers on 5 October 2011.[36] The Strategy gives relative priority within the existing budget to:

- Primary care
- Essential medicines
- Outpatient specialist services
- Integrated emergency medical services
- Protecting the poor with a new Social Safety Net

at the expense of the hospital sector, which has long needed major restructuring (and received greatly increased spending during the years of economic growth).

WHO Regional Director for Europe, addressing the conference at which the draft of the Strategy was discussed, stressed that "WHO does not simply argue for more money for health but makes a strong case for more and better public funding for health in Latvia."[37]

The Declaration of Intended Activities of the Cabinet of Ministers headed by Valdis Dombrovskis[38] set improvement of the demographic situation as a priority by passing cross-sectoral political decisions. The declaration envisages the development of types of support for the second, third and every subsequent child, including a fiscal stimulus and implementation of the principle of progressiveness. The programme should also include support for treating infertile families. In line with the targets set in the declaration, the Minister of Health announced the year 2012 as a "Year of Mothers' and Children's Health".

In Latvia the demographic situation has been unfavourable over the years, natural growth being negative for years. As of January 2011 natural growth was –1240. The population is

[35] The status of a needy person is granted if the income per family member (or single person) does not exceed half of the minimum wage in the country (currently 200 LVL per month), i.e. the threshold is reduced from 120 and 150LVL to 100 LVL and for needy there are another restrictive criteria too: does not have any property, savings etc.

[36] Latvijas sabiedrības veselības stratēģija, approved as Instruction No. 504 of the Cabinet of Ministers on 5 October 2011 http://www.vm.gov.lv/index.php?top=121&id=834.

[37] Latvia launches a new public strategy, 26 April 2011, http://www.euro.who.int/en/who-we-are/regional-director/news/news/2011/04/latvia-launches-new-public-health-strategy.

[38] The Declaration of Intended Activities of the Cabinet of Ministers headed by Valdis Dombrovskis, 21 November 2011, http://mk.gov.lv/en/mk/darbibu-reglamentejosie-dokumenti/9/deklaracija/.

decreasing, and according to the data of the Central Statistical Bureau in January 2011 it was 2.28 ml.[39] These data are not precise. In the spring of 2011 a new population census is being performed. According to the provisional results, the population of Latvia slightly exceeds 2 ml inhabitants. The data of the CSB differ significantly from those given by independent researchers: according the latest research, Latvia has lost 200 thousand inhabitants due to long-term international migration[40]. This means that Latvia has experienced a substantial manpower drain, which influences the demographic indicators as well, for the people leaving Latvia are mainly of fertile age.

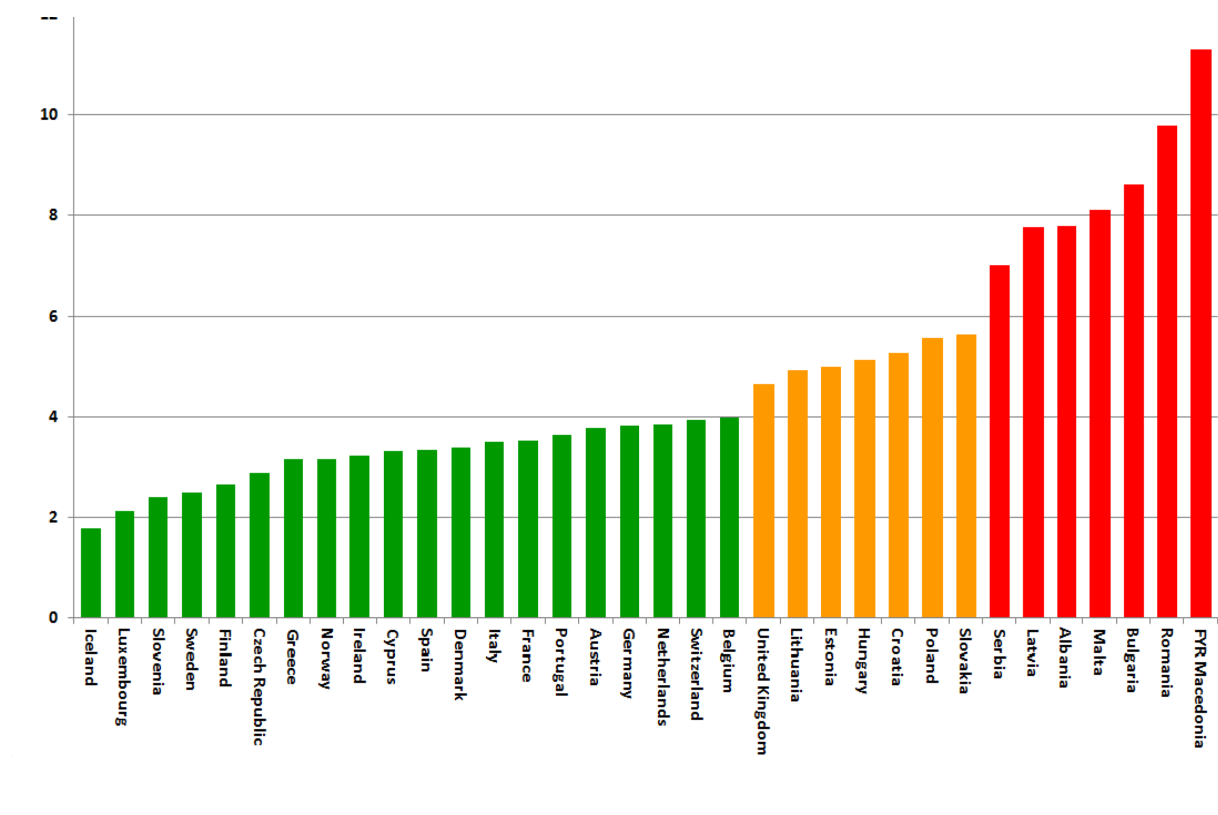
All relevant demographic indicators: high total, perinatal and infant mortality rate, low birth rate and low fertility rate are unfavourable for Latvia in comparison with the EU average, although the trend of the last years shows a slight improvement of the indicators.

Table 4: Infant mortality, perinatal mortality and stillbirths (per 1000 newborn children, including stillbirths)

	2005	2006	2007	2008	2009	2010
Infant mortality (per live births)	7.8	7.6	8.7	6.7	7.8	5.7
Perinatal mortality	9.9	10.4	9.4	9.2	9.6	8.2
Stillbirths	6.1	6.9	5.2	6.2	5.9	5.7

Source: Presentation of the Ministry of Health on 18 January 2012[41] and Eurostat for infant mortality.

Figure: 3 Infant mortality (per 1000 live births) in comparison with other EU countries



[41] Presentation of the Ministry of Health on 18 January 2012, http://phoebe.vm.gov.lv/misc_db/web.nsf/626e6035eadbb4cd85256499006b15a6/76be192571ed4256c22579890047bc05/$FILE/prezent_mate_16012012%28pedejais%29.pdf.

[42] In: Hertqvist Johan " Reforming health care systems – a different approach", 28 November 2011,Brussels, http://www.healthpowerhouse.com/.

to mothers during pregnancy and 42 days after giving birth, and for child up to 2 years of age. The plan envisages activities not only in the health care system but also in other branches, aimed at alleviating the financial situation of families with children, such as higher income tax allowances for each subsequent child. Municipalities need to ensure availability of kindergartens for children from the age of a year and a half or alternative form of care. [43]

2.3.2 Debates and political discourse

The political discourse is reflected in the Declaration of Intended Activities of the Cabinet of Ministers headed by Valdis Dombrovskis, 21 November 2011:

- Provision for equal health care service quality and equal remuneration for equal service irrespective of service provider.
- Provision of health care service availability evenly in the whole country.
- Ensuring efficient use of the budget by expanding the availability of outpatient services, extending the hours of outpatient hospitals in cooperation with the social service providers. Expanding of possibilities to receive emergency medical assistance at a family doctor's practice, thereby reducing the costs of emergency medical assistance.

