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WORKPLACES WITH STIPEND PROGRAMME AND ITS IMPACT ON POVERTY RISK DECREASE: CASE OF LATVIA

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ABSTRACT: *The aim of the paper is to analyse theoretical concepts of poverty risk and to estimate the impact of the Workplaces with Stipend Programme (hereinafter WWS) on poverty risk decrease in Latvia.*

In order to assess the effects of the WWS three different surveys were carried out: of households with WWS participants, of experts in Latvian labour market issues, and of municipality representatives. The results were analysed, together with analysis of statistical data.

The paper concludes that in general the WWS has a very positive impact on WWS

participants' household budgets (more than 95% of the WWS participants in all Latvian regions noted a significant impact of the WWS on their household budgets). In cases where the WWS participant is the single representative of the household, he/she escapes the status of a deprived person. At the same time participation in the WWS does not allow for exceeding the poverty threshold set in Latvia.

KEY WORDS: *workplaces with stipend programme, poverty risk, Latvia*

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1. INTRODUCTION

The economic crisis has impacted on many people's lives in Latvia. According to data from the Central Statistical Bureau of the Republic of Latvia, in February 2011 more than 10% of Latvia's inhabitants held the status of deprived and approximately 21% of Latvia's inhabitants were living below the poverty threshold.

In accordance with the Cabinet of Ministers' regulations of 30 March 2010, the person (family) is considered to be deprived in Latvia when the average income per person in the previous three months has not exceeded LVL 90 (€128) and the person/family does not have financial savings.

In order to guarantee at least some kind of financial support, a guaranteed minimum income is provided of LVL 40 (approximately €57) for adults and LVL 45 (approximately €64) for children per month. There are several other social allowances and compensations introduced by the state and by municipalities. There are also several active labour market policy measures aimed at encouraging people to return to the labour market.

A measure that promotes return to the labour market for persons who are unemployed and especially for those who have been unemployed for a long time is the measure Workplaces with Stipend Programme (hereafter WWS) realized in Latvia from September 2009 - December 2011.

The aim of the WWS is to provide support for the unemployed who are not receiving unemployment allowances or early pension, but who are ready to work in the municipality performing physical socially useful tasks. The work is 40 hours per week, with a maximum of six months per year, and the WWS pays LVL 100 (€142) per month. WWS participants are also entitled to transport compensation of LVL 12 (€17) per month.

The WWS was introduced in September 2009, and 91,116 people participated between September 2009 and 30 April 2011. In 2010 52,821 people participated in the WWS (SEA, 10.04.2011.).

Although the payment provided by the WWS is below the poverty threshold there are more people wanting to participate in the WWS than available places. A large number of people participate in the WWS repeatedly (participation in the WWS is limited to 6 months in a year). In November 2010 there were 47,261 people queuing to participate in the WWS, 12,559 of whom were repeat applicants

The aim of the paper is to analyse theoretical concepts of poverty risk and to estimate the Workplaces with Stipend Programme's impact on Poverty Risk decrease in Latvia.

The research methods used in the paper are analysis of statistical data, analysis of a households survey (3,064 households were interviewed between December 2010 and March 2011), analysis of an experts' survey (experts dealing with labour market issues in Latvia), and analysis of a municipality representatives' survey (representatives from all 127 of Latvia's municipalities were asked to participate in the survey, and out of them 107 municipalities provided answers).

2. POVERTY RISK – LITERATURE REVIEW

People are considered poor when their standard of living is lower than a minimum allowable threshold, which is the poverty line (Paniotto, Kharchenko, 2009). However, there are other definitions of poverty and there are several difficulties in defining poverty and its origins (Yanagisawa, 2011, Paniotto, Kharchenko, 2009, Akoum, 2008). There are also different definitions as regards poverty among nations – e.g., poverty in Russia is considered to be a completely different term to poverty in the USA (Lezhnina, 2011). In the transition of the discourse from income growth to poverty reduction, there is a critical link that defines the quantitative magnitude of the impact of change in income on poverty (Lenagala, et.al. 2010).

Poverty has significant impact on psychological well-being and health (Evans, et al, 2007, Najman, et al, 2010, Ukpere, et al, 2009, Ozkan, et al, 2010), early mortality (Ukpere, et al, 2009) inter alia osteoporotic fractures (Navarro, et al, 2009), hunger and insignificant food, limited possibilities to get education, insufficient housing, unsafe environment, social discrimination and exclusion (Ozkan, et.al., 2010), prostitution, child labour, displacement and forced migration, the violence of social breakdown, state social control and fractional war, acute risk and uncertainty, environmental degradation and vulnerability, as well as a loss of existential material security (Amin, 2004).

