

## INTRODUCTION

The section of the project that was handled by the Economics Institute particularly focuses on the analyse of the way in which public integration affects the national economy:

- The economic structure and economic stability which may be related to the fact that companies which have been stratified on the basis of the ethnic principle have a different orientation when it comes to the market and to external communications, as well as the limited ability of Latvia's residents to engage in social and professional mobilisation, discrimination on the basis of age, and problems with employment and regional differences therein that might arise as a result of economic instability;
- The way in which insufficient public integration affects the emergence of the Information Society in Latvia - something that must be seen as an inviolable component of Latvia's hopes that its economic system will be based on science-capacious sectors.

When people talk about public integration, they usually talk about learning of the state language and a variety of aspects of cultural and ethnic identity. At the same time, however, there are also economic processes which clearly affect the ethnic polarisation of society. This is manifested through the emergence of "Russian" and "Latvian" business structures and through the hiring of people on the basis of ethnic principles. It is particularly evident in the private sector, which is less affected by the state's language policies than is the state sector.

Higher education is also becoming polarised on the basis of the language principle. The language of teaching in all of Latvia's state universities is Latvian, but in parallel to these institutions, there has been rapid emergence of private "Russian" universities, the demand for which is based on the presence of "Russian" business in Latvia. As a result, "Russian" young people get the false impression that the Russian language in Latvia is self-sufficient when it comes to ensuring professional and social mobility.

Also of importance when talking about public integration is the issue of the age structure of employees in private companies. Investigations indicate that there are companies in which only young people are hired. Employers often look for employees from specific age groups.

If these economic dimensions are ignored when it comes to public integration policies and strategies in a country such as Latvia - one that has a complicated ethnic structure in its population - then there can be severe social and economic consequences. Chief among them are the following:

- The limited professional and social mobility of individuals, hindering their ability to join the labour market and putting up obstacles against the emergence of a modern economic system even if all other conditions are in place;
- It becomes difficult to forecast the economic structure of Latvia, which means that economic stability and competition may deteriorate because of insufficient knowledge about the orientation of businesspeople and the reasons for that orientation.

The goals of the analyse of the way in which public integration affects the national economy are the following:

- To get a sense of how economic factors influence public integration and vice versa - the way in which integration processes affect the national economy; the

aim is to ensure that the economic dimension is included purposefully in the public integration policies and strategies of the state;

- To obtain knowledge that will be of use in preparing a more thorough public integration policy and strategy, taking a look at issues such as:
  - The readiness of Latvia's society to join the local and global Information Society;
  - The extent to which the public structure and behavioural model are appropriate for the Information Society;
  - The way in which the structural policies of the national economy are prepared;
  - Ways in which steps can be planned toward the promotion of regional development and the evening out of regional differences.

In order to find answers to the aforementioned questions, researchers analysed official statistics and a special survey of enterprises.

The work was conducted by Dr Raita Karnīte, who also prepared the relevant conclusions. The research was done by the specialist Oksana Treikale. Field work was done by a company called Sociological Research Institute, which was commissioned to do the work by the Economics Institute of the Latvian Academy of Sciences (the project for the company was directed by Sigita Sniķere).

## BASIC INFORMATION ABOUT THE ETHNIC SITUATION IN LATVIA

### ETHNIC PROPORTIONS

Over the course of history, Latvia's society has seen the emergence of a more or less sustainable system of social links and relationships among individuals. This system is based on joint work and is aimed at producing the material conditions for life and at satisfying people's needs. Over the course of time, a simple human community has turned into a complex system which consists of a great many different groups. Factors which split up society include age, gender, wealth, social condition, national self-identification and regional belonging. These are factors which often enough lead to alienation and social conflicts among people in society.<sup>1</sup>

Latvia's society is a multicultural one, and one of the key issues for such a society is ethnic group existence. Ethnic issues have always been important in Latvia, and that has been particularly true since the restoration of the country's independence in 1991.

Table 1

**Resident population by ethnicity, %**

	<b>Total</b>	<b>Riga</b>	<b>Vidzeme</b>	<b>Kurzeme</b>	<b>Zemgale</b>	<b>Latgale</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Latvians	58,5	45,4	83,3	73,1	69,9	43,4
Russians	29,0	40,2	11,1	16,1	17,6	40,2
Belarussians	3,9	4,5	1,8	2,3	4,2	5,9
Ukrainians	2,6	3,8	1,1	2,9	2,0	1,5
Poles	2,5	2,0	0,9	0,8	1,7	7,2
Lithuanians	1,4	0,9	0,5	3,0	3,1	0,6
others	2,1	3,2	1,3	1,8	1,5	1,2

Source: Statistical Yearbook of Latvia, 2003, p. 41, author's calculations.

Statistics show that 41.5% of Latvia's residents are members of ethnic minorities. The largest minorities are Russians (29% of the population) and Belarussians (3.9%) (see Table 1).

In no country and in no society are all ethnic groups represented in all areas of public life in accordance with their proportion of the overall population. Often enough, such inequalities are based on the self-segregation of a group, and this can be facilitated by factors such as differing languages, traditions and means of communications. Entrepreneurship is one of the areas of public life. If ethnic groups undergo self-segregation, business can become polarised on the basis of the ethnic principle. In Latvia, this creates negative social consequences such as the belief among Russians that the Russian language is self-sufficient in "Russian" companies. This does not

<sup>1</sup> The Jelgava public integration programme, 2004, p. 9.

encourage people to learn the Latvian language. Those who do not speak the Latvian language have problems in becoming integrated into the country's society, which means that the polarisation of companies on the basis of the ethnic principle is unquestionably a matter of integration policy. In this study, the polarisation of entrepreneurship has been analysed in greater depth in terms of whether and how it influences the national economy.

Until 2002, among Latvians native speakers, there was a slow and gradual increase in the exclusive use of the Latvian language, both in the labour sector - from 9% in 1996 to 26% in 2002. In 2003, however, there was a small decline - only 20% of non-Latvians said that they *speaks more Latvian than Russian* at work. Correspondingly, 78% of Russian speakers *speaks the Russian language more than the Latvian language* at work.<sup>2</sup> This is particularly important in the private sector, which is less affected than the state sector by the country's language policies.

There are not all that many jobs of this nature in absolute numbers - some 150,000, which would be around 15% of all jobs. On the other hand, the figure is not so small as to make one think that there is no need to study the way in which such jobs influence public integration.

The results of a survey<sup>3</sup> show that among Latvian native speakers 68% of respondents mostly speak Latvian at work, 23.5% speak Latvian more than Russian, 1.8% speak mostly Russian, and 6.5% speak Russian more than Latvian (Table 2). It is of note that only 43.5% of Russians (1.6 times fewer than Latvians and 1.8 times fewer than people of other nationalities) speak exclusively Latvian at work, and there are only 20% of Russians (fewer than Latvians and people of other nationalities) who speak Latvian more than Russian at work. This suggests that in terms of language use, some 36% of Russian jobs might be ones in which the Latvian language is unnecessary or almost unnecessary.

Among Latvian native speakers, who live in villages and in the countryside, Russian language use less than 1%, while the percentage of people who speak Russian more than Latvian is 1.8%. It is in the capital city of Rīga where Russian is spoken the most and Latvian is spoken the least (only 44.6%). This indirectly suggests that Russian is spoken more at large companies, most of which are found in Rīga. It is also possible that the polarisation of companies in the countryside may be more distinct, or perhaps employees have greater tolerance about the language that is spoken. These are only hypotheses, however, and they must be investigated further.

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<sup>2</sup> Latvijas Republikas latviešu valodas apguves valsts programma: Valoda (The national Latvian language learning programme of the Republic of Latvia: Language), Baltic Social Sciences Institute, October 2003 – January 2004, p. 5.

<sup>3</sup> *Ibid.*, p. 58.

Table 2

**What language do you speak at work, %**

		Mainly only in Latvian	More Latvian than Russian	More Russian than Latvian	Mainly only Latvian	Mainly other language
<b>Total</b>		<b>68,0</b>	<b>23,5</b>	<b>6,5</b>	<b>1,8</b>	<b>0,1</b>
<b>Nationality</b>	<i>Latvians</i>	68,0	23,6	6,6	1,7	0,1
	<i>Russians</i>	43,5	20,0	18,9	17,5	0
	<i>other</i>	77,3	22,7	0	0	0
<b>Age</b>	<i>15-34</i>	65,0	25,4	6,7	2,6	0,3
	<i>35-49</i>	65,5	24,5	9,2	0,8	0
	<i>50-74</i>	76,7	18,9	2,6	1,8	0
<b>Living place</b>	<i>Riga</i>	44,6	38,8	13,9	2,7	0
	<i>urban localities</i>	68,7	21,3	7,0	2,5	0,4
	<i>rural localities</i>	81,2	16,4	1,8	0,7	0

\*(Question for Latvian native speakers)

Source: Latvijas Republikas latviešu valodas apguves valsts programma: Valoda (The national Latvian language learning programme of the Republic of Latvia: Language), Baltic Social Sciences Institute, October 2003 – January 2004, p. 58.

The numbers in the table show that among Latvian native speakers in the age group of between 35 and 49 years of age, 0,8% of people speak mostly Russian at work, and 9.2% speak more Russian than Latvian. In younger (15-34) and older (50-74) age cohorts, there is much less use of the Russian language at work. It has been found that age is one of the main reasons why people do not want to improve their Latvian language skills,<sup>4</sup> but survey statistics show at the same time that it is precisely older people who are most likely to speak Latvian at work.

A lack of Latvian language skills can be a risk factor in terms of causing the emergence of a multi-ethnic labour force and a reduction in the job-related opportunities of some residents. Among other factors that influence the macroeconomic proportions of minority groups in the labour market, the most important ones are changes in the sectors which supplied Soviet-era military structures, the regional distribution of ethnic groups, as well as the influence of the shadow economy.<sup>5</sup>

On the other hand, there are some people, particularly in the middle and older generations, who find no economic reason for improving their Latvian language skills. There is a social environment in which there are few everyday contacts with

<sup>4</sup> Latvijas Republikas latviešu valodas apguves valsts programma: Valoda (The national Latvian language learning programme of the Republic of Latvia: Language), Baltic Social Sciences Institute, October 2003 – January 2004, p. 35.

<sup>5</sup> Latvia's joint social inclusion memorandum, 2003, p. 15.

Latvians, and they have jobs in which the practical use of professional Latvian is not important, or else in which the professional functions are narrow.<sup>6</sup>

## UNEMPLOYMENT

According to official data, 93,042 people were registered as unemployed on June 1, 2004, and of these, 24,132 had been out of work for at least one year. The number of registered unemployed people has been on the rise since 2001. Unemployment among women has declined, but the number of young people who are out of a job has increased since 2002 (Table 3).

The unemployment level varies significantly from one region to the next. In 2003, the overall unemployment rate was 8.5% in Latvia, but in the region of Rīga, as well as in the regions of Vidzeme and Zemgale, the unemployment level ranged from 4.4% to 9.6%. Higher rates were recorded in Kurzeme (10%) and, particularly, the eastern Latvian region of Latgale (18.1%). The uneven development of business activities in Latvia's various regions dictates the differences in employment and unemployment levels.<sup>7</sup>

Statistics about the registered unemployment level show that in 2002, 50.8% of jobless people were Latvians, 35.4% were Russians, and 13.4% represented other ethnic groups. If we compare this to the ethnic constitution of the population (58.2% Latvians, 29.2% Russians, 12.6% other ethnic groups), then we see that the Latvian proportion among all unemployed people is lower by 7.4% than the Latvian proportion of the entire population.<sup>8</sup> This might mean that one's ethnicity affects one's opportunities in the job market. Labour laws in Latvia prohibit any discrimination on the basis of ethnicity, which means that lesser opportunities in the labour market must be created by personal shortcomings. One of these may well be a lack of language skills - the Latvian language included.