The above-quoted aims are general and are not much discussed, apart from the doubts frequently expressed concerning the accessibility of emergency medical assistance.

There has been more discussion of the following aim, set out in the declaration:

"Improvement of finance system and gradual increase in overall health care funding by linking personalised tax-paying in the State budget with planned health care services."

The idea of linking health care services to paid taxes has been promoted during the last years by one political party (known today as "*Jaunais laiks"* or "New Era") as a means of forcing people out of the shadow economy. Now the author of this idea has become Minister of Health. Minister Circene hopes that doctors will have access to the unified database of residents to verify whether the patient is a taxpayer already by 1 July 2012. This means that health care services would be provided only to those paying taxes and to some other groups, such as children and pensioners. It also means that many people will be excluded from the health care system, for example, the long-term unemployed. The idea has been criticised by social partners and practitioners, who have difficulty imagining how it will be possible to check before treating a patient whether non-payment of taxes is justified or not. This approach has not found support in society as a whole, either.

As in previous years public debate has been connected with the decrease in allocated financial resources for health care. The trade union for medical and social workers organised a demonstration on 8 December 2011 outside the government house and parliament. The Minister of Health spoke to demonstrators, asserting that the budget for 2012 is the last consolidation budget and that from 2013 the financing of health care will increase. The demonstrators were ill-disposed towards the Minister.[44] Demonstrations took place in other cities, too. In the context of the demonstrations, the leader of the Union of Latvian Hospitals Jevgenijs Kalējs stated that Latvia is moving towards privately paid medical care, and that by

[43] Veselības ministrija, "Mātes un bērna gads", 24 January 2012, http://www.vm.gov.lv/index.php?top=121&id=933.

[44] "Keris: Ar mediķu protestu pirmo rezultātu izdevies panākt", 8 December 2011, http://www.tvnet.lv/zinas/latvija/402452-ar_mediku_protestu_pirmo_rezultatu_izdevies_panakt.

the middle of 2011 hospitals were able to perform many manipulations and examinations only at the patients' own expense. According Kalējs the lack of money will influence the performance of functions in hospitals even from the beginning of 2012, and hospitals will not be in a position to take in emergency patients. All hospitals are sinking into debt: because of insufficient funding, they are not in a position to fulfil their commitments towards the providers of heating, natural gas and electricity.[45] In her turn, the Minister Circene stated that there are huge problems with the management of hospitals in Latvia and that many managing directors should be replaced.[46] The debts of patients to hospitals are also growing. Over the last three years one of biggest hospitals in Riga, the Riga Eastern Hospital, has accumulated debts in the amount of one million LVL. Some hospitals employ debt collectors, which makes it possible to regain an average of 30% of the amount of debt.[47]

One more issue was on the public agenda in 2011: the mass media reported on cases of pharmacy enterprises lobbying their products to the doctors, providing bonuses such as covering the costs of business trips to various conferences etc. As a result, in some cases the doctors prescribe medicines provided by that particular firm, although a less expensive substitute is available. "Despite the availability of generic substitution at a cheaper price compared to the originator, doctors still often prescribe the originator as a result of aggressive promotion by pharmaceutical companies".[48] Pharmaceutical products are supplied to the public by a regulated distribution system, consisting of licensed enterprises that manufacture and/or distribute them. Pharmacies are mostly privately owned. Only those pharmacies that belong to local governments and public health care institutions have remained in the public sector, constituting 5% of the total number of pharmacies.

As result of this discussion, the procedure for the prescription of reimbursed medicines was changed, disregarding protests from all the doctors' unions (with the exeption of the Union of Family Doctors), pharmacy producers, pharmacies, some trade unions and the NGO for disabled people *SUSTENTO*. From 1 February 2012 the doctor must prescribe the cheapest available medicine with the same international chemical (generic) name as a more expensive one. If the patient chooses a more expensive medicine he/she has to pay the full cost. The new procedure will apply only to new patients who have not previously received reimbursed medicines. According to the Minister of Health, due to the new procedure expenditure in the reimbursement programme will decrease by 1.7 ml LVL[49], the total financing for the programme being 74.7 ml LVL.

2.3.3 Impact of EU social policies on the national level

EU social policies do not feature prominently in public debates on social problems in Latvia. The common objectives and common indicators of the OMC are used in all policy planning documents and reports prepared by the ministries and other state institutions. In particular, the common indicators are used not only by state institutions, but also by NGOs, social partners and the mass media to compare the quality of health care in Latvia and other EU countries. It is no secret that in this comparison the situation in Latvia's health care sector does not look good. Frequently used are such indicators as life expectancy, public spending as a share of GDP,

45 Kalējs, Jevgenijs "Dramatiska situācija veselības aprūpē", 8 December 2011, http://www.tvnet.lv/zinas/viedokli/402375-dramatiska_situacija_veselibas_aprupe?utm_source.
46 "Circene: Latvijas slimnīcās ir ļoti lielas problēmas ar vadību", 8 December 2011, http://www.tvnet.lv/zinas/latvija/402376-circene_latvijas_slimnicas_ir_loti_lielas_problemas_ar_vadibu.
47 "Slimnīcām dramatiski pieaug parādi", newspaper "Latvijas avīze", 5 January 2012.
48 Behmane, Daiga and Innus, Janis "Pharmaceutical policy and the effects of the economical crisis: Latvia", "Eurohealth" Volume 17, No. 1, 2011.
49 "Pacienti pirmās saņems lētākās zāles", weekly "ir", 27 December 2011.

mortality rates (total, infants and age-specific), practicing physicians, nurses and midwives per 100 000 inhabitants. As a novelty one can point to the use of such indicators as: potential years of life lost (PYLL) and healthy life years. Surveys are often performed on self-reported unmet need for medical care and self-perceived general health. These surveys include questions on the financial means of covering the costs of health care services and satisfaction with services provided. Thus, the public has become acquainted with these indicators, even if people are not aware of the origins of the indicators. In this way, benchmarking of the country's performance against the common indicators should serve as a tool for identifying weaknesses in the health care system and, hopefully, will stimulate the country to work towards EU targets.

2.3.4 Impact assessment

The situation in the health care sector is deteriorating further. As regards access to health care services, the existing inequalities in health care are deepening. The share of private expenditure for health care is growing each year, and so are the prices of medicines. The mass media regularly reports on shocking cases of unmet needs for medical care. I will refer only to some of the latest headlines: "Man dies because he could not pay 17 LVL for a visit to the doctor"[50]. In this case a long-term unemployed person receiving the Guaranteed Minimum Income (GMI) benefit – 40 LVL per month – urgently needed dental treatment. Since dental care is fully privatised all doctors refused to treat him. After the publication the ministry announced that the man had been taken by ambulance to a highly specialised hospital in Riga and was still alive.

In interviews, medical workers tell of cases when patients are delivered to hospital with very advanced diseases, when help is no longer possible: with rotten feet or breasts.[51] The nurses of a rural hospital comment that is what their everyday work is like. After the publication there were responses in the media from medical workers of other local hospitals, stating that they experience the same situation.