Concentrating on poverty and the gap between the rich and the poor, the literature has widely discussed the impact of human nature on the economic outcome of countries, especially the gap between developing and developed countries (Bahmani-Oskooee, 2009). In most low-income countries, rural households

depend on mixed rain-fed agriculture/livestock production, which is very risky (Yesuf, Bluffstone, 2009).

Given the failure of current social policy to address poverty and inequality, and especially since post-recession conditions are likely to be less favourable than those of the last decade, there is an urgent need for bold, new policy thinking. Pinning all hopes on education – and seeing solutions only in terms of individuals' skills and aspirations, without critical consideration of the nature of the labour market – cannot be accepted as the best way forward (Smith, 2010). Credible demonstration of policy or programme impacts on poverty reduction is dependent on understanding the distinction between inputs, outputs, outcomes, and indicators. Moreover, to be trusted by the public, performance reporting on poverty reduction needs to focus more selectively on identifying the key measures of performance and the engagement of key constituents (Dwyer, 2007).

The poverty threshold in Latvia is measured based on the methodology elaborated by the EU Statistical Bureau EUROSTAT. In order to evaluate and monitor social inclusion Laeken indicators are applied, and within this framework the following indicators: at-risk-of-poverty rate, at-risk-of-poverty threshold, S80/S20 income quintile share ratio, persistent at-risk-of-poverty rate, persistent at-risk-of-poverty rate (alternative threshold), relative median at-risk-of-poverty gap, regional cohesion, long-term unemployment rate, persons living in jobless households, early school leavers not in education or training, life expectancy at birth, self-defined health status, dispersion around the at-risk-of-poverty threshold, at-risk-of-poverty rate anchored at one moment in time, at-risk-of-poverty rate before cash social transfers, Gini coefficient, in-work at risk of poverty rate, long term unemployment share, and very long term unemployment rate (CSB, 2011).

To decrease poverty in Latvia among the unemployed active labour market policy measures have been introduced, the most significant being the Workplaces with Stipend Programme. Its impact on reducing poverty in Latvia is analysed in the next sections

3. METHODOLOGY

The study involved a survey of households, a survey of municipalities, a survey of representatives, and a survey of experts.

Households' survey

3,064 households were interviewed in December 2010 – March 2011. The researchers are indebted to the World Bank experts' support for the survey sample preparation and construction of the questionnaire. In forming the sample, the following quasi-experimental methods were used:

- propensity score matching, difference-in-difference, and instrumental variable design by applying probability of group affiliation, based on the observed expected values (on similarities in analysed and control groups) by comparing persons having recently finished participation in the WWS with persons waiting to participate in the WWS. The group observed were persons currently participating in the WWS. For measuring the net income distribution compliance to normal distribution the Kolmogorov–Smirnov test was used;
- regression discontinuity design. In preparing the sample the criteria used were whether the person is applicable for participation in the WWS or for receiving unemployment allowance. Persons waiting for participation in the WWS were used as a control group.

The data were classified in three blocks: households in which any member currently participates in the WWS, households in which any member is waiting in the queue to participate in the WWS, and households in which any member has recently participated in the WWS.

During the analyses of the household questionnaires the answers of the households having at least one participant within the WWS were used, at least one person waiting for the participation in the WWS, at least one person recently having finished participating, or status not known). The amount of the households $n = 1,006$, the overall number of persons $n = 2,941$. These data are included in the paper.

More detailed description of the households' representatives is presented in Table 1. In the Kurzeme region there were 275 households and 821 persons, in Latgale 110 households and 313 persons, in Rīga 187 households and 528 persons, in Vidzeme 251 households and 739 persons, and in Zemgale 183 households and 540 persons.

Table 1: Regional Structure of the Households
(at least one person currently participates in the WWS)

Region	Number of Households	Persons per Household
Kurzeme	275	821
Latgale	110	313
Riga	187	528
Vidzeme	251	739
Zemgale	183	540
All	1006	2941

Before carrying out the questionnaires 12 pilot interviews were provided and afterwards necessary corrections were made to ensure that the questionnaires corresponded to the objectives of the study. The questionnaires and the data-entry of the households were carried out by GfK Custom Research Baltic, Ltd.

Survey of municipalities' representatives

116 representatives from the municipalities took part in the survey. The data concerning the municipalities and particular officials was selected from information provided on the homepage of the Latvian Association of Local and Regional Governments (www.lps.lv).

The survey of the representatives of the municipalities was carried out by leading researchers who had appropriate previous experience.