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<sup>6</sup> Djačkova, S. *Latviešu valodas zināšanas un sabiedrības integrācija* (Latvian language skills and public integration), 2003, p. 34.

<sup>7</sup> Report on Latvian Economic Development, June 2004, p. 73.

<sup>8</sup> Draft Single Programming Document for Latvia Objective 1 Programme 2004-2006 (December 12, 2003), p. 49. See [http://www.esfondi.lv/image/upload/spd2003\\_12pdf](http://www.esfondi.lv/image/upload/spd2003_12pdf).

Table 3

**Basic indicators of registered unemployment**

	1998	1999	2000	2001	2002	2003	2004
<b>Registered unemployed, thsd. people</b>	111,4	109,5	93,3	91,6	89,7	90,6	93,0
<b>Unemployment rate, %</b> <sup>1</sup>	9,2	9,1	7,8	7,8	8,5	8,6	8,7
<b>Total unemployed, %</b>							
long-term unemployed <sup>1</sup>	26,3	31,1	29,0	26,6	26,4	23,6	24,1
women <sup>2</sup>	58,5	57,4	57,6	57,4	58,7	53,0	54,7
juveniles (15-24)	16,4	14,8	14,7	14,6	13,9	17,9	17,5
older workers unemployed <sup>2</sup>	13,1	13,7	14,7	15,3	16,5	-	-
unemployed with post-secondary education	6,8	7,1	6,9	7,0	7,2	-	-
unemployed with secondary education	52,7	52,3	50,5	69,6	68,3	-	-
unemployed with trade school education	16,6	17,7	19,6	1,0	2,5	-	-
unemployed with elementary educational or less	6,7	2,67	2,98	2,84	9	-	-

<sup>1</sup> Labour Force Survey. Persons aged 15 and older 1996-2001, or aged 15-74 from 2002.

<sup>2</sup> Women over 50 and men over 55, as defined by the law on Government Pensions.

Sources: Human Development report. Human Security. 2002/2003 – 40 page  
Monthly bulletin of Latvians statistics, 2004/№6 – 49, 50 pages

Table 4

**Unemployed persons by ethnicity**

	Thsd population				Per cent distribution			
	1995	2000	2001	2002	1995	2000	2001	2002
<b>Unemployed persons - total</b>	83,2	93,3	91,6	89,7	100	100	100	100
Latvians	39,3	46,5	46,8	45,6	47,3	49,8	51,1	50,8
Russians	32,2	33,5	32,2	31,8	38,6	35,9	35,2	35,4
Belarussians	4,5	4,7	4,3	4,2	5,3	5,1	4,7	4,7
Poles	2,5	2,8	2,7	2,5	3,0	3,0	2,9	2,8
Ukrainians	2,3	2,7	2,7	2,6	2,8	2,9	2,9	2,9
Lithuanians	1,2	1,4	1,3	1,4	1,5	1,5	1,4	1,6
Jews	0,2	0,2	0,1	0,1	0,2	0,2	0,1	0,1
other ethnicities	1,0	1,5	1,5	1,5	1,3	1,6	1,7	1,7

Source: Statistical yearbook of Latvia, 2003 – 61 page.

The fact that the primary cause for unemployment is the weakness of Latvia's economic development and not the structure of ethnicity among local residents is confirmed when one looks at comparisons of unemployment rates and the ethnic

constitution of the population in various regions. In the Rīga region and in the region of Latgale, the percentage of non-Latvians is almost identical (Table 1), and the age structure of residents can also be compared. The unemployment rate in Latgale is significantly higher, however. More in-depth analysis is possible in this area, and it may turn out that in the countryside in Latgale, where the proportion of non-Latvians is higher than that of Latvians, unemployment rates are higher. In that case, too, the situation is influenced not only by ethnicity, but also by other circumstances such as the ability or inability of local residents to use telecommunications resources and to speak other languages.

Labour force reports tell us that among all economically active residents (i.e., residents aged 15 and up) in 2001, 10.2% of Latvians and 17.3% of non-Latvians were looking for work. The primary factor that affects the competitiveness of minorities in the labour market, according to specialists, is the absence of Latvian language skills. Among job seekers in the 15-64 age group, 12.7% spoke the Latvian language well, while 20.8% did not speak it at all.<sup>9</sup>

The situation with various ethnic minorities and the subjective perception of this situation are the result of a variety of interacting factors. A study that was run by the Institute of Philosophy and Sociology of the University of Latvia<sup>10</sup> showed that when representatives of various ethnic groups find that their competitiveness in the contemporary labour market is lower than that of others, they usually argue that this is because of ethnic or linguistic discrimination, not because of their own inadequacies in terms of skills and levels of qualifications.

## THE EMPLOYMENT STRUCTURE

Between 1990 and 1996, according to employment structure data, the level of employment in the industrial sector declined by a factor of two, employment in agriculture decreased to 20%, and the level of employment in the service sector doubled.

Between 1996 and 2000, employment in the agricultural sector declined by another 19%, while employment in the industrial sector remained more or less stable. The number of people who were working in the service sector increased by 85%. In May 2001, 14% of economically active residents were employed in agriculture, 26% worked in industry, and some 60% were employed in the service sector. In comparison to the EU average, the share of people in the agricultural sector remains high, while the share of those who work in services is comparatively small.<sup>11</sup>

Data from Latvia's monthly bulletin of statistics tell us that of the slightly more than one million people who were employed in the country in 2004, 16,2% worked in the processing industries, 15,1% worked in wholesale and retail operations, while 13% were employed in agriculture, fishing and forestry<sup>12</sup> (Table 5).

<sup>9</sup> Joint Assessment of Employment Policy Priorities in Latvia, February 6, 2003, pp. 8, 9.

<sup>10</sup> The study "The Possibility of Social Alienation and Reasons for it Among Groups of Residents Threatened by Unemployment", 2003.

<sup>11</sup> Joint Assessment, *op. cit.*, p. 5.

<sup>12</sup> *Latvijas statistikas ikmēneša biļetens* (Monthly bulletin of Latvian statistics), No. 6, 2004, p. 49.

Table 5

**Employed persons in the main job by kind of activity**

	2003 I		2003 IV		2004 I	
	thsd.	%	thsd.	%	thsd.	%
<b>Employed persons - total</b>	993,6	100	1003,1	100	1021,2	100
Agriculture, hunting and forestry	128,9	13	120,6	12	132,5	13,0
Fishing	...	...	...	...	...	...
Mining and quarrying	...	...	...	...	...	...
Manufacturing	186,4	18,8	163,3	16,3	165,5	16,2
Electricity, gas and water supply	17,1	1,7	24,2	2,4	20,0	1,9
Construction	62,2	6,3	90,6	9	90,7	8,9
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	154,6	15,6	154,0	15,4	154,3	15,1
Hotels and restaurants	20,5	2,1	28,1	2,8	21,8	2,1
Transport, storage and telecommunication	83,8	8,4	103,3	10,3	103,7	10,2
Financial intermediation	18,8	1,9	16,3	1,6	16,8	1,6
Real estate, renting and business activities	41,9	4,2	39,7	4	40,2	3,9
Public administration and defence; compulsory social security	70,6	7,1	60,4	6	69,4	6,8
Education	87,1	8,8	77,1	7,7	85,52	8,3
Health and social work	53,3	5,4	59,1	5,9	53,3	5,2
Other community, social and personal service activities	55,8	5,6	57,6	5,7	58,4	5,7

Source: Monthly bulletin of Latvian statistics №6/2004. – 49 page

## CHANGES IN THE DEMOGRAPHIC SITUATION

Migration is one mechanism for changes in the ethnic constitution of a population. 77% of Latvia's residents were Latvians in 1935. Throughout the Soviet era, migration was the primary source of population growth, and the number of non-Latvians in Latvia increased several times over. Since 1990, migration has led to a reduction in the number of people in Latvia of around 116,000 people.<sup>13</sup>

<sup>13</sup> Report on Human Development, www.un.lv.

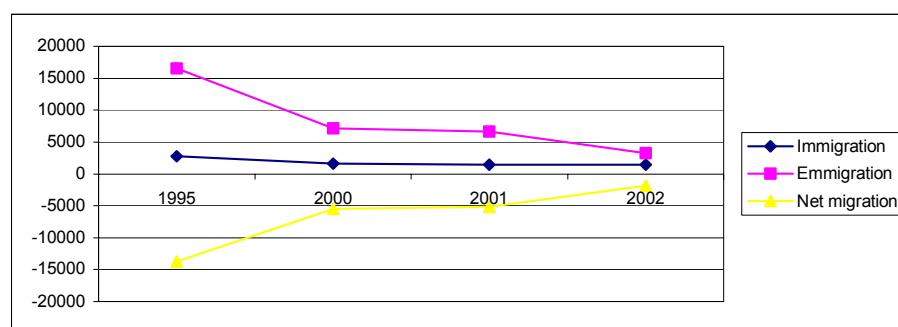
Post-war deportations and immigration from other republics of the Soviet Union had a fundamental effect on the ethnic situation in Latvia. Among European countries, Latvia distinguished itself with a very higher level of immigration, and with a high proportion of residents who had been born in other countries (26% in 1989). Among non-Latvians, the proportion was 51%. The number of ethnic Latvians slightly increased from 1.298 million in 1959 to 1.387 million in 1989, but that was a number that was still 79,000 lower than had been the case in 1935. The proportion of Latvians among all residents declined from 62% in 1959 to 52% in 1989.

The number of people of Slavic origin increased very rapidly - by a factor of 3.1 for Ukrainians, of 1.9 for Belarusians and of 1.6 for Russians. There were also significant increases in the number of Moldovans (by a factor of 16), Tatars (2.7), Armenians (2.8), Germans (2.4) and Roma (1.6). The number of Jews declined by 37%, while the number of Estonians declined by 28%. A total of 60% of population growth could be attributed to migration. Because of a more favourable age structure, natural growth among Russians, Ukrainians and Belarusians was considerably higher than among Latvians.