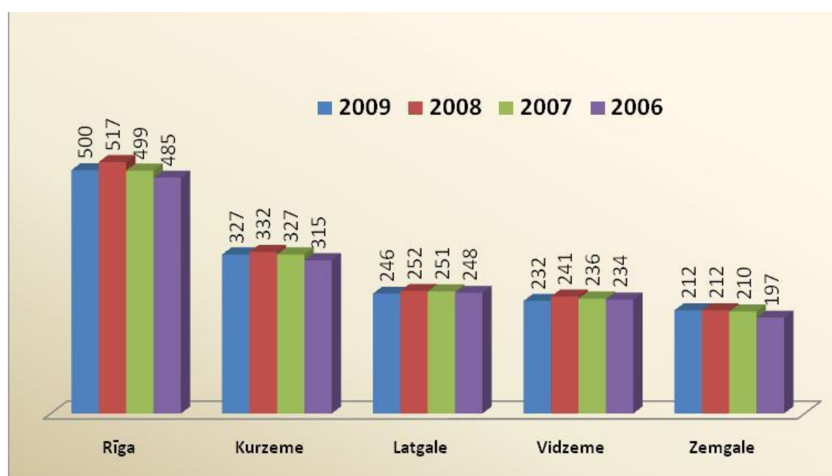
But the most striking is the fact that the public has become used to such situations: whereas cases such as those mentioned above caused public indignation in earlier years, today there is a very weak reaction.

The prospects for health care are characterised as gloomy by the leading specialists, too. In an interview, the leader of the Union of Latvian Hospitals, Jevgenijs Kalējs, and the leader of the Trade Union of Medical and Social Workers, Valdis Keris, forecast that more hospitals would be closed and that emergency ambulances would not be able to treat patients. The shortage of medical staff is catastrophic and no improvement is predicted: only 55% of all doctors, 16% of nurses and even fewer doctor's assistants are working in the country's health care system after completing their education.

[50] "Vīrietis mirst, jo nevar samaksāt 17 latus par ārsta vizīti", 27 January 2012, http://puaro.lv/lv/puaro/virietis-mirst-jo-nevar-samaksat-17-latus-par-arsta-viziti.

[51] "Tārpi saēd kājas, bet cilvēki neiet pie daktera", "TVNET", 19 January 2012 http://www.tvnet.lv/zinas/latvija/361662-tarpi_saed_kajas_bet_cilveki_neiet_pie_daktera.

Figure 4: Number of doctors (per 100 000 inhabitants) in the regions of Latvia



Source: Presentation by the State Secretary of the Ministry of Health Rinalds Muciņš on 28 January 2012.

The latest data given by the State Secretary is for 2009, but the table demonstrates a trend that has continued in the years 2010–2011.

Speaking ironically about the arguments frequently used by officials that the poor health of the population stems from an unhealthy lifestyle and nutrition, Kalējs said: “It’s time to stop deceiving people that they are ill because they’re not eating enough carrots.” [52]

In the framework of EU-SILC, the Latvian Statistical Bureau has performed a survey on self-perceived general health. 44% of inhabitants assessed their health as “good” and 34% as “satisfactory”. At the same time there are big differences between age groups. Whereas 86% of people aged from 16 to 24 assessed their health as “good” or “very good”, 45% of people aged 65 and over assessed their health as “bad” or “very bad”. 82% of the unemployed and 65% of pensioners declared that they cannot afford to visit the doctor when needed “because it is too expensive”.[53]

2.3.5 Critical assessment of reforms, discussions and research carried out

The low share of GDP going to health care is sometimes explained by politicians as resulting from the lower level of GDP in the previous years. To some extent this might be right, but if we compare the absolute figures of the operating health care budget with the budget of the previous year the decrease in financing of the system is undeniable: 414.46 ml LVL in the operating budget in comparison to the budget for 2011 – 486.54 ml LVL.[54]

The reforms in the health care sector were indeed needed, but were carried out too swiftly.

However, the reforms might have been implemented gradually, in accordance with the Master Plan, or “Programme for Development of Primary and Hospital Care Services for 2005–2010”. One of the aims of the Master Plan was to reduce administrative costs. Implementation of the plan was postponed, because in the years of growth the government was not interested in taking

[52] Veidemane, Elita “Mediķu līderi: Valdības attieksme – kā glumīgs ziepju gabals”, newspaper “Neatkarīgā Rīta Avīze”, 14 December 2011.

[53] Social.LV: “Pētījums: pensionāriem un bezdarbniekiem nabadzība liedz apmeklēt ārstu”, 3 June 2011, http://www.social.lv/portal/veseliba/jaunumi/1715-petijums-pensionariem-un-bezdarbniekiem-nabadziba-liedz-apmeklet-arstu.

[54] Presentation by the State Secretary of the Ministry of Health Rinalds Muciņš on 28 January 2012.

unpopular decisions. If the reforms had started earlier they might have been more carefully considered and not as painful for the population as was, for example, the closing of so many hospitals (some of them well-equipped with the help of the European Social Fund).

The proposed link between health care services and the payment of income tax means that, if the idea finds support in parliament, Latvia's health system will go in the opposite direction from the targets set by the EC, WHO and ILO – to achieve universal coverage – by imposing a financial penalty on the ill. The European Council Conclusions on Common Values and Principles in European Union Health Systems (2006/C 146/01) "recalls the overarching values of universality, access to good quality care, equity and solidarity".[55]

The World Health Organisation (WHO) has entitled its World Health Report 2010 "Health system financing – the path to universal coverage" and states: "As the world grapples with economic slowdown, globalisation of diseases as well as economies…the need for universal health coverage, and the strategy for financing it, has never been greater."[56]

According to the Minister of Health, at a meeting in Copenhagen on 25 January 2012 the Director of the WHO/ Europe Regional Office Zsuzsanna Jacobs evaluated positively the linkage of health care services to the payment of income tax.[57]

2.4 Long-term Care

2.4.1 The system's characteristics and reforms

Long-term care is a part of Latvia's social assistance system.

According to the Social Services and Social Assistance Law (in force from 1 January 2003), social services and social assistance are a constituent part of the system of social security, intended to guarantee social protection for individuals unable to provide for themselves or to overcome specific difficulties in life and who do not receive sufficient help from anybody else.

Although there is no definition of long-term care in Latvian legislation, the character of long-term care does correspond to the OECD definition: "a cross-cutting policy issue that brings together a range of services for persons who are dependent on help with basic activities of daily living (ADLs) over an extended period of time."[58]

Long-term care is provided by the state, municipalities, NGOs, charities and private institutions.

Access to public care is limited by age, health and socio-economic status, because of restrictive criteria for entitlement to long-term care.

The linkage between long-term care and poverty is very strong because state and municipalities financed long-term care is provided only to persons with low income (the income criteria differ from municipality to municipality). In the capital Riga the criteria are based on the highest level of income: care is provided if that person and all members of the family have an income not exceeding 200 LVL per month (excluding benefits in cash for home care).

In contrast to the previous two years, when the number of applications for institutional long-term care decreased substantially, in 2011, according to the information from the Ministry of

[55] The European Council Conclusions on Common Values and Principles in European Union Health Systems (2006/C 146/01).

[56] WHO, World Health Report 2010 http://www.who.int/whr/2010/en/index.html.

[57] Veselības ministrija: "Veselības ministre Ingrīda Circene tiekas ar Pasaules veselības organizācijas Eiropas Reģionālā biroja vadītāju Zuzannu Jakabu", http://www.vm.gov.lv/?id=122&sa=121&top=0&rel=3256.

[58] OECD 2005 Long-Term Care for Older People www.oecd.org/health/longtermcare.

Welfare in December 2011, there were 94 persons waiting for placement in municipal institutional care institutions and 202 waiting for placement in state care institutions. The state financed institutions are specialised care institutions, such as those for people with mental disorders, and so this reflects the medical statistics that the number of people with mental problems is growing.[59] The Ministry of Welfare reports that there are no waiting lists for home care. In the capital – Riga – there were no persons waiting for long-term care, institutional care or home care in December 2011. Social care services at the place of residence are provided in Riga only by the private sector: NGOs and private organisations – limited liability companies.

Private insurance schemes or contracts have until now not been used in LTC, because the insurance companies do not offer the possibility of insuring such a risk as "need of care". Neither does the state social insurance system recognise "need of care" as a social risk to be insured.