Survey of experts

In order to get more detailed opinions on the WWS experts were surveyed from the following fields: Employers' Confederation of Latvia (Senior Desk Officer), Unit of Economic Policy Co-ordination, Department of Structural Policy of National Economy, Ministry of Economy, Education and Employment, Free Trade Union Confederation of Latvia, Unit of Conjuncture and Territorial Statistics of the Central Statistical Bureau of the Republic of Latvia (Head), Institute of Economics (Leading Researcher), Latvian Academy of Sciences, Latvian University of Agriculture (Associated Professor).

4. WWS IMPACT ON POVERTY DECREASE IN LATVIA

The poverty threshold in Latvia is LVL 160 (€228) per month. In January 2011 4,755,000 people or 21% of Latvians were below the poverty threshold (CSB, 01.02.2011).

The WWS is an active labour market policy measure introduced in Latvia in September 2009, which promotes return to the labour market for the unemployed. The aim of the WWS is to provide support for unemployed persons not receiving unemployment allowances or early pension, and who are ready to work in the municipality performing physical tasks necessary for society. The work is 40 hours per week, for a maximum of six months in one year. The WWS participants are also entitled to transport compensation of LVL 12 (€17) per month. From September 2009 – 30 April 2011 91,116 people participated in the WWS. There were 52,821 people involved in the WWS in 2010 (SEA, 10.04.2011).

The WWS pays LVL 100 (€142) per month, thus not reaching the margin of poverty threshold. However, there are more people wanting to participate in the WWS than available places.

The household survey results show that the stipend is a significant contribution to the household budgets of the participants: 94% of WWS participants acknowledged that the WWS has been significant or very significant support in the economic crisis period. The distribution of answers is similar among all Latvia's regions, including Riga, the capital city of Latvia, which has the highest economic development indicators. Table 2 presents a more detailed breakdown of respondents' opinions.

Table 2: Opinion of the household survey respondents as to whether the WWS has been significant support in the economic crisis period

	Regions										Total
	Kurzeme		Latgale		Riga		Vidzeme		Zemgale		
	Number of respondents	(%)									
Yes, very significant	209	70.6	103	82.4	127	59.9	191	67.7	131	59.3	761
Yes, significant	80	27.0	14	11.2	66	31.1	77	27.3	76	34.4	313
Yes, a bit significant	5	1.7	6	4.8	10	4.7	8	2.8	8	3.6	37
Not significant	1	0.3	0	0.0	6	2.8	1	0.4	3	1.4	11
Absolutely insignificant	1	0.3	0	0.0	2	0.9	3	1.1	0	0.0	6
Don't know	0	0.0	2	1.6	1	0.5	2	0.7	3	1.4	8
Total	296	100	125	100	212	100	282	100	221	100	1136

Source: Authors' calculations, based on the results of the survey of household representatives, November 2010 - March 2011 (total number of households surveyed n=3,065, inter alia households where any of the participants take place in the WWS n1=1,221, number of households having responded to the question n2=1,336)

In order to obtain more detailed opinions, surveys of experts and municipality representatives were performed in December 2010. The survey results show that both the municipality representatives and experts from the State Employment Agency and other institutions consider the WWS to have a significant impact on preventing people falling into extreme poverty. More detailed data is presented in Table 3.

Table 3: Main statistical indicators of experts' and municipality representatives' opinions on whether the WWS impacts on safeguarding against extreme poverty

	SEA	Other institutions	Municipality representatives
N	17	6	108
Mean	7.65	7.33	7.71
Std. Error of Mean	0.430	0.803	0.199
Median	8.00	8.00	8.00
Mode	9	9	9
Std. Deviation	1.801	1.966	2.069
Range	5	4	8
Minimum	5	5	2
Maximum	10	9	10

Evaluation score 1 - 10, where 1 - fully disagree, 10 - fully agree

Source: Results of the municipality survey performed by the authors, 2010, n = 108, experts representing State Employment Agency (SEA), n = 17 and experts representing other institutions dealing with labour market issues, n = 6

However, in general the WWS does not impact on the reduction of poverty risk in Latvia, as the income in WWS participant households does not reach the statistically set poverty threshold. The household survey results show that large numbers of households whose members participate in the WWS are materially deprived. 44% of the households have reduced consumption of basic products (milk, bread), approximately 21% of the households have excluded meals, and 60.7% of the households have reduced recreational consumption, including recreation outside the home. Approximately 55% of the surveyed households have reduced usage of light, heat, or water. 30.3% delay rent, for 5% the rent has been reduced, and for 13.9% the rent has been cancelled.

A large number of WWS participants live below the poverty threshold. At the same time a large number of Latvians in general live below the poverty threshold. In 2010 there were 227,375 deprived persons, (those with a monthly income of LVL 90 (€128) or less): more than 10% of Latvia's inhabitants. 46% of these persons are not of working age and approximately 11% are employed. Therefore the minimum wage in Latvia does not prevent the status of deprived person.