The changes in Latvia's ethnic constitution which took place in the 1990s (Figure 1) were of a different nature. For the first time since World War II, the proportion of Latvians began to grow gradually (57.7% at the time of the last national census in 2000), while the number and proportion of Russians, Ukrainians and Belarusians declined. In 2000, there were 210,000 fewer Russians than had been the case in 1989 (a drop of 23.2%). The numbers for Belarusians were 24,100 and 20.1%, and for Ukrainians - 29,300 or 31.8%. The proportion of these three nationalities in the national population declined from 42.0% to just 35.8% in 2002. A very rapid decrease in the number of Jewish people and Germans has been noted, because many of them have emigrated to Israel, Germany, the United States and other countries.<sup>14</sup>

Figure 1

### Long-term migration in Latvia (1995 – 2002).



Source: [www.csb.lv](http://www.csb.lv)

The rate of long-term migration in Latvia has slowed down substantially. In 1995, more than 16,000 people departed Latvia for permanent life somewhere else, but in 2001 that number had declined to 6,600 individuals, and in 2002 it was just 3,300

<sup>14</sup> Population trends, see [www.popin.lanet.lv/lv/stat/trends.html](http://www.popin.lanet.lv/lv/stat/trends.html).

people. As a result of greater emigration than immigration, the number of permanent residents in Latvia declined by 1,800 people in 2002. The decline in emigration must be seen as a positive thing, in general terms, because according to statistical migration data, most émigrés are young, educated and highly qualified. These are people who can make a significant investment in Latvia's economic development if they choose to stay put.<sup>15</sup>

Data from the Central Statistical Board show that in 2003, immigration and emigration had the lowest effect on population numbers in recent years. Because emigration was greater than immigration, the country lost 846 individuals, including 650 women and 196 men.<sup>16</sup>

Migration data tell us that in 2003, there were 1,364 people who **immigrated** into Latvia - 26% from Russia, 10.7% from Lithuania, 7.7% from the United States, 6.7% from Ukraine, 5.8% from Germany, 5.1% from Estonia, 4.8% from Belarus, 4.3% from Israel, and 28.9% from other countries. In the other direction, there were 2,210 people who **emigrated** - 42.4% to Russia, 7.7% to Germany, 7.5% to Ukraine, 6.2% to the United States, 4.2% to Belarus, 3.6% to Lithuania, 2.2% to Israel, 2% to Estonia, 2% to Sweden and 22.2% to other countries.<sup>17</sup>

Table 6

## External long-term migration by ethnicity

	1995			2000			2001			2002		
	immigration	emigration	net migration	immigration	emigration	net migration	immigration	emigration	net migration	immigration	emigration	net migration
<b>Total</b>	<b>2733</b>	<b>16512</b>	<b>-13713</b>	<b>1627</b>	<b>7131</b>	<b>-5504</b>	<b>1443</b>	<b>6602</b>	<b>-5159</b>	<b>1428</b>	<b>3262</b>	<b>-1834</b>
Latvians	1030	690	340	293	653	-390	250	544	-294	171	225	-54
Russians	1237	10386	-9149	723	3787	-3064	522	3645	-3123	376	1333	-957
Belarussians	107	1279	-1172	93	601	-508	90	503	-413	59	129	-70
Ukrainians	130	1916	-1786	147	569	-422	117	538	-421	93	254	-161
Poles	59	197	-138	33	155	-122	25	129	-104	40	64	-24
Lithuanians	31	238	-207	27	160	-133	25	118	-93	112	128	-16
Jews	44	914	-870	40	432	-392	43	381	-338	57	115	-58
Roma	35	30	5	4	34	-30	7	12	-5	2	13	-11
Germans	7	280	-273	18	156	-138	37	127	-90	44	76	-32
Estonians	8	25	-17	4	27	-23	18	15	3	23	47	-24
other ethnicities	111	557	-446	275	557	-282	309	590	-281	451	878	-427

<sup>15</sup> Data from the Central Statistical Board, 2003, [www.scb.lv](http://www.scb.lv).

<sup>16</sup> Data from the Central Statistical Board, [www.csb.lv/teksts.cfm?tem\\_kods](http://www.csb.lv/teksts.cfm?tem_kods).

<sup>17</sup> *Ibid.*

Source: Statistical yearbook of Latvia, 2003 – 50 page.

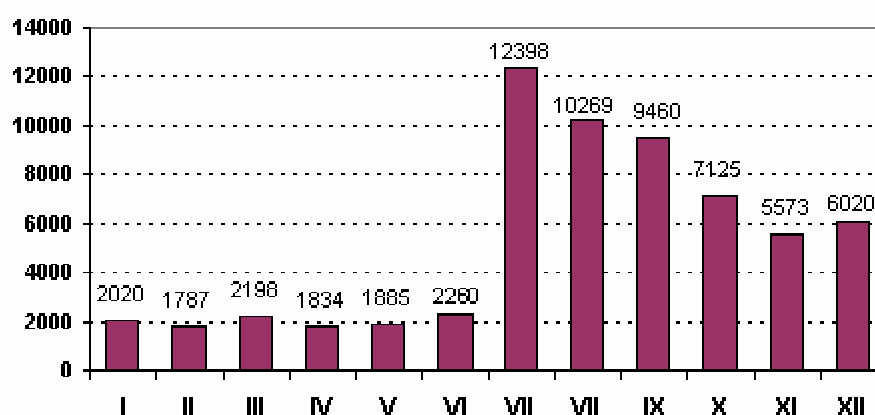
The international migration that took place in 2003 affected the ethnic constitution of Latvia's population to a slight degree (Table 6). Migration led to a situation in which there were 22 fewer Latvians, 710 Russians, 125 Ukrainians, 79 Belarusians and 66 Jews at the end of the year. There were 17 more Lithuanians at the end of 2003 than at the beginning of the year. Many of those who were involved in the migration, however, did not state their ethnicity, which the law allows. This was true among 29.5% of all immigrants and 6% of all emigrants.

An analysis of internal migration in Latvia, meanwhile, shows that a key factor in this process was a new law on declaring one's place of residence. The law took effect on July 1, 2003, and it led to a rapid increase in the number of changes in the permanent residence of Latvia's residents (Figure 2).

In 2003, there were 2,331,000 residents in Latvia, a decline of 14,000 (0.6%) on the year. The fact that mortality rates exceeded birth rates was the reason for a decline of 12,500 people, while the fact that emigration exceeded immigration accounted for a decline of 1,800 individuals.<sup>18</sup>

Figure 2

#### Internal migration by months of 2003



Avots: www.csb.lv

A total of 20,000 newborns were recorded in Latvia in 2002 - nearly 400 more than in 2001. The fertility rate per 1,000 residents in 2002 was 8.6, as compared to 8.3 in 2001 - an increase of 3.6%.<sup>19</sup>

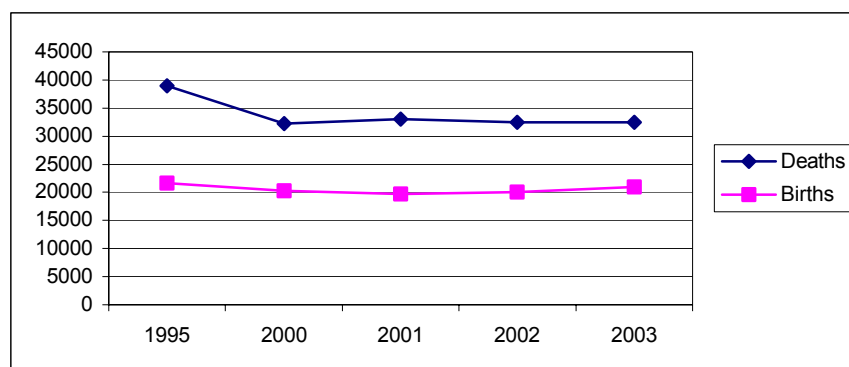
The mortality rate also declined in 2002. A total of 32,500 people died - 500 fewer than in 2001. The overall mortality coefficient of 13.9 deaths per 1,000 residents was 0.7% lower than had been the case in 2001 (14%).<sup>20</sup>

<sup>18</sup> Latvian Statistical Annual, 2003, p. 36.

<sup>19</sup> Latvian Statistical Annual, 2003, p. 45.

<sup>20</sup> *Ibid.*, p. 44.

Figure 3

**Number of births and deaths in Latvia (1995 – 2005).**

Source: Statistical yearbook of Latvia, 2003, p. 44

**DEMAND FOR FOREIGN LANGUAGE SKILLS**

Changes in Latvia's political and economic situation have led to the need for people to learn foreign languages. There are two major languages which compete in the Latvian language market - Russian and English. Both are of high economic value. The English language is in second place behind the Russian language in terms of foreign languages which people in Latvia speak, but it does not seek to fulfil the socio-linguistic functions of the Latvian language. For the time being, the number of English speakers in Latvia is not of numerical importance.<sup>21</sup>

Other surveys,<sup>22</sup> however, show that English is of greater importance than Russian in Latvia, and that thought must be given not only to "Russian" business structures, but also to "English" ones. Figure 4 shows the responses which people gave to the question "How important to you consider the need for everyone in Latvia to speak the following languages freely?"

Table 7 shows that the demand for Latvian language skills has declined from 95% in 2000 to 92.5% in 2003, while demand for Russian and English skills has increased. That's because English language skills ensure international contacts throughout virtually every one of the world's regions. The latest achievements in science and technology are usually described in English. There is one serious factor, however, which hinders the expansion of English in Latvia, and that is the small number of people who speak the language. This is seen as a key obstacle against the emergence of the Information Society in Latvia.

According to a Eurobarometer study that was conducted by socio-linguistic specialists in Europe in 2000 and that was dedicated to the fact that 2001 was the year of European languages, English is the most often spoken foreign language in Europe. It

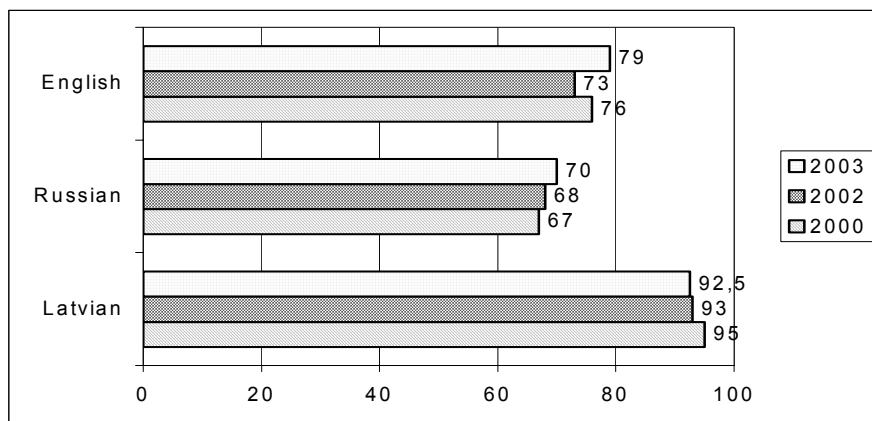
<sup>21</sup> Baltaiskalna, D. Latvijas iedzīvotāju lingvistiskā attieksme (The linguistic attitudes of Latvia's residents), 2001.

<sup>22</sup> Latvijas Republikas valodas apguves..., *op. cit.*, p. 47.

is spoken by 41% of Europeans, even though it is the native language of only 15% of the EU's residents.<sup>23</sup>

Figure 4

**The meaning of the state and foreign languages in Latvia (2000 – 2003),  
%**



Source: Latvijas Republikas latviešu valodas apguves valsts programma: Valoda (The national Latvian language learning programme of the Republic of Latvia: Language), Baltic Social Sciences Institute, October 2003 – January 2004, p. 47.

Table 7

**English language skill necessity for inhabitants of Latvia**

At the age of:	Very necessary	Quite necessary	None too necessary	Not necessary
15-34	24,0	50,1	21,7	4,2
35-49	19,2	53,0	24,9	2,9
50-74	21,3	50,8	23,3	4,6

Source: Latvian Social Situation Monitoring, p. 6.

Data show that people of all age groups and all nationalities have a good understanding of the way in which the English language dominates in international politics and economics. An average of 72.8% of all respondents said that English language skills are important for Latvia's residents.

<sup>23</sup> "Economic, Cultural and Social Aspects of Latvia's Integration into the European Union", 2001, the sub-programme "Monitoring Latvia's Socio-Linguistic Situation", p. 5.