The Riga Welfare Department has introduced a benefit for persons with low income (up to LVL 135 per person or family member) – a benefit in cash for payment for home care services. This means that a person entitled to home care can choose the carer. This provides a good opportunity to improve the situation in the household and promote family care. In 2011 this practice was used practically in all municipalities of the country. Even so, the statistics show that 70% of all persons receiving home care services prefer the help of a social worker, family member or some other person.[60]

Taking into account the restricted financial possibilities, local authorities are searching for other resources to support their residents, in other words resources in the community itself. Thus, municipalities are facilitating the development of mutual self-assistance in the community. These tasks are being implemented by developing community social work. The volunteer movement is gaining in importance, supported by the Latvian Red Cross, other charity organisations and organisations for people with disabilities.

The Ministry of Welfare has simplified the procedure for registering as a social services provider for private individuals and institutions prepared to provide social services such as social work, social care, social rehabilitation and professional rehabilitation.

Up to end of 2011 there were 906 registered social care providers (464 in 2010), which demonstrates the growing weight of private service providers.

The Ministry of Welfare registers all social services providers. The register contains all relevant information on the services provider, their legal status and their capacity for providing social services. The registration might be described as a kind of accreditation. If the ministry discloses irregularities in the operation of the service provider, they may be excluded from the register. (In the year 2011, 8 service providers were excluded from the register.) The monitoring of the work of the provider is entrusted to social protection institutions in the respective territory and to general monitoring institutions. The provider must comply with the standards for each kind of service or the rules developed by the municipality. All municipalities have rules for different kinds of services, which are mandatory for social workers and social carers. Elaboration of the regulations is not complete yet, but they are designed in such a way as to secure quality labelling and quality assurance. This is relevant particularly at the present time, when the national authorities are increasingly diversifying the ways in which the services are organised,

[59] Veselības ekonomikas centrs, "Garīgā veselība Latvijā 2010.gadā". Tematisks ziņojums, 2011. gada decembris.
[60] Rīgas domes Labklājības departamenta gadagrāmata *"Sociālā sistēma un veselības aprūpe Rīgā 2010. Gadā"* http://www.ld.riga.lv/.

provided and financed. Consequently, a growing proportion of these services now come under the scope of community rules on competition and the internal market[61].

2.4.2 Debates and political discourse

The political discourse is reflected in the Declaration of Intended Activities of the Cabinet of Ministers headed by Valdis Dombrovskis, 21 November 2011:

"Improvement of administration and the social service guarantee system by drafting pre-conditions for effective, transparent and customer-oriented social care, int. al., competent and appropriate social care for each group of clients.

Implementation of a reform of the social assistance system by gradually changing from passive or relief social assistance to active or system concerned with motivating the client and helping to improve the current situation in order to with limited resources provide the greatest value-added possible for the client and the community as such."

As in the political planning documents of previous years, the aims in long-term care are set out only in general terms.

More success has been achieved with the support of the European Social Fund.

For the Riga Planning Region a social services programme for alternative social care and social rehabilitation services for the years 2010–2016 has been developed, in the framework of a project funded by the European Social Fund (Project No. 1 DP/1.4.1.2.3./09/IPIA/NVA/003). The programme includes development of alternative forms of care, such as day centres, day care centres, home care, half-way houses and apartments, a crisis centre, group apartments, 'safety buttons' and other forms of alternative care. Such forms of care already exist, but the project provides an opportunity to develop them further with co-financing from the ESF. Now the project operates in all planning regions of Latvia.

The problems of long-term care have been discussed in academic circles, for example, at the yearly conferences at Stradiņš University. The people concerned with these matters (at the universities, specialists at the Welfare Ministry and Riga's Welfare Department) are working on quality standards in long-term care, introducing students and practitioners to the requirements for result-oriented performance indicators and, as far as possible, implementing them in the work of social carers.

In the context of the current situation there is no discussion in the public space on long-term care. Some information sometimes appears in the mass media on cases of neglected old people, who are not able to leave their dwellings, especially in the wintertime and receive help from nobody, but such cases are rare and there is no response to information of this kind.

2.4.3 Impact of EU social policies on the national level

The only document which can be indicated as referring to the EU 2020 Strategy is the *Plan of development of the health care system for the years 2011 to 2017*, approved by the Minister of Health on 18 April 2011. Based on this plan, a vision for the year 2020 has been developed. By 2020 a special programme for the care of old people is to be implemented, bringing together the following resources: family doctors and nurses + medical treatment at home + care beds in hospitals. The programme should be financed from the health care budget, municipal and personal sources.[62] The basic principles of the plan are now included in the new *Public Health*

[61] http://ec.europa.eu/social/main.jsp?catId=794&langId=en.

[62] Veselības ministra J.Bārzdiņa prezentācija "Sabiedrības veselības pamatnostādnes 2011.–2017.gadam", 18.04.2011: http://www.vm.gov.lv/index.php?id=122&sa=121,122&rel=3005&large=.

Strategy for the years 2011–2017, which Latvia has launched in partnership with WHO/Europe. The Strategy was approved as an Instruction of the Cabinet of Ministers on 5 October 2011.[63]

In accordance with the Strategy, during 2011 short-term care and rehabilitation units were created at hospitals in Riga for people who do not need acute medical treatment, but who cannot live independently and need some medical treatment, too, after which they are returned home or placed in social care homes. Under direct supervision of the Riga City Welfare Department a hospital unit was established with 821 so-called ‘social beds’. Such units were also established at other hospitals in Riga (state financed). This practice has spread to other regions of the country, too.

2.4.4 Impact assessment

There are no data available yet on how many people have received long-term care in the country in 2011. The data for Riga demonstrates that the number of people receiving long-term care is growing, both care in social care homes and home care[64].

Table 5: Services for adults

Social services	1 July 2010 (Number of persons)	1 July 2011 (Number of persons)
Social care centres (institutional care)	1511	1527
Home care (including ‘safety buttons’, hot meals at home etc.)	3606	3952
Social services at hospitals	3039	3543

Source: Social benefits and social services in Riga in the first half of the year 2011 – presentation on 23 August 2011

There are no data as to how many applicants have confirmed the loss of their ability to independently perform the essential tasks of everyday living. Taking into account the growing number of old people in Latvia, the number of disabled people with severe impairments and the number of people receiving home care, one can conclude that this form of care cannot cover all persons who really need such support. In 2010 the number of persons receiving home care constituted 0.83% of all pensioners. If we add to this number the adults (including persons with disabilities) living in social care homes, the coverage will be 2.12%. Of course the author’s calculations provide no evidence of a need for care not being met, but it demonstrates that the possibilities for long-term care are unsatisfactory.[65]

2.4.5 Critical assessment of reforms, discussions and research carried out

In the current situation no special attention is being paid to long-term care problems. The information given above permits the conclusion that the need for home care is not being satisfied.

[63] Latvijas sabiedrības veselības stratēģija, approved as Instruction No. 504 of the Cabinet of Ministers on 5 October 2011 http://www.vm.gov.lv/index.php?top=121&id=834.

[64] Rīgas Domes Labklājības departaments, Sociālie pabalsti un sociālie pakalpojumi Rīgā 2011. gada pirmajā pusgadā, 23 August 2011, http://www.ld.riga.lv/.

[65] The calculations were made using data provided by the municipalities.

In institutional care all basic needs of residents are being satisfied, which actually means that only basic needs are being satisfied. The living conditions are not such as to secure "support and treatment tailored to your personal needs and wishes".[66]

Even Latvia's Programme on the European Year for Active Ageing and Solidarity between Generations (2012) does not reflect the aims set in decision No. 940/2011/EU of the European Parliament and the Council of 14 September 2011 in the field of long-term care : "… the increase in chronic health conditions makes it more important than ever to promote the healthy ageing of all, in particular older people, supporting their vitality and dignity by, inter alia, ensuring access to appropriate and high-quality health care, long-term care and social services."[67] The programme stresses goals such as promoting longer working lives, continuation of sporting activities, exchange of experience between generations etc. Of course, all these activities are important in the context of ageing, but there are no activities foreseen for old people who need long-term care and in this framework could make use of more active ageing, too. Only in one municipality (Gulbene County) it is envisaged that help will be organised with activities of daily living.