The overall economic situation in Latvia does not allow for increasing WWS payments. Therefore the only possibility for WWS participants is to find permanent work.

5. CONCLUSIONS

The conclusion drawn from the surveys of households, municipality representatives, and experts are that the WWS in general has a positive impact on participants' household budgets, since it often forms their only income. Household representatives from all Latvian regions noted that payments received from the WWS provided significant support for household budgets (more than 95% of the WWS participants in all Latvia's regions noted the significant impact of the WWS on their household budgets).

In the case where the WWS participant is the single representative of a household, he/she escapes the status of deprived person. At the same time participation in the WWS does not allow exceeding the Latvian poverty threshold.

Taking into account the large number of people interested in participating in the WWS and the overall economic situation in Latvia, there is little possibility of increasing participation in the WWS. In order to escape poverty it is necessary for people to find permanent work.

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APPENDIX

Municipalities, whose representatives have taken part in the survey

Councils of major cities of the Republic of Latvia

- | | |
|---------------------------------|--------------------------------|
| 1. Riga city council | 7. Liepaja municipality agency |
| 2. Riga Eastern executive board | „Employability projects” |
| 3. Daugavpils city council | 8. Rezekne city council |
| 4. Jelgava city council | 9. Valmiera city council |
| 5. Jekabpils city council | 10. Ventspils city council |
| 6. Jurmala city council | |

Municipalities of districts

- | | |
|-----------------------------|-----------------------------|
| 1. Aglona municipality | 17. Brocenu municipality |
| 2. Aizkraukles municipality | 18. Burtnieku municipality |
| 3. Aizputes municipality | 19. Carnikavas municipality |
| 4. Aknistes municipality | 20. Cesu municipality |
| 5. Alojias municipality | 21. Cesvaines municipality |
| 6. Alsungas municipality | 22. Ciblas municipality |
| 7. Aluksnes municipality | 23. Cornaja parish office |
| 8. Amatas municipality | 24. Dagdas municipality |
| 9. Apes municipality | 25. Daugavpils municipality |
| 10. Auces municipality | 26. Dobeles municipality |
| 11. Baldones municipality | 27. Dricanu parish office |
| 12. Baltinavas municipality | 28. Dundagas municipality |
| 13. Balvu municipality | 29. Durbes municipality |
| 14. Bauskas municipality | 30. Engures municipality |
| 15. Beverinas municipality | 31. Ergļu municipality |
| 16. Benes parrish council | 32. Feimanu parrish office |

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33. Gaigalavas parrish office
34. Garkalnes municipality
35. Grobinas municipality
36. Gulbenes municipality
37. Iecavas municipality
38. Ikskiles municipality
39. Ilukstes municipality
40. Incukalna municipality
41. Jaunpils municipality
42. Jekabpils municipality
43. Jelgavas municipality
44. Kandavas municipality
45. Kocenu municipality
46. Kokneses municipality
47. Kraslavas municipality
48. Krimuldas municipality
49. Krustpils municipality
50. Kuldigas municipality
51. Keguma municipality
52. Kekavas municipality
53. Lielvardes municipality
54. Limbazu municipality
55. Livanu municipality
56. Lubanas municipality
57. Madonas municipality
58. Malpils municipality
59. Marupes municipality
60. Mazsalacas municipality
61. Mezares parrish office
62. Nauksenu municipality
63. Neretas municipality
64. Nicas municipality
65. Ogres municipality
66. Olaines municipality
67. Ozolnieku municipality
68. Pargaujas municipality
69. Pavilostas municipality
70. Plavinu municipality
71. Preilu municipality
72. Raunas municipality
73. Rezeknes municipality
74. Riebinu municipality
75. Ropazu municipality
76. Rucavas municipality
77. Rugaju municipality
78. Rujienas municipality
79. Rundales municipality
80. Salacgrivas municipality
81. Salas municipality
82. Salaspils municipality
83. Saldus municipality
84. Saulkrastu municipality
85. Sejas municipality
86. Siguldas municipality
87. Skriveru municipality
88. Skrundas municipality
89. Smiltenes municipality
90. Stopinu municipality
91. Strencu municipality
92. Talsu municipality
93. Tukuma municipality
94. Vainodes municipality
95. Valkas municipality
96. Variesu parrish office
97. Varaklanu municipality
98. Varkavas municipality
99. Vecpiebalgas municipality
100. Vecumnieku municipality
101. Ventspils municipality
102. Viesites municipality
103. Vilakas municipality
104. Vilanu municipality
105. Vipes parrish office
106. Zilupes municipality

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