## THE LEVEL OF EDUCATION FROM THE ETHNIC PERSPECTIVE

According to statistical data, 506,000 people in Latvia were enrolled in various institutions of education in the 2002/2003 academic year - 340,000 of them in general education schools, 47,000 in professional training institutions, and 119,000 in universities and colleges.<sup>24</sup>

Data from the 2000 national census in Latvia, meanwhile, show that there are certain differences in the level of education among various ethnic groups. When asked about their level of education, 45.1% of Jews, 18.2% of Ukrainians, 15.6% of Russians, 15.1% of Estonians and 13.3% of Latvians indicated that they had completed a university education<sup>25</sup> (Table 8).

Table 8

### Educational attainment of population of selected ethnicities of Latvia, 2000, thsd.

Ethnicity	All population aged 15 and over	No tiem ar izglītību						
		Primary	Basic	Secondary	Secondary specialised	Higher	Less than 4 grades	not indicated
<b>All population</b>	<b>1947.0</b>	<b>103.8</b>	<b>464.7</b>	<b>544.2</b>	<b>355.0</b>	<b>244.2</b>	<b>41.8</b>	<b>193.3</b>
Of which:								
Latvians	1083.5	54.0	293.7	308.0	195.0	133.3	17.9	81.6
Russians	599.0	31.5	115.6	167.3	111.3	81.5	14.2	77.6
Belarussians	88.5	7.2	19.2	23.8	17.5	7.8	3.7	9.3
Ukrainians	56.8	1.8	9.0	15.8	12.7	8.9	0.5	8.1
Poles	51.3	4.0	12.3	14.4	9.4	4.7	1.8	4.7
Lithuanians	29.3	3.3	9.2	6.9	4.1	1.4	1.7	2.7
Jewes	9.4	0.2	0.7	1.4	1.1	2.8	0.1	3.1
other ethnicities	29.2	1.8	5.0	6.6	3.9	3.8	1.9	6.2
<b>of population of selected ethnicities, in per cent</b>								
<b>All population</b>	<b>100.0</b>	<b>5.3</b>	<b>23.9</b>	<b>28.0</b>	<b>18.2</b>	<b>12.5</b>	<b>2.1</b>	<b>9.9</b>
Latvians	100.0	5.0	27.1	28.4	18.0	12.3	1.7	7.5
Russians	100.0	5.3	19.3	27.9	18.6	13.6	2.4	13.0
Belarussians	100.0	8.1	21.7	26.9	19.8	8.8	4.2	10.5
Ukrainians	100.0	3.2	15.8	27.8	22.4	15.7	0.9	14.3
Poles	100.0	7.8	24.0	28.1	18.3	9.2	3.5	9.2
Lithuanians	100.0	11.3	31.4	23.5	14.0	4.8	5.8	9.2
Jewes	100.0	2.1	7.4	14.9	11.7	29.8	1.1	33.0
other ethnicities	100.0	6.2	17.1	22.6	13.4	13.0	6.5	21.2

Source: Results of the 2000 Population and Housing Census in Latvia, p. 202, author's calculations

<sup>24</sup> Latvian Statistical Annual, 2003, p. 89.

<sup>25</sup> Latvian Statistical Annual, 2003, p. 184.

## THE EU AND POLICIES IN LATVIA

The language policies of European Union member states and candidate countries alike have increasingly been influenced by international organisations in recent years - the Council of Europe, the Organisation for Security and Co-operation in Europe, the Council of Baltic Sea States, etc. There are also supranational documents in the field of human rights and minority protections. These include the European Convention on Human Rights, the Framework Convention on the Protection of Minority Rights, and the European Charter of Regional or Minority Languages.<sup>26</sup>

EU policies emphasise that the establishment and development of an all-encompassing labour market is the most important means for fighting against social alienation. Meeting at Lisbon, the EU's leaders set out the strategic goal of creating the most competitive and dynamic knowledge-based economy in the world, thus ensuring successful economic growth and social cohesion.

In 2003, European employment guidelines defined three general goals:

- Full employment;
- Improvements in the quality and output of labour;
- Strengthening of social inclusion and reduction of social alienation.

Ten major guidelines for operations in pursuit of those goals were also identified:

- 1) Taking active and preventive steps to work with unemployment people and those who are economically inactive;
- 2) Promoting business and creating new jobs;
- 3) Promoting the ability of people to adapt to new circumstances and to be mobile in the labour market;
- 4) Facilitating the development of human resources and lifelong learning;
- 5) Increasing the number of job vacancies and lengthening the duration of active working life;
- 6) Ensuring gender equality in the labour market;
- 7) **Promoting the integration of groups which face the risk of social alienation into the labour market and eliminating any and all forms of discrimination;**
- 8) Improving motivational mechanisms (wages, taxes, support systems) so as to make work more attractive;
- 9) Transforming undeclared employment into officially registered employment;
- 10) Reducing regional differences.<sup>27</sup>

In many European Union States, as in Latvia, unemployment has become one of the key political, social and economic issues on the agenda. There has been greater unemployment in the EU even during periods of economic growth. There are various possible explanations for this fact, but the main reason in Latvia and the rest of the EU

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<sup>26</sup> Druviete, I. *Latvijas valodas politika Eiropas Savienības kontekstā* (Latvia's language policies in the context of the European Union). Rīga: Institute of Economics, Latvian Academy of Sciences, 1998, p. 13.

<sup>27</sup> Information from the UN Centre, <http://www.ngo.org.lv/?news=1146>.

is that the skills and abilities of unemployed people are out of step with labour market requirements as the continent moves toward the Information Society.<sup>28</sup>

Discrimination, which is a manifestation of ways in which the basic rights of human beings can be limited, is impermissible in labour relations. That is made clear in the Latvian constitution and the country's labour law. In the latter case, Latvia adopted the principle of equal rights that is set out in the European Union's fundamental documents. All individuals have an equal right to work, to fair, secure and harmless working conditions, and to fair wages, **irrespective of race**, skin colour, gender, **age**, disability, religious, political or other convictions, **national** or social origin, property or family status, or other circumstances.<sup>29</sup>

The EU devotes particular attention to the elimination of any unequal attitude toward employees when they are hired (advertisements of job vacancies, job interviews, conditions for concluding contracts) and during the work process (working conditions, wages, career opportunities). These principles focus first of all on the classical understanding of equality between men and women, and then also cover discrimination that is based on other aspects - **age**, family status, race, sexual orientation, etc.

The Welfare Ministry in Latvia has been charged with the co-ordination of equal attitudes in labour policies. The infrastructure is in place for ensuring that the laws are implemented - the National Labour Inspectorate, the National Employment Service, the National Social Insurance Agency, as well as the National Human Rights Bureau, which promotes the observing of basic human rights and freedoms.

Latvia's government has adopted three conceptual documents which are aimed at the integration of elderly people, unemployed people, young people and differently abled people and at the elimination of social alienation in these groups. The documents include a concept on dealing with poverty, a concept on ensuring guaranteed minimal income for the poor, and a concept that is called "Equal Opportunities for Everyone". These programmes involve steps that are taken to integrate young people into the labour market, to involve differently abled people in public life, to develop alternative care structures, etc.<sup>30</sup>

## LANGUAGE POLICIES IN MULTILINGUAL COUNTRIES

In virtually all of the world's multilingual countries, the relationship between various languages is regulated by laws, and the observance of those laws is strictly monitored. Language laws cannot be seen as resources for negative influence. On the contrary, they must be seen as officially approved programmes of action in terms of language use - programmes which help in preventing conflicts and in ensuring the rights of languages which are in less favourable positions.

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<sup>28</sup> Information from the UN Centre, <http://www.ngo.org.lv/?news=1146>.

<sup>29</sup> Article 7 of the labour law.

<sup>30</sup> Information from the Foreign Ministry of the Republic of Latvia, <http://www.am.gov.lv/lv/eu/3749/3752/3768>.

SLOVAKIA EXAMPLE

Minority and religious problems are found in many Central and Eastern European countries. Minority group problems have been of great importance ever since the 19<sup>th</sup> century. When Central and Eastern European countries got rid of despotic political systems, they often encountered this problem and sought to deal with it by law.<sup>31</sup> Slovakia is no exception. The country was a part of the Habsburg Empire until the empire collapsed after World War I.

Slovakia is one of a number of Central European countries with significant minority populations. According to statistical data, there were 5.42 million residents in Slovakia in 2004 - 85.7% Slovaks, 10.6% Hungarians, 1.6% Roma, 1.1% Czech and 1% others.<sup>32</sup>

After World War II, nearly all Hungarian schools in Slovakia were shut down. In 1991, accordingly, 36.4% of schoolchildren were not given the opportunity to gain a basic education.<sup>33</sup> The political changes which took place in 1989 did not influence the minority education system. The state did not allow ethnic minorities to set up autonomous educational systems.

Table 9

**Slovakian resident population by ethnicity (2004, %)**

<b>Total</b>	<b>5,42 millions</b>
<b>of which:</b>	
Slovakians	85,7
Hungarians	10,6
Roma	1,6
Czech	1,1
Ukrainians	0,6
Germans	0,1
Poles	0,1
other	0,2

Source: Gesource World Guide, <http://www.cia.gov/cia/publications/factbook/geos/lo.html>

On October 15, 1995, the Slovakian parliament approved a new law on the state language of the Republic of Slovakia, and it took effect on January 1, 1996. The law allowed minorities to speak their own language in those places where the number of minority representatives exceeded 20% of the local population. The law also said that during official communications, the state language and only the state language must be used. This applied to all state documents, official petitions and signs - only the Slovakian language could be used.<sup>34</sup> By 1996, however, there were also significant improvements in the lot of the country's minorities. A National Minorities Council

<sup>31</sup> Wolf, S. "Bilateral Ethnopolitics After the Cold War: The Hungarian Minority in Slovakia, 1989-1999".

<sup>32</sup> CIA World Factbook, <http://www.cia.gov/cia/publications/factbook/geos/lo.html>.

<sup>33</sup> From Minority Status to Partnership: Hungarians in Czechoslovakia/Slovakia 1918-1992.

<sup>34</sup> Balla, K. "New Language Law in Slovakia", in *Minorities Research: A Collection of Studies by Hungarian Authors*, 1999.

had been set up in 1993, and the Slovakian University at Nitra set up an Institute for Educational and Cultural Minorities.<sup>35</sup>

Despite this, however, the country's minority policies were, in most cases, quite limited until the elections of 1998. State financing for minority culture, education, television and publishing was diminished severely. Financing depended on the minority - cultural organisations belonging to non-Hungarian ethnic minorities (they represent fewer than 4% of all residents) received nearly five times more in subsidies in 1996 than did the minority organisations of Hungarians, who represented some 10% of the population. Minority activists unsuccessfully protested not only against the reduction in state aid for their cultural activities, but also against their lack of autonomy. Periodicals (26 Hungarian, three Ukrainian, two Roma and one German publication) received various levels of financing from the state. In accordance with a 1993 law on radio and television, there had to be 35 hours of radio broadcasts each week in Hungarian and 11 hours of broadcasts in Ukrainian. On television, however, broadcasts in Hungarian were reduced from one hour per week to just 35 minutes weekly. Financing for the publication of minority newspapers declined.<sup>36</sup>

It was only in 1999, that the Slovakian Cabinet of Ministers approved a draft law on minority languages. This was the result of recommendations which the OSCE had made with respect to minority rights in Slovakia.<sup>37</sup>

The approved draft law was finally adopted on September 1, 1999, and it granted minority languages the same status as the Slovakian language (i.e., the state language) in all towns and cities in which the respective minority population exceeded 20% of the total. The law also indicates that minorities can use their native language in all state and local protocols and documents.<sup>38</sup>

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<sup>35</sup> Wolf, *op. cit.*

<sup>36</sup> *Ibid.*

<sup>37</sup> Kopanic, M.J. "The New Minority Language Law in Slovakia", *Central European Review*, 1999, [www.ce-review.org](http://www.ce-review.org).