2.5 The role of social protection in promoting active ageing

2.5.1 Employment

When the Pension Law was introduced there were high expectations associated with the pension formula. The longer contributions are paid and the later the pension is required, the higher the annual pension will be. Thus, a financial incentive to postpone retirement was introduced, and the retirement age was supposed to be flexible. But pensioners rarely made use of this opportunity, because the possibility of receiving a full pension along with a salary was more attractive. In the previous years pensioners improved their financial situation by continuing to work after pension allotment. Now the number of employed pensioners is shrinking each year: in 2008, 18% of all old-age pensioners were employed, whereas in September 2011 only 10.2% of all pensioners (62+) were employed.

The mandatory retirement age is stipulated in the "Law on Pensions".

A gradual increase in the mandatory retirement age has been carried out in Latvia in order to reach 62 for both men and women. Since 1 July 2008 the retirement age is 62 for women and men.

Currently, due to the ageing of society and the financial situation in the country, the decision has been taken on a further gradual increase of the retirement age starting with the year 2014 by a half a year each year up to the age of 65 in 2021.

In conjunction with the raising of the retirement age, it is planned that the possibility of early retirement (two years before the mandatory retirement age) will be abolished.

On 8 December 2011 parliament prolonged once again the possibility for early retirement until 31 December 2013 and entrusted the government with the task of weighing up the possibility of making early retirement permanent. As a response to this decision the Minister of Welfare came up with a proposal to further increase the retirement age starting with 2014. For the time being, there is extensive discussion on the issue.

[66] European charter of the rights and responsibilities of older people in need of long-term care and assistance, 2010, http://www.age-platform.eu/images/stories/22204_AGE_charte_europeenne_EN_v4.pdf.

[67] Decision No 940/2011/EU of the European Parliament and the Council of 14 September 2011 on the European Year for Active Ageing and Solidarity between Generations (2012), Official Journal of the European Union, L 246/5, 23 September 2011.

I cannot really name any arrangements connected with an increase in retirement age aimed at making the change from lower to higher retirement age easier.

In the framework of the European Year 2012 of Active Ageing and Solidarity between Generations (EY2012)[68] the Ministry has elaborated a programme of activities to be developed in this year and in the years to come. The programme envisages the creation of better possibilities for the elderly to participate in the labour market. Even though a very broad spectrum of activities are named, the adaptation of work places to a more diverse workplace is not foreseen.

In terms of employment, flexible provisions are possible: flexible working time, part- time jobs, the possibility of work at home. In practice, employers rarely make use of these possibilities.

2.5.2 Participation in society

The Ministry of Welfare and other state institutions support volunteer work, and such activities are taking place in cooperation with NGOs, seniors' organisations and charities (for example, with the Samaritans). Promotion of collaboration in this field was especially active in the framework of the European Year of Volunteering (2011). The Ministry of Welfare has entered into a contract on cooperation with NGOs, seniors' organisations and other organisations, representing different social strata. Those organisations are invited to participate in workshops and working groups discussing further developments in social protection policy.

Periods of unpaid/ volunteer work are not considered as contributory periods. In Latvia's social insurance system only periods when contributions are actually paid are considered as contributory periods.

2.5.3 Healthy and autonomous living

To promote a healthy lifestyle and implement preventive programmes is one of the key priorities of the Ministry of Health and has been developed in many programmes. Work on important policy planning documents has commenced: the Guidelines for the Public Health Strategy 2010–2020, the Cancer Monitoring Programme, measures for restricting the spread of the human immunodeficiency virus (HIV) and AIDS, measures restricting the spread of TB, the reduction of alcohol consumption and alcoholism. Work on improving the state vaccination programme has continued over the years. The preventive programmes may at least delay the dependency on care. Almost all policy planning documents set out the aim of promoting alternative (to institutional) forms of care. In the same time the results are not satisfactory. Many EU documents stress the aim of long-term care: to reach all sections of the population through universal insurance coverage and/or affordable care, and in such a way that this does not lead to impoverishment. Individual ability to pay or the share of private sources of financing should not hinder accessibility.

In Latvia, access to long-term care is limited by age, health and socio-economic status, because of restrictive criteria for entitlement to long-term care.
As examples of "best practice" in LLL I can name the projects implemented with support from the ESF.

[68] European Year 2012 of Active Ageing and Solidarity between Generations (EY2012), http://www.age-platform.eu/images/stories/EY2012_Campaign.pdf.

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3 Abstracts of Relevant Publications on Social Protection

[R] Pensions
- [R1] General trends: demographic and financial forecasts
- [R2] General organisation: pillars, financing, calculation methods or pension formula
- [R3] Retirement age: legal age, early retirement, etc.
- [R4] Older workers activity: active measures on labour market, unemployment benefit policies, etc.
- [R5] Income and income conditions for senior workers and retired people: level of pensions, accumulation of pensions with earnings from work, etc.

[H] Health
- [H1] Health expenditures: financing, macroeconomic impact, forecasting, etc.
- [H2] Public health policies, anti-addiction measures, prevention, etc.
- [H3] Health inequalities and access to health care: public insurance coverage, spatial inequalities, etc.
- [H4] Governance of the health system: institutional reforms, transfer to local authorities, etc.
- [H5] Management of the health system: HMO, payments system (capitation, reimbursement, etc.)
- [H6] Regulation of the pharmaceutical market
- [H7] Handicap

[L] Long-term care

[R] Pensions

[R2] SATVERSMES TIESAS SPRIEDUMS lietā Nr. 2011-03-01 „Par likuma „Par valsts sociālo apdrošināšanu" 5. panta ceturtās daļas un 21. panta 2.1 daļas atbilstību Latvijas Republikas Satversmes 1. un 109. pantam". 2011. gada 19. decembris.

A judgment of the Constitutional Court adopted in the case No. 2011-03-01 "On Compliance of Section 5 (4) and Section 21 (2.1) of the Law "On State Social Insurance" with Article 1 and Article 109 of the Satversme of the Republic of Latvia".

"*On equal responsibility of a person and the State for sustainability of the pension system*"

When assessing principles, according to which the effective Latvian pension system functions, the Constitutional Court concluded the following: since the second and the third pension level require participation of the person in accumulation of the pension capital, then responsibility for appropriate pension amount shall be undertook by the person. .
When considering the fundamental principles of functioning of Latvian pension system, the Constitutional Court concluded that the system include, among the rest, social responsibility of the person for his or her own future and pension amount. Moreover, the pension system is characterised by the aspect that a person takes part in funding it during the entire employment period. Consequently, it follows from the fundamental principles of the pensions system that the legislator has the right to demand participation of persons in formation and constitution of pension capital.
Consequently, a person has the right to require that the employer makes and the State duty collects social insurance payments.

Consequently, the Constitutional Court concluded that, since a person can verify all information on the fact whether actually makes social insurance payments and draw attention of the employer and state institutions to the undue execution of the stipulated duty, the person has the possibility to receive information on the fact whether the employer has duly made social insurance payments.
However, the Court indicated in this respect that a person has the right rather than the duty to follow accumulation of his or her pension capital. However, a person should be aware that failure to exercise such right may impact the amount of State old age pension to be granted.

[R1; R2; R3] SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING (Fifth addendum to the Memorandum of Understanding) between the EUROPEAN UNION and the

REPUBLIC OF LATVIA) on 21 December 2011 Retrieved from http://fm.gov.lv/?lat/starptautiska_aizdevuma_programma/saprasanas_memorands_ar_eiropas_savienibu on 20 January 2012.

The authorities intend to review options for rationalising the system of social benefits and improving the sustainability of the pension system that is consistent with the long - term stability of the social security system, building, inter alia, on the recommendations of the World Bank public expenditure review and IMF technical assistance. The authorities will submit to the Parliament legislative proposals to increase, starting from 2014, the early and statutory retirement ages and the qualifications period for retirement. The authorities will consider the options of linking retirement age to life expectancy after the former has attained 65. In addition, the authorities will review the possibility of extending the suspension of pension indexation, while protecting the poorest pensioners. The elimination of supplementary pension payment for pre- 1996 working years for new retirees will take effect from 2012. The authorities are committed to preserving the sustainability of the three pillars of the pension system and to restoring contributions to the second pillar to 6% of gross salaries by 2013, provided that the budgetary situation improves in line with forecasts.

[R1; R2] THE DECLARATION OF INTENDED ACTIVITIES OF THE CABINET OF MINISTERS HEADED BY VALDIS DOMBROVSKIS, 21 NOVEMBER 2011**.** retrieved from http://www.mk.gov.lv/en/mk/darbibu-reglamentejosie-dokumenti/valdibas-deklaracija-eng/ on 20 December 2011.

To ensure sustainability of the social security system. Revision of the social insurance services, int. al., by gradually increasing the retirement age and minimum social insurance length of service in the medium term, unburdening the state social insurance special budget from the uncharacteristic tasks. Gradually increase instalments in the 2nd pension level reaching 6% until 2015.

Development and proposition of the 3rd pension level package that stimulates accumulation, including employers' co-payment. Evaluation of the opportunity to insure the 2nd pension level accumulated capital against loss. Evaluation of a model for inclusion of an additional level of the pension system that provides old-age support for the children brought up.

[R1; R2] VINKELE, ILZE, MINISTER OF WELFARE OF LATVIA, "PENSION SYSTEM DEFORMED IN LATVIA", magazine "The Baltic Course" Riga, 24.11.2011**.** retrieved from http://www.baltic-course.com/eng/analytics/?doc=49178, on 20.01.2012

A thorough analysis should be carried out to establish which parts of the system were not working as they should. This is when it would become clear that several political decisions have deformed the system, which initially was correct. The first mistake is the fourth pension pillar that was never introduced in Latvia, where money from privatisation of companies would have to be transferred. We all know the sad story of *Latvijas Kugnieciba*, and we know how a certain city by the sea influenced distribution of the shipping company's profit, and what this did to the welfare budget, the money was being pumped out and into to offshore companies, not a single santim went to the budget. The other problem is the decision that parental benefits have to be paid from the social budget, although they are not covered by social insurance contributions, and there is no money for such benefits in the social budget. The third problem is pension supplements, which were not planned in the original pension system.

These three problems came as a result of flawed political decisions, and they have a major impact on the welfare budget. But it would not be right to revamp the system until all these problems are discussed with the public.

[H] Health

[H5; H6] BEHMANE, DAIGA AND INNUS, JANIS "PHARMACEUTICAL POLICY AND THE EFFECTS OF THE ECONOMICAL CRISIS: LATVIA", Eurohealth Volume 17, No 1, 2011

Prior to economic crisis there were many tools in the pharmaceutical reimbursement system to ensure rational and cost-effective use of medicines. These included: recommendations for rational pharmacotherapy; a reference pricing system and generic substitution that have existed since the middle of 2005; and the Baltic Guidelines on Economic Evaluation of Medicines which were created in 2002. The legislation strongly recommends generic substitution and a pharmacy has an obligation to offer cheaper alternative products to make possible the reduction of reimbursement costs. Despite the availability of generic substitution at a cheaper price compared to the originator, doctors still often prescribe the originator as a result of aggressive promotion by pharmaceutical companies. The additional co-payment made by patients is approximately 10% of the total budget of the pharmaceutical reimbursement system.

Latvia has had to reduce the costs of the health care system as a result of the economic crisis. This has also affected the financing of reimbursement medicines. Taking in account the fact that pharmaceutical reimbursement plays a significant role in primary health care, it is very important to provide access to reimbursement medicines for as many people as possible.

[H3] MEŽINSKA, SIGNE **"**Hroniskas slimības subjektīvā pieredze un pensijas vecuma cilvēku dzīves kvalitāte"

"*Chronic illness experience and quality of life of retirement age people*"

Presentation of the Doctoral thesis on the February 16, 2011 (speciality – sociology)

In many traditional societies the older generation has a stable and strictly established place and role in the social system, forming a basis for a positive attitude towards this group in the society. Such a clearly defined status significantly eases the formation of bodily identity within the context of ageing and the illness experience. In Latvia the place of the elderly persons is not firmly set, therefore the identity of the older generation representatives to a less degree is formed by social order. This uncertainty also influences the chronic illness experience and its related problems of identity.

A mutual interaction exists between the illness experience and social representations of ageing. Such social representations as collapse, the normality of the illness or uselessness negatively influences the illness experience of the elderly persons. The research disclosed situations when, instead of focusing on a particular person in a certain moment, the persons is attributed a label "old" that means "not worth the attention", "ill", "incapable". As the symbolic meanings can be affected and changed in a longer period of time, it is important to change these meanings in culture in order to avoid from their negative influence on the illness experience of the senior generation. At the social level the categories that should be influenced include the following: the society's overall attitude towards chronically ill elderly persons, as well as the meaning that is attributed to old age in social interaction.

[H3] SĪLIS, VENTS, "HEALTH BEHAVIOUR AND QUALITY OF LIFE OF LATVIAN POPULATION", presentation of the Doctoral thesis on the March 16, 2011 (speciality – sociology)

Main concepts employed in present doctoral paper are quality of life, health related quality of life, and healthy lifestyle.

Health and health behaviour of Latvian population has become a topical issue because it is one of the essential domains of life and a fundamental component of the quality of life. In

comparison to other European Union states, health statistics of Latvian population are significantly lower. For example, life expectancy for both men and women in Latvia is among the lowest: average number of expected life for women in EU is 82,2 years, while in Latvia it is 77,8 years; average number for EU men is 76,1 years, while for Latvian men it is 67,0 years. (Eurostat, 2010) This difference can be explained by the spread of causes of death related to unhealthy and risky lifestyles, namely, ischemic heart disease, lung cancer, cervical cancer mortality, alcohol-related mortality, as well as suicide rates and transport accidents. Special attention was paid to on one of the social groups – Latvian population aged 65–94. First reason for doing that is the fact that demographic data about EU countries shows a steady tendency of ageing, which leads to conclusion that in 21st century ageing will be one of the main social and economic problems in EU. Closer examination is given to the quality of life of people at the age of retirement which, according to the recent statistics and estimates of demographic tendencies in Latvia, is one of the dominant social problems of both present and future. Data on health behaviour of Latvian senior population (aged 65-94) confirms the hypothesis that there are 5 distinct health lifestyles with the most common of them being health preserving lifestyle and the least widespread being health promoting lifestyle.

Quantitative data on both age groups (15-64 and 65-94) showed statistically significant relation between health lifestyles and quality of life indicators like income, gender, employment, health status, education, age and place of residence. The strongest link is between health lifestyle and gender, health status, education, place of residence and life quality self-assessment.

[**H1; H2; H3; H6**] THE DECLARATION OF INTENDED ACTIVITIES OF THE CABINET OF MINISTERS HEADED BY VALDIS DOMBROVSKIS, 21 NOVEMBER 2011. Retrieved from http://www.mk.gov.lv/en/mk/darbibu-reglamentejosie-dokumenti/valdibas-deklaracija-eng/ on 20 December 2011.