<sup>38</sup> *Ibid.*

## **SURVEY RESULTS**

### **GENERAL INFORMATION**

The research which was done by the Economics Institute of the Latvian Academy of Sciences particularly focused on the way in which public integration affects the national economy:

- The economic structure and economic stability which may be related to the fact that companies which have been stratified on the basis of the ethnic principle have a different orientation when it comes to the market and to external communications, as well as the limited ability of Latvia's residents to engage in social and professional mobilisation, discrimination on the basis of age, and problems with employment and regional differences therein that might arise as a result of economic instability;

- The way in which insufficient public integration affects the emergence of the Information Society in Latvia - something that must be seen as an inviolable component of Latvia's hopes that its economic system will be based on science-capacious sectors.

#### **These were the goals of the project:**

- To get a sense of how economic factors influence public integration and vice versa - the way in which integration processes affect the national economy; the aim is to ensure that the economic dimension is included purposefully in the public integration policies and strategies of the state;

- To obtain knowledge that will be of use in preparing a more thorough public integration policy and strategy, taking a look at issues such as:

- The readiness of Latvia's society to join the local and global Information Society;

- The extent to which the public structure and behavioural model are appropriate for the Information Society;

- The way in which the structural policies of the national economy are prepared;

- Ways in which steps can be planned toward the promotion of regional development and the evening out of regional differences.

Companies that were surveyed were organised into five groups:

- 1) Agriculture, forestry, hunting and fishing;

- 2) Industry and construction;

- 3) Hotels, restaurants, transport, communications, storage, finances, insurance, business services;

- 4) Wholesale and retail operations;

- 5) Education, health care, social and individual services.

The authors surveyed 422 companies from all of Latvia's regions. Basic information about the cohort can be seen in Tables 10-12.

Table 10

**Number of enterprises by sectors and regions**

Sector	Riga	Vidzeme	Kurzeme	Zemgale	Latgale	Total in fact
1 sector	1	6	6	4	2	19
2 sector	15	2	2	7	5	31
3 sector	33	17	2	2	4	58
4 sector	92	28	15	12	14	161
5 sector	80	17	16	26	14	153
<b>Total</b>	<b>221</b>	<b>70</b>	<b>41</b>	<b>51</b>	<b>39</b>	<b>422</b>

Table 11

**Number of enterprises by sectors and regions, in per cents**

Sector	Riga	Vidzeme	Kurzeme	Zemgale	Latgale	Total	CR data, in per cent
1 sector	0,5	8,5	14,6	7,8	5,2	4,5	2,8
2 sector	6,8	2,9	4,9	13,7	12,8	7,3	19,0
3 sector	14,9	24,3	4,9	4	10,2	13,7	27,5
4 sector	41,6	40	36,9	23,5	35,9	38,2	43,3
5 sector		24,3	39	51	35,9	36,3	7,4
	36,2						
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		
<b>Total by regions (per cent of total number)</b>	<b>52,4</b>	<b>16,6</b>	<b>9,7</b>	<b>12,1</b>	<b>9,2</b>	<b>100</b>	<b>100</b>

Table 12

**Division of sample according to size of enterprise**

Enterprises size	Number in sample	in per cents	CR data, in per cent
Under 9 workers	282	67	75
10-19 workers	53	12	12
20-49 workers	45	11	8
50+ workers	42	10	5
<b>Total</b>	<b>422</b>	<b>100</b>	<b>100</b>

**This is the structure of the enterprises that were surveyed:**

**In the first group (19 companies):**

- Agriculture - 26.3%
- Forestry - 52.6%
- Hunting - 5.3%
- Fishing - 15.8

**In the second group** (31 companies):

- Industry - 54.8%
- Construction - 45.2%

**In the third group** (58 companies):

- Hotels - 3.5%
- Restaurants - 1.7%
- Transport and communications - 31%
- Insurance - 3.5%
- Tourism - 6.9%
- Business services - 53.4%

**In the fourth group** (161 companies):

- Retail operations - 75.8%
- Wholesale operations - 24.2%

**In the fifth group** (153 companies)

- Education (preschool institutions, learning centres, science) - 6.5%
- Health care (optics, pharmaceuticals, medicine) - 16.3%
- Social and individual services - 77.2%

Sample division of Economics Institute differs from sample of Baltic Social Sciences Institute, as in the section of the project that was handled by Economics Institute the enterprises have been divided according to essence, but not following formal references.

It has to be added here that the distribution of companies among groups and the final research cohort proved to be insufficiently comparable for full economic analysis. As can be seen in the tables, the cohort is more or less in step with the actual distribution of companies in Latvia by sector, region and company size, as defined by the Company Register. Still:

- Construction and industry are different sectors and should be analysed separately;
- The analysis was encumbered by the fact that transport, communications and storage services were merged with the hotel, restaurant and financial services sectors;
- The number of answers from each sector is not fully comparable, even though there is no reason to think that the answers are inappropriate for analysis. That is because there are a lot of commercial enterprises in the fifth group of companies.

The aspect of regions and sectors is very important in this research. Sadly, the distribution of surveyed companies by region and sector does not allow researchers to produce more than conditional conclusions from this perspective. That is first of all because the number of companies in each sector and region was small, because the overall cohort was small (422 enterprises, which can be divided up into an average of just 17 enterprises in each sector/region). It is also true that the distribution of companies by sector was not in step with Company Register statistics or with the design for the survey cohort.

**In the first group**, the largest number of surveyed companies could be found in Vidzeme and Kurzeme. Only one company was surveyed in the Rīga region, and

only two were identified in Latgale. This means that from the “sector-region” perspective, there are enough data to make note of the facts of the surveyed companies in the Rīga region and in Latgale, but there are not enough data to make any generalisations about sectors and regions.

**In the second group**, the largest number of surveyed companies were located in Rīga and Zemgale, while only two companies apiece were surveyed in Vidzeme and Kurzeme. As was the case in the first group, conclusions about this group in Vidzeme and Kurzeme cannot be extrapolated to a wider meaning.

The largest number of surveyed companies **in the third group** were in Rīga and Vidzeme. In all regions, the number of companies was sufficient for generalisation.

**In the fourth sector**, the largest numbers of companies were in Rīga and Vidzeme. Here, too, the numbers were sufficient for extrapolation in all regions.

**In the fifth sector**, the largest numbers of companies were found in Rīga and Zemgale. Once again, the numbers were sufficient for generalisation in all regions.

Even though some answers in the “sector-region” perspective of the economic research are not of use, they can be used for general conclusions about the whole country, and they do help in finding answers to other questions in the survey.

Received information can be used for further researches, changing division by sectors.

The actual respondent at each of the surveyed companies was the person who hires and sacks employees (directors, deputy directors, personnel directors).

## THE RANGE OF COMPANY OPERATIONS AND INTERNATIONAL CO-OPERATION

In order to learn about the range of company operations, researchers asked this question: “*How would you describe your company in terms of its operating in all of Latvia or in a specific city or district?*”. Respondents had to choose from among the following answers:

- 1) *My company operates in all territory of Latvia;*
- 2) *My company is focused on the local market (within a city or district);*
- 3) *My company is oriented one exports and co-operation with other countries;*
- 4) *It is hard to say;*
- 5) *No answer.*

A significant share of respondents (40%) reported that they operate in all of Latvia (168 of the 422 enterprises). There were particularly large numbers of such companies in the sector of industry and construction (69% of enterprises in that group).

The largest number of companies that are focused on exports and international co-operation was found in the third group (14 companies, 24.1% of the total number of enterprises in the sector). As was reported previously, the largest number of respondents in this group came from the transport sector and the financial services

sector, which makes clear the focus on collaboration with businesses in other countries.

Wholesale and retail companies, as well as education and health care institutions, mostly operate in a specific city or district (94 companies or 58.5% of the total number in the 4<sup>th</sup> group, and 99 enterprises or 65.1% of all surveyed companies in the 5<sup>th</sup> group) (Figures 5 and 6).

Figure 5

### Location of enterprises, in numbers

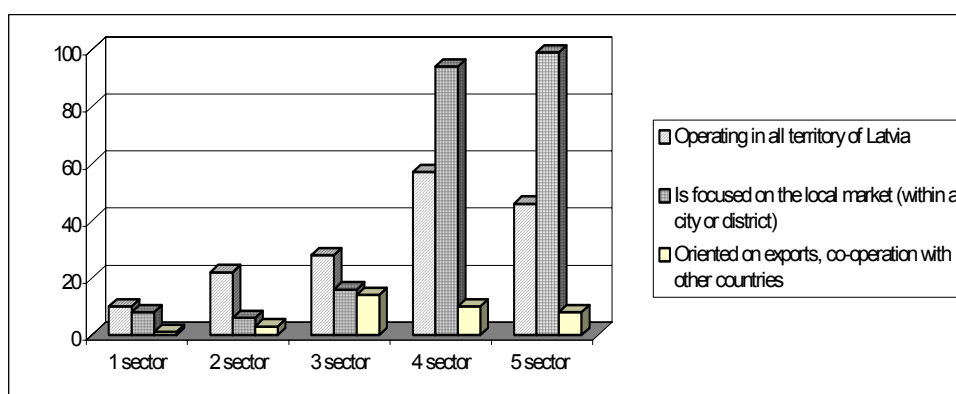
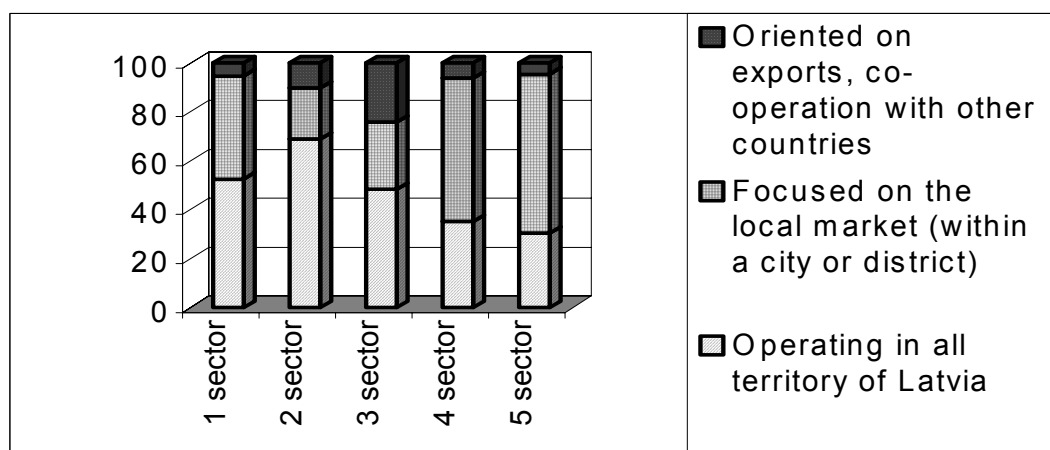


Table 6

### Location of enterprises, in per cents



The survey shows that there are differences among the various regions when it comes to the range of operations. The largest number of surveyed enterprises were found in the Rīga region (221 of 422 companies).

In the **Rīga region**, most companies work in all territory of Latvia. The largest number of companies that are oriented toward exports was found in the third sector (27.3% of all companies in that group). Wholesale and retail companies, as well as educational and health care institutions, operate mostly within Rīga alone.

Figure 7

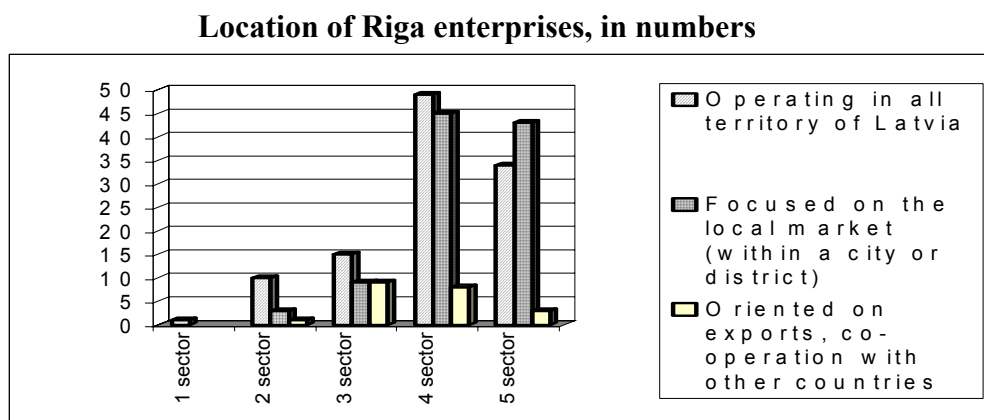
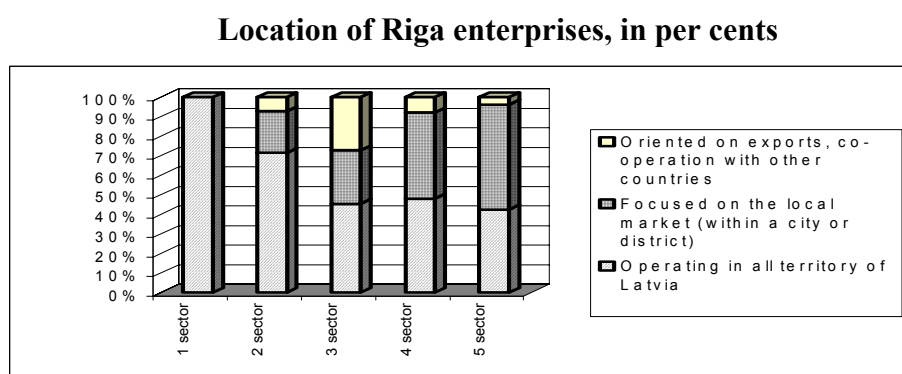


Figure 8



Of the 422 surveyed companies, 70 were found in **Vidzeme**. Most companies there, unlike in Rīga, are local enterprises which operate in the local market (34 enterprises). That was particularly true in the second sector, where all companies were local. As is the case in the Rīga region, the largest number of companies that are focused on international co-operation in Vidzeme, can be found in the third sector (Figure 9 and 10).

Figure 9

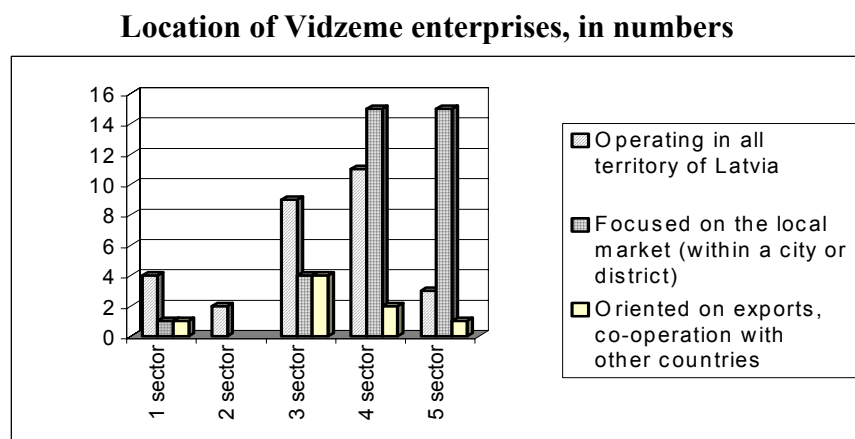
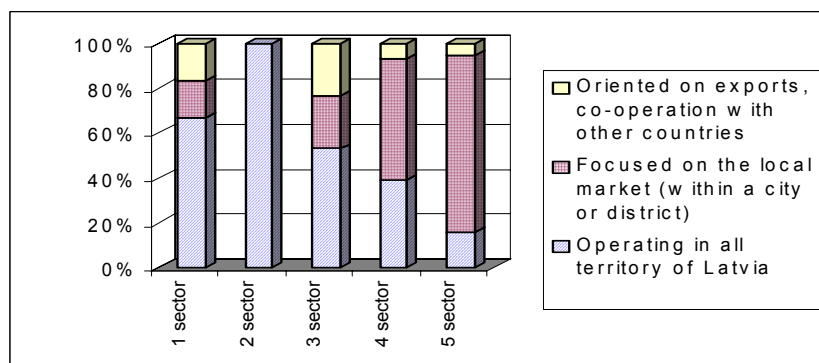


Figure 10

**Location of Vidzeme enterprises, in per cents**



In **Kurzeme**, specialists surveyed 41 companies. As was the case in Vidzeme, most companies in Kurzeme, too, are in the local market alone (23 of the total). The other 18 companies operate throughout Latvia. No company was found in Kurzeme which works in other countries, too (Figures 11 and 12). Even companies in the third sector were all local in nature.

Figure 11

**Location of Kurzeme enterprises, in numbers**

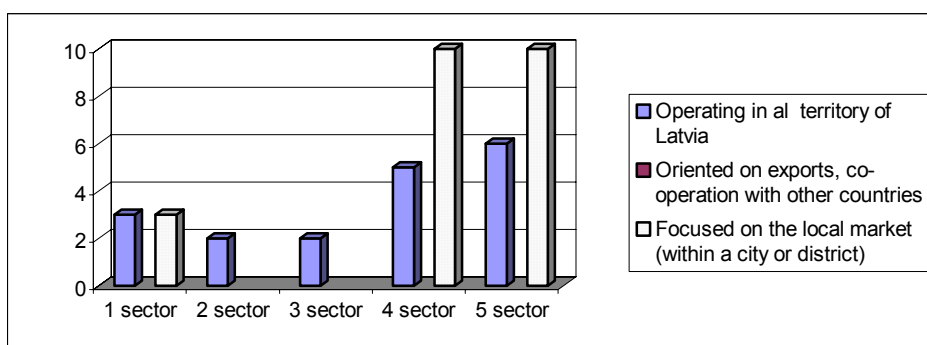
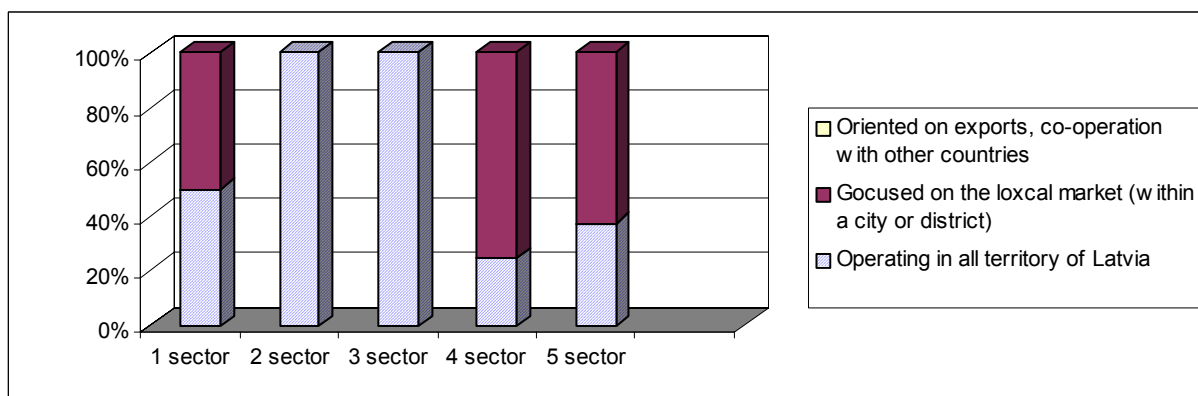


Figure 12

**Location of Kurzeme enterprises, in per cents**



There were 51 surveyed enterprises in **Zemgale**. Most of the companies are district-based (31). The greatest number of companies was found in the 4<sup>th</sup> and the 5<sup>th</sup> of the identified sectors. In Zemgale, as in Rīga, there are companies, which are focused on exports and on collaboration with other countries. Such companies were found in the 2<sup>nd</sup> and the 5<sup>th</sup> sector (Figures 13 and 14).

Figure 13

### Location of Zemgale enterprises, in numbers

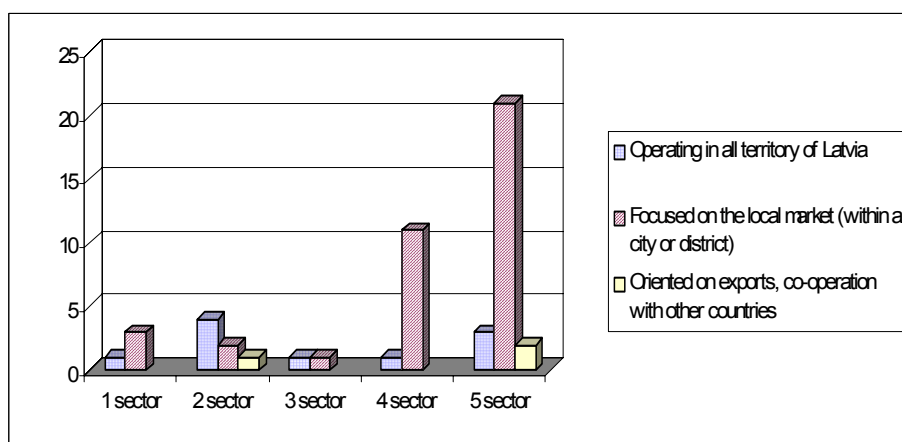
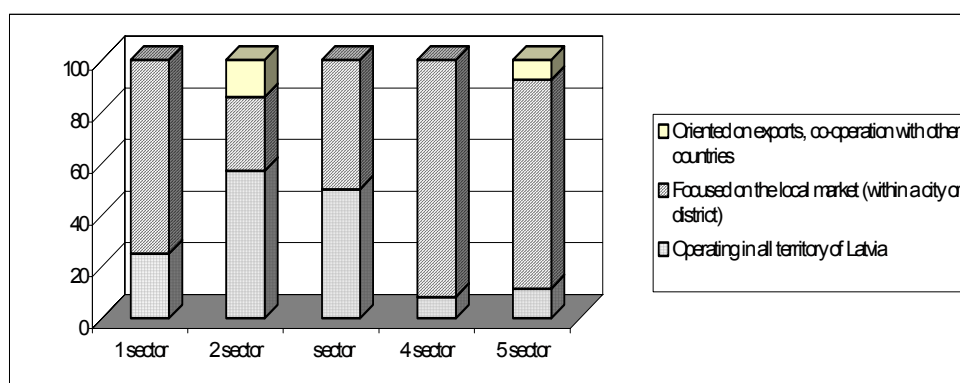


Figure 14

### Location of Zemgale enterprises, in per cents



In **Latgale**, researchers found 39 of the total number of surveyed companies. In Latgale, as in all of Latvia except for Rīga, the majority of companies work locally (27). The largest number of companies here, as elsewhere, was found in the 4<sup>th</sup> and 5<sup>th</sup> sector. As in Rīga and Zemgale, there are companies in Latgale which engage in exports and international co-operation. These companies were found in the 2<sup>nd</sup>, 3<sup>rd</sup> and 5<sup>th</sup> sectors (Figures 15 and 16).