- Improvement of finance system and gradual increase in overall health care funding by linking personalised tax-paying in the State budget with planned health care services.
- Drafting and passing of a regulatory enactment for a health care organisation, which will set the responsibilities and rights of state and private health care institutions and service providers and responsibility and rights of local governments.
- Provision of a human resource development programme in medicine to keep professionals from going abroad.
- Implementation of e-health care services, int. al., e-patient cards (evaluation of a possibility of using planned identification cards) which make the health care planning, coordination and the data security effective and ease the reception of services for the patient.
- Provision for equal health care service quality and equal remuneration for equal service irrespective of service provider.
- Provision of health care service availability evenly in the whole country.
- Ensuring efficient use of the budget by expanding the availability of outpatient services, extend the hours of outpatient hospitals in cooperation with the social service providers. Expanding of possibilities to receive emergency medical assistance at family doctor's practice thereby reducing the costs of the emergency medical assistance.
- Definition of state financed services and paid services providing the residents with clear and understandable information about procedure for receiving services and the payment.
- Strengthening of the teamwork of family doctors', expansion of cooperation between family doctor and patient, promotion of active participation in maintaining health. Expansion of patient's right to choose the place of the reception of the service.

- Promoting of the healthy lifestyle and nutrition in the society as well as renewal of the health education as a separate subject. Provision of a healthy environment in cooperation with local governments and NGOs.
- Improving of the use of the European Union funding in health care, improvement of physicians' qualification and infrastructure as well as investing in human resources.
- Reduction of the influence of the pharmacy industry and the wholesalers on the medicine turnover, letting the patient chose less expensive medicine.
- Continuing the cooperation of the Baltic States in the field of medicine ensuring cooperation of borderland EMA services in cases of transplantation, diagnosis and treatment of rare diseases as well as cooperation in the field of medical education.

[H3] Veselības ekonomikas centrs, "GARĪGĀ VESELĪBA LATVIJĀ 2010.GADĀ". Tematisks ziņojums, 2011.gada decembris.

The Centre of Health Economics "Mental health care in Latvia in 2010" Thematic Report, December 2011.

The Centre of Health Economics has presented the report with comprehensive statistical information on mental health care in Latvia, as well as an evaluation of the provided data. The report provides the insights into population study results and situation appraisal. Data show an increase in the first time registered patients with mental and behavioural disorders from 2007 to 2010. The highest rate of mental disorders is observed in Latgale (the most depressive region of Latvia – highest unemployment rate etc.) Substantial increase is observed in such disorders as stress, anxiety and despondency. Opinion poll shows that in one month's time such state of health experienced 67.7% of all respondents, of them 58.4% men and 70.4% women.

Only data on patients with mental and behavioural disorders were processed in this report, excluding information on patients with disorders related to use of psychoactive substances, because these patients are registered in a separate database and analysed in special reports.

The report contains information on registered suicides too. Over the last years there has been slight decrease, although the level of suicides remains high: one of the highest in the EU.

[L] Long-term care

[L] THE DECLARATION OF INTENDED ACTIVITIES OF THE CABINET OF MINISTERS HEADED BY VALDIS DOMBROVSKIS, 21 NOVEMBER 2011. Retrieved from http://www.mk.gov.lv/en/mk/darbibu-reglamentejosie-dokumenti/valdibas-deklaracija-eng/ on 20 January 2012.

Improvement of administration and the social service guarantee system by drafting pre-conditions for effective, transparent and customer-oriented social care, int. al., competent and appropriate social care for each group of clients.

Implementation of a reform of the social assistance system by gradually changing from passive or relief social assistance to active or system concerned with motivating the client and helping to improve the current situation in order to with limited resources provide the greatest value-added possible for the client and the community as such.

4 List of Important Institutions

Baltijas sociālo zinātņu institūts – Baltic Institute of Social Sciences (BISS)

Contact person: Zepa, Brigita, Chair – person of the researcher board
Adresss: Elizabetes str. 65 – 13, LV -1050, Riga, Latvia
Webpage: http://www.bszi.lv

The Baltic Institute of Social Sciences (BISS) is a private non-profit research institute. The aim of BISS is to work for the benefit of the whole society and its main activities are related to socio-political research and the national distribution of information based on scientific research.
BISS has initiated and implemented different research projects on current topics of social and political life in Latvia. It researches those aspects and issues which have not been sufficiently studied and analysed in previous research projects. BISS offers full service - development of research design, its implementation and consultations for policy makers and implementers and others interested in research.
During recent years, BISS has carried out several big budget scientific research projects on social integration, education policy and its reform, and aspects of the labour market. On the basis of previous research and policy analysis, BISS makes recommendations for policy makers and implementers at all levels of government, as well as distributes information to all stakeholders, social partners and the public in general. In that way, BISS participates in decision making processes in different fields of state, regional and local policy, as well as promotes the quality of living of the society.

Finanšu un kapitāla tirgus komisija – Finance and Capital Market Commission

Contact person: Batraga Kristīne, PR specialist
Adress: Kungu str. 1 LV – 1050, Riga, Latvia
Webpage: http://www.fktk.lv

The Financial and Capital Market Commission is an autonomous public institution, which carries out the supervision of Latvian banks, insurance companies and insurance brokerage companies, participants of the financial instruments market, as well as private pension funds. The Financial and Capital Market Commission commenced its activities on 1 July 2001.

Latvijas Brīvo Arodbiedrību Savienība -Free Trade Union Confederation of Latvia (FTUAL)

Contact person: Homko, Irina - expert in social issues
Adress: Bruņinieku 29/30, LV – 1001, Riga, Latvia.
Webpage: http://www.lbas.lv

The Free Trade Union Confederation of Latvia (FTUAL) is the biggest non-governmental organisation in Latvia, which protects the interests of professional trade union members and employees on branch and inter-branch level.
FTUAL coordinates the cooperation between 21 independent Latvian trade unions, represents and protects the interests of its members in national and international institutions, implements a joint working programme.
The purpose of FTUAL activities is to protect the interests of trade union members. The main principle of operation is solidarity – joint coordinated actions of the affiliates. FTUAL represents its members' interests and protects their rights in the socio-economic field.
Together with the Government and the Latvian Employers' Confederation, FTUAL works in the National Tripartite Cooperation Council. FTUAL observes the principles of social dialogue in cooperation with the social partners.

FTUAL participates in the elaboration of economic and social development programmes, in the evaluation of draft laws, in working groups on improvement of labour conditions, salaries, tariff policies, compulsory social insurance and social guaranties, health care as well as employment, vocational education and lifelong learning.
FTUAL represents the interests of its members in:
• the National Tripartite Cooperation Council and its Sub-councils;
• State and municipal institutions;
• courts.

Latvian Central Depository (LCD)
Adress: Vļņu str. 1 LV – 1050, Riga, Latvia
Contact person: Valdis Slokenbergs, Chairperson of the Board
Webpage: http://www.lcd.lv
The Latvian Central Depository (LCD) is the sole central securities depository in Latvia and administers the publicly issued securities central register. The LCD performs safe-custody of securities, clearing and settlement for securities trading and management of corporate actions (payment of dividends and interest), as well as providing other services related to securities.
The Latvian Central Depository also administers the accounts of participants of the State Funded Pension Scheme, i.e. the second tier (pillar) of the pension system. The operations of the Latvian Central Depository are supervised by the Financial and Capital Markets Commission.

Latvijas darba devēju konfederācija – Latvian Employers' Confederation
Contact person: Alksne, Agnese, PR specialist
Adress: Vīlandes str. 12 – 1, LV -1050, Riga, Latvia
Webpage: http://www.lddk.lv
The Latvian Employers' Confederation (LDDK) is the biggest organisation representing the interests of employers. The LDDK acts as a partner in socioeconomic negotiations with the Saeima (Parliament), the Cabinet of Ministers of the Republic of Latvia and the Free Trade Union Confederation of Latvia. The members of the LDDK employ 35% of all employees in Latvia.
The mission of the LDDK is to enhance effectiveness of entrepreneurship and employment development by taking into account the interests of the society at large, to promote the strengthening and development of Latvian employers and their organisations, to enhance the growth of Latvian employers, the development of an enterprise culture and the creation of favourable social conditions. The LDDK represents and protects the economic, social and professional interests of its members in conformity with the Law on Employers' Organisations and Their Associations.