Table 15

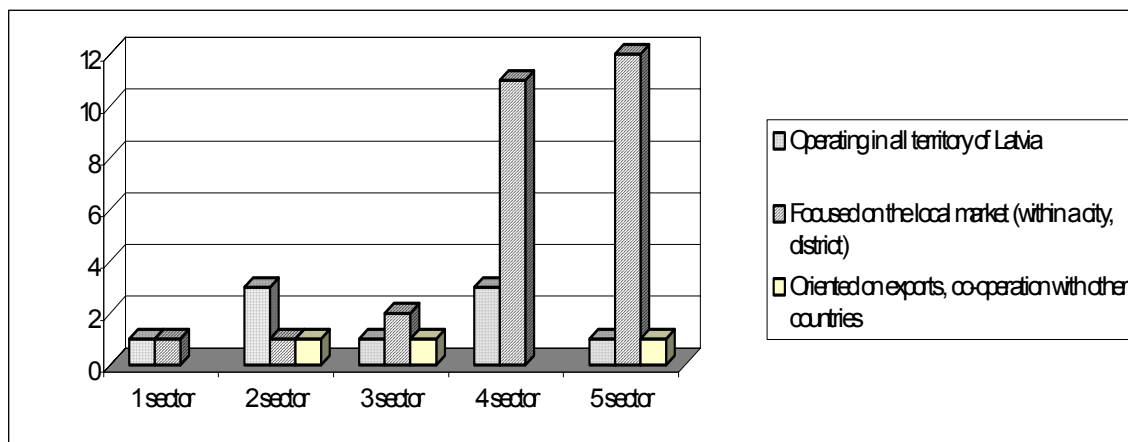
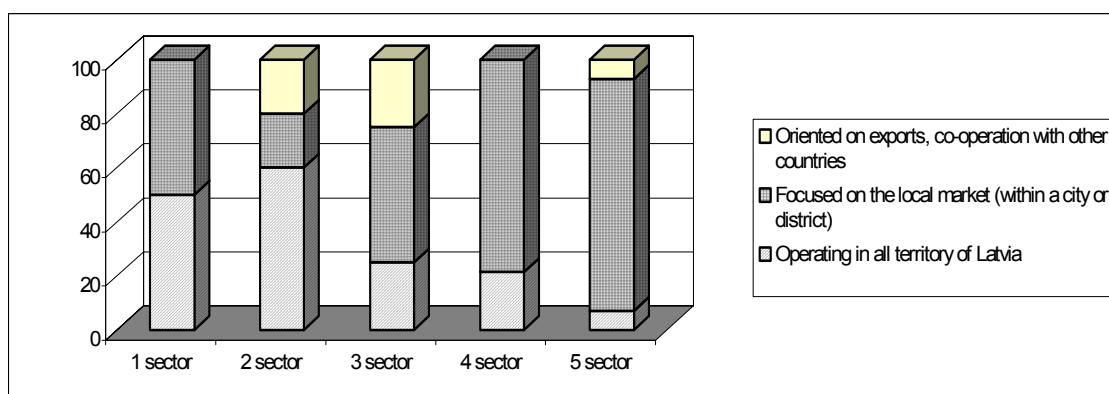
**Location of Latgale enterprises, in numbers**

Table 16

**Location of Latgale enterprises, in per cents****PARTNER COUNTRIES FOR INTERNATIONAL ACTIVITIES**

Two questions were posed to find out the directions of economic activity in Latvia:

Question 3: *Does your company have co-operation partners from other countries?*

*Yes*

*No*

*Hard to say*

*No answer*

Question 4: *With which countries does your company work (list countries)?*

Table 13

**More frequently mentioned partner states**

State	1 sector	2 sector	3 sector	4 sector	5 sector
Russian		+	+		+
Poland	+			+	
England	+				+
Sweden		+			
Germany	+	+	+	+	+
EU States			+		
Lithuania			+	+	+
Estonia			+	+	

Survey results showed that in every sector, there are enterprises which are oriented toward international co-operation. Data from respondents allow us to determine the countries with which companies collaborate most extensively. In each sector, for instance, there are companies which have international relations with enterprises in Germany (Table 13).

As can be seen in the table, surveyed forestry companies mostly work with England, Poland and Germany, while fishing companies collaborate only with Germany and Poland. The construction sector is focused on co-operation in Russia and Germany. Transport services are provided in the direction of Russia, Germany, Lithuania and Estonia, insurance companies often work with Russia, and telecommunications firms have links to European countries. Wholesale and retail enterprises are most likely to be working with Latvia's nearest neighbours - Estonia, Lithuania, Germany and Poland. Educational and scientific organisations look for co-operation in Poland, Lithuania and Estonia, while medical and pharmaceutical firms seek contacts only in Russia and Germany.

Table 14

**More frequently mentioned partner states by regions**

	England	Italy	Finland	Sweden	Russian	EU States	Germany	Estonia	Lithuania	Holland	Poland	Denmark	France
<b>1 sector</b>													
<u>RIGA</u>													
<i>Vidzeme</i>			+		+						+		
<i>Kurzeme</i>	+			+			+			+	+	+	
<i>Zemgale</i>	+						+						
<i>Latgale</i>													
<b>2 sector</b>													
<i>Riga</i>		+	+	+									
<i>Vidzeme</i>							+						
<i>Kurzeme</i>													
<i>Zemgale</i>					+								
<i>Latgale</i>					+		+		+				
<b>3 sector</b>													
<i>Riga</i>					+	+	+	+					
<i>Vidzeme</i>								+	+				
<i>Kurzeme</i>													
<i>Zemgale</i>													
<i>Latgale</i>		+											
<b>4 sector</b>													
<i>Riga</i>		+					+	+	+	+	+		
<i>Vidzeme</i>							+		+				
<i>Kurzeme</i>							+		+				
<i>Zemgale</i>													
<i>Latgale</i>													
<b>5 sector</b>													
<i>Riga</i>					+		+	+	+				
<i>Vidzeme</i>			+	+			+						
<i>Kurzeme</i>					+				+				
<i>Zemgale</i>	+						+			+		+	
<i>Latgale</i>	+												+

The results of the survey make it clear that the place where the company is located has much to do with the selection of countries for partnership attempts. In all regions, however, there were companies with no partners abroad at all (Table 14).

### THE ETHNIC COMPOSITION OF COMPANIES

When it comes to the integration of society, an important issue is the polarisation of enterprises on the basis of the ethnic principle. Observations suggest that the area of activity, the place of operations and the focus on co-operation of enterprises can influence the ethnic constitution of a company's employees, and vice versa. The company's "belonging" to an ethnic group was studied through Question 7: "How many people in your company have Russian as their native language?"

The results showed that there are multi-ethnic, “Russian” (all employees have Russian as their native language) and “Latvian” (all employees have Latvian as their native language) companies in Latvia.

Of the surveyed 422 companies, 123 are purely “Latvian”, 56 are purely “Russian” and 243 are mixed enterprises:

- In the **first sector**, nine of 19 companies (47.4%) are “Latvian”, and 10 (52.6%) are multi-ethnic;
- In the **second sector**, seven of 31 enterprises (22.6%) are “Latvian”, and 24 (77.4%) are mixed;
- In the **third sector**, 18 of 58 companies (31%) are “Latvian”, seven (12.1%) are “Russian”, and 33 (56.9%) are mixed;
- In the **fourth sector**, 47 of 161 companies (29.2%) are “Latvian”, 34 (21.1%) are “Russian”, and 80 (49.7%) are multi-ethnic;
- In the **fifth sector**, 42 of 153 companies (27.5%) are “Latvian”, 15 (9.8%) are “Russian”, and 96 (62.7%) are mixed.

Figure 17

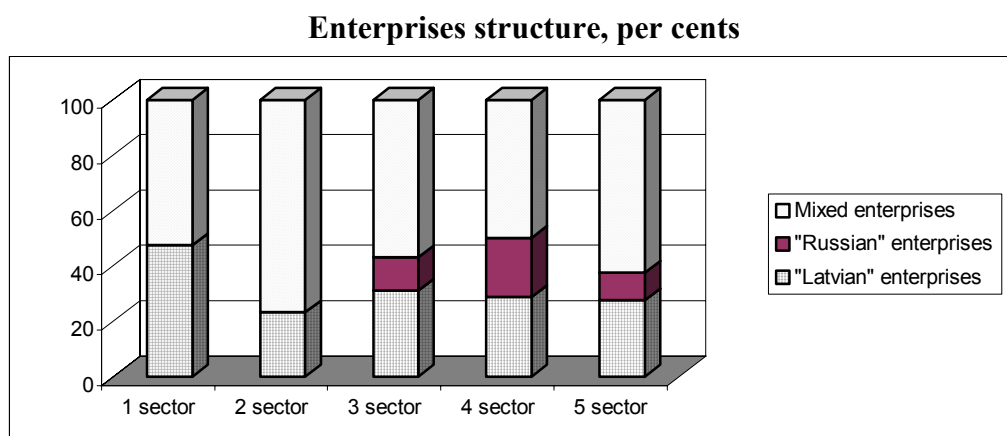
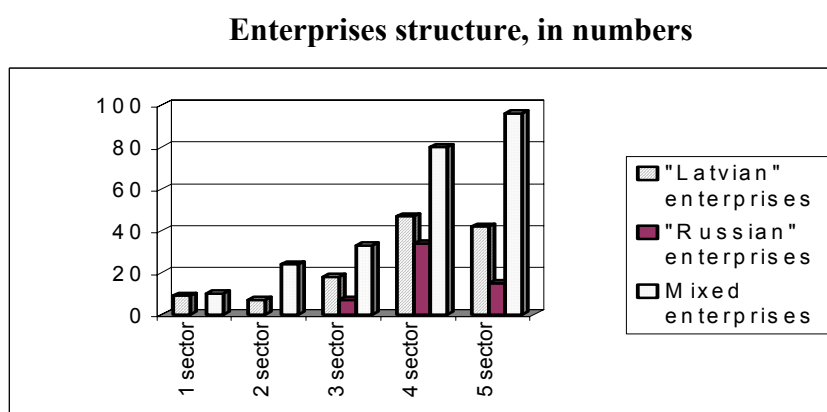


Figure 18



As can be seen here, the first and second sector have only multi-ethnic and “Latvian” companies. The largest number of “Russian” companies can be found among wholesalers and retailers. These are sectors in which the primary co-operation partners are found in Poland, Germany, Lithuania and Estonia. The most common

type of company in Latvia, however, is the mixed company. That unquestionably has a positive effect on public integration in Latvia.