Veselības ministrija – Ministry of Health
Contact person: Pole Egita, Head of Communications Unit
Adress: Brīvības str.72 LV-1011, Riga, Latvia
Webpage: http://www.vm.gov.lv
The Ministry of Health is the leading governmental institution in the health sector and is responsible for public health, health care, pharmacy and the legal circulation of drugs. The main task of the Ministry of Health is to develop and implement state policies by ensuring public health in a healthy environment, promoting prevention and a healthy life style, as well as creating conditions where the inhabitants benefit from cost effective, physically accessible, and high-quality health care services.
The Ministry of Health:

- *elaborates proposals on state policies for disease prevention, diagnostics, treatment, rehabilitation and health care organisation;*
- *plans resources to assure health care quality;*
- *elaborates health research and educational policies;*
- *implements policies related to environmental health, health promotion, epidemiological safety of infectious diseases, and surveillance and control of addiction–related health problems;*
- *supervises all processes of production, import and distribution of medicines, as well as pharmaceutical care.*

The Ministry of Health is the institution responsible for implementation of the measures co-financed by the funds of the European Union. In the field of health a support of both the European Social Fund and the European Regional Development Fund is available.

Labklājības ministrija – Ministry of Welfare

Contact person: Kupce Marika , Head of Communications Unit
Adress: Skolas str.28, LV – 1330,Riga, Latvia
Webpage: http://www.lm.gov.lv

The Ministry of Welfare is the leading institution of state administration in the areas of labour, social security and gender equality.

The work of the Ministry of Welfare is focused in 4 directions:

- *Planning and supervision of the implementation of the state welfare policy.*
- *Compensation of social risks to ensure an income replacement in the case of retirement, disability, maternity, illness or unemployment.*
- *Financial support to specific groups of population, i.e. families with children, disabled persons, elderly people, children without supporters, the liquidators of the Chernobyl nuclear power plant accident, etc.*
- *Measures to secure and implement social rights. The main tasks are as follows:*
    - *To increase the competitive capacity and quality of the labour force, to reduce unemployment;*
    - *To ensure the protection of employees' rights to a legal, safe and harmless work environment and to reduce illegal employment;*
    - *To ensure that social services and social assistance are professional and of a high quality.*

The Ministry of Welfare is the institution responsible for the implementation of the measures co-financed by funds of the European Union. In the field of welfare a support of both the European Social Fund and the European Regional Development Fund is available.

Latvijas Pensionāru Federācija – Pensioner's Federation of Latvia

Contact person: Bormanis, Kārlis
Adress: Bruņinieku 29/30, room 306, LV – 1001, Riga, Latvia.
Phone: +371 67276789
Webpage: -

The Pensioner's Federation of Latvia is an umbrella organisation for 138 local organisations.
The work of the *Pensioner's Federation of Latvia* is focused in five directions:

- *To promote volunteer work;*
- *To protect pensioners' rights;*
- *To inform and advise older people;*
- *To strengthen intergenerational relations in families;*

To organise cultural events for retirees.

Valsts nodarbinātības aģentūra – State Employment Agency (SEA)
Adress: Kr.Valdemāra 38k-1. LV 1010, Riga, Latvia
Contact person: Kalniņa, Helmi, assistant to the director
Webpage: http://www.nva.gov.lv

The SEA is an institution under the supervision of the Ministry of Welfare and implements state policy in the field of unemployment reduction and job seekers' support. The mission of the SEA is *to become a bridge connecting employers and employees, reducing unemployment and stimulating employment in Latvia.*

The SEA works with clients, i.e. employers, unemployed and job seekers; it performs career counselling; it entertains international relations and relations with EURES; it provides information to the public; it improves its services; it works with the European Social Fund; it works on the improvement of normative documents; it undertakes capacity building, budget planning and the control of financial expenditure.

Valsts Sociālās apdrošināšanas aģentūra – State Social Insurance Agency (SSIA)
Contact person: Olupe Edīte, Head of PR Division
Adress: Lāčplēša str.70a , LV-1011, Riga, Latvia
Webpage: http://www.vsaa.lv/

The SSIA is a state institution under supervision of the Ministry of Welfare, performing the public administration function in the area of social insurance and social services.
The tasks of the SSIA:
to administer the social insurance budget;
to register socially insured persons and their contributions into the socially insured person's accounts;
to provide social insurance and selected social assistance services to the population – grant, calculate, recalculate and pay pensions, benefits and allowances;
to provide individual consultations to the population about the social insurance and social assistance services;
regularly inform the public about current social insurance matters;
to ensure, that the services are accessible to every customer as close to their place of residence as possible.

Latvijas Pašvaldību savienība – The Latvian Association of Local and Regional Governments (LALRG)
Contact person: Mutjanko Ilze, PR specialist
Adress: Mazā Pils str. , LV -1050, Riga, Latvia
Webpage: http://www.lps.lv

The Latvian Association of Local and Regional Governments (LALRG) is an association *unifying local and regional governments of the Republic of Latvia on a voluntary basis.*
Main objectives:
- *development of municipal policy in Latvia;*
- *municipal problem solving;*
- *protection of local government interests.*

Tasks:
- *to represent interests of the LALRG and its members in the state authorities and administrative institutions;*
- *to develop opinion of the LALRG in the policy of Latvian local governments according to proposals of local/regional governments, their associations and unions;*

- *to facilitate cooperation among Latvian local/regional governments, their associations and unions;*
- *to provide local governments with information and required services;*
- *to organise training for local government deputies and employees;*
- *to facilitate social protection of local government employees;*
- *to facilitate the establishment of enterprises to solve issues of common local government interest;*
- *to organise the establishment of local government information processing systems based on unified principles.*

Nacionālais veselības dienests – The National Health office

Adress: Cēsu 31 k-3 Rīga, Latvija, LV-1012
Contact person: Lapiņa Laura, Head of PR division.
Webpage: http://www.vmnvd.gov.lv/

The National Health office started to carry out its activities on 1 November 2011.
The office has been established on the basis of the former Centre of Health Economics. It has taken over several functions formerly carried out by the Centre of Health Economics and the Health Settlements Centre.
The main functions of the National Health office are to:
determine the health care services which will be funded from the state budget according to the normative Acts of the State;
provide a therapeutic and financial assessment of pharmaceutical products and medical technology to develop a list of products which will be financially reimbursed;
summarise and analyse public health (including health care) data;
maintain the Register of Patients with Particular Diseases;
implement the e- Health policy of the State;
execute the functions of the cooperation institution of European Union funds;
implement the functions regarding a national focal point of the European Monitoring Centre for Drugs and Drug Addiction in the European Information Network on Drugs and Drug Addiction (Reitox).

This publication is financed by the European Community Programme for Employment and Social Solidarity (2007-2013). This programme was established to support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields. The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA and EU candidate and pre-candidate countries. The Programme has six general objectives. These are:

(1) to improve the knowledge and understanding of the situation prevailing in the Member States (and in other participating countries) through analysis, evaluation and close monitoring of policies;
(2) to support the development of statistical tools and methods and common indicators, where appropriate broken down by gender and age group, in the areas covered by the programme;
(3) to support and monitor the implementation of Community law, where applicable, and policy objectives in the Member States, and assess their effectiveness and impact;
(4) to promote networking, mutual learning, identification and dissemination of good practice and innovative approaches at EU level;
(5) to enhance the awareness of the stakeholders and the general public about the EU policies and objectives pursued under each of the policy sections;
(6) to boost the capacity of key EU networks to promote, support and further develop EU policies and objectives, where applicable.

For more information see:
http://ec.europa.eu/social/main.jsp?catId=327&langId=en