In expert interviews that were conducted by the Baltic Social Sciences Institute, it was found that the distribution of companies by ethnic belonging was more distinct in the past and that it is not seen as being particularly important now. Quantitative analysis and the interviews alike demonstrated the fact that mixed companies are being established to a greater degree.

Experts have cited a number of factors which promote this:

- The introduction of Latvia's language law;
- The inflow of foreign capital, which encourages companies to accept "Western" business culture;
- Accession to the EU and globalisation, as well as a focus on the EU market, where the honesty of companies is of key importance.

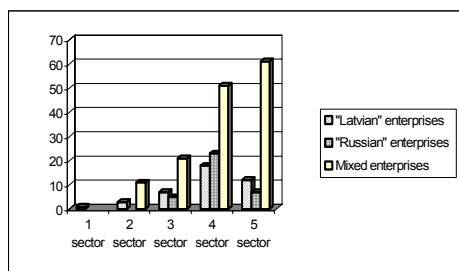
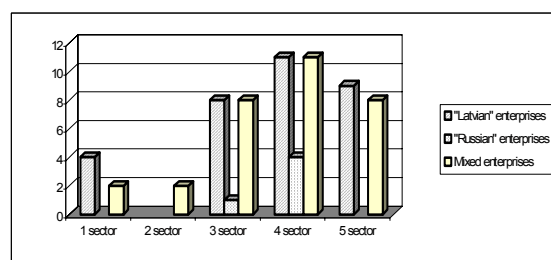
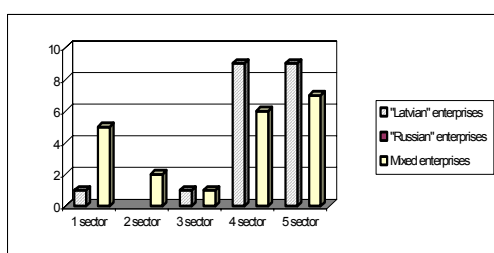
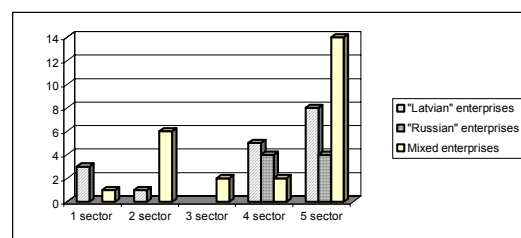
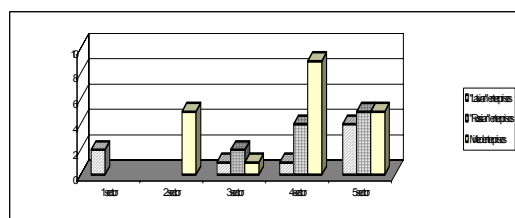
Experts do admit, however, that there is still segregation in the business environment, and they identify two major sectors in which typical "Russian" enterprises can be found - among "small and unnoticed companies" and in the "short-term business" sector. Experts say that a typical "Russian" company is more dynamic and colourful, but also more risky. "Latvian" companies are said to be calmer and more humble. There is an informal distribution of companies into sectors in which "Russian business" dominates - oil, trade, sports clubs, beauty salons, automobile repair shops, computer sales, and alcoholic beverage sales. "Latvian businesses" dominate in the fields of advertising and agriculture. "Russian" businesses are often accused of tax evasion, links to the Russian Mafia and other forms of dirty business, and that illustrates the fact that ideas about "Russian" business are distinctly negative in Latvia. As can be seen from the survey results, no quantitative confirmation of these claims was found. There was no district orientation of "Russian" businesses toward high risk zones, for instance.

The survey shows that the direction for international co-operation usually has nothing to do with the company's ethnic structure. Russia is mentioned as a co-operation partner for companies in the 2<sup>nd</sup>, 3<sup>rd</sup> and 5<sup>th</sup> sector, even though no "Russian" companies were identified in the 2<sup>nd</sup> sector, and the proportion of such companies in the other two sectors was low. In wholesale and retail operations, where the proportion of "Russian" companies is the greatest, however, Russia is not mentioned as a co-operation partner, as opposed to Poland and Lithuania, which are.

The range of issues in this study was too broad to ensure a detailed and more thorough description of "Russian" business, but the fact is that distinctly negative ideas about "Russian" business are automatically transferred by many people in Latvia to the entire ethnic group. This is a problem in public integration, and it requires additional research.

When the situation is broken down by region, it is found that the largest number of "Russian" companies in each sector can be found in Rīga and Latgale. It is only in the 3<sup>rd</sup> and 5<sup>th</sup> sector in Rīga and the 2<sup>nd</sup> sector in Latgale that any company said that it is working with Russia. In Kurzeme, there were no "Russian" companies at all, but there is co-operation with Russia. There are quite a few "Latvian" companies in Vidzeme and Kurzeme.

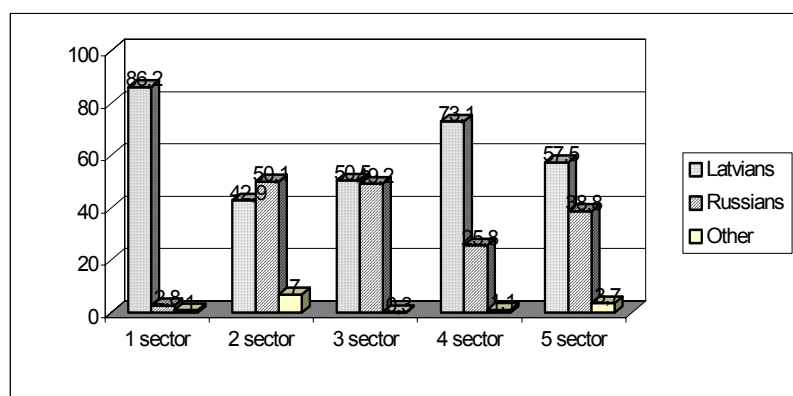
Figure 19

**Riga region****Vidzeme region****Kurzeme region****Zemgale region****Latgale region**

On the one hand, polarisation of business activities on the basis of the ethnic principle in Latvia is found only in specific sectors. On the other hand, it is very interesting that in construction and industry, where there are more Russian employees than Latvian employees overall, there were no “Russian” companies. The survey shows that Latvians do not dominate in all sectors. In the 3<sup>rd</sup> sector, in fact, the number of Russians and Latvians is almost equal, while in the 2<sup>nd</sup> sector, there are more Russians than Latvians. The 2<sup>nd</sup> sector is the one with the greatest number of non-Latvians overall. It may be that this is a trend specifically in the construction and industrial sector, because state language skills are not of great importance in jobs that are related to those industries. It is also true that lots of people work in construction “unofficially” (Figure 20).

Figure 20

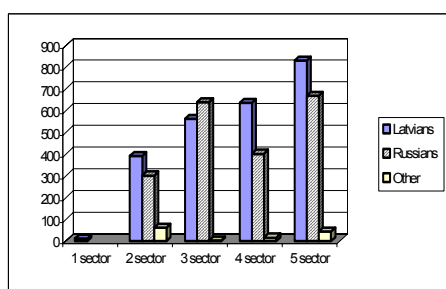
**Enterprises workers by ethnicity, %**



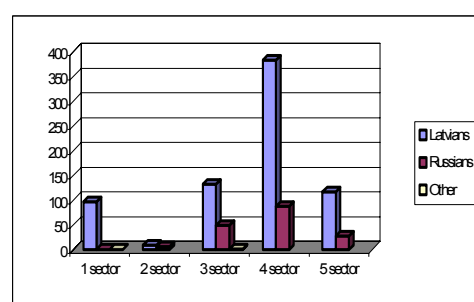
In wholesale and retail operations, the number of Latvians is 2.9 times higher than the number of Russians. Region-by-region, the largest number of Latvians is found in Rīga and Vidzeme. In Latgale, there are more Russian employees than Latvian employees, but most of the companies in that region are multi-ethnic (Figure 21).

Figure 21

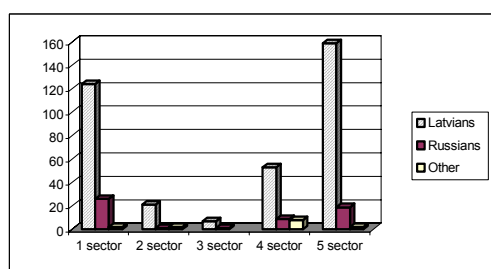
**Riga region**



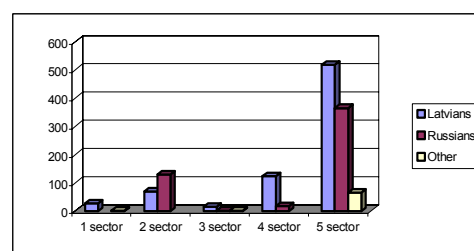
**Vidzeme region**



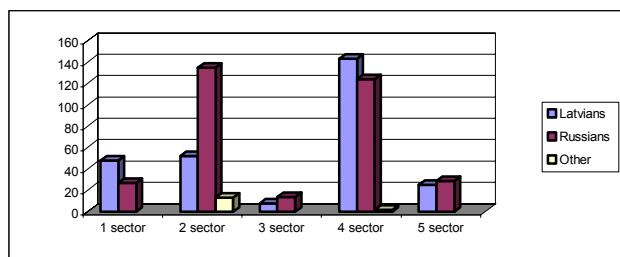
**Kurzemes region**



**Zemgale region**



### Latgale region

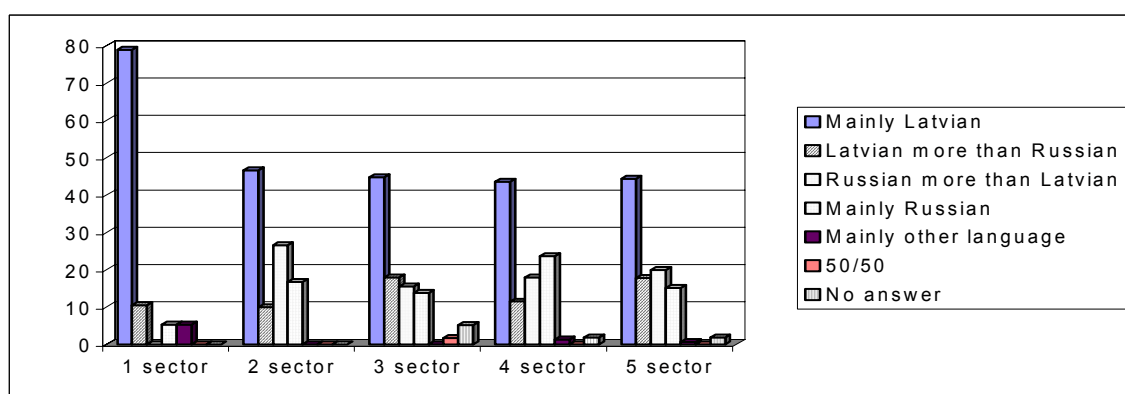


### CHOICE OF LANGUAGE

The ethnic composition of a company's staff leads to the choice of the language that is used at work. There are differences from one company to the next however. In the 3<sup>rd</sup> sector, the number of Latvians and Russians is almost identical, but despite this, the main working language in the group is Latvian (Figure 22).

Figure 22

### Language use in internal communication



In all sectors, companies *mostly* or *exclusively* use the Latvian language, with Russian as a second language. The level of Russian language use is quite high in industry and construction, as well as in wholesale and retail operations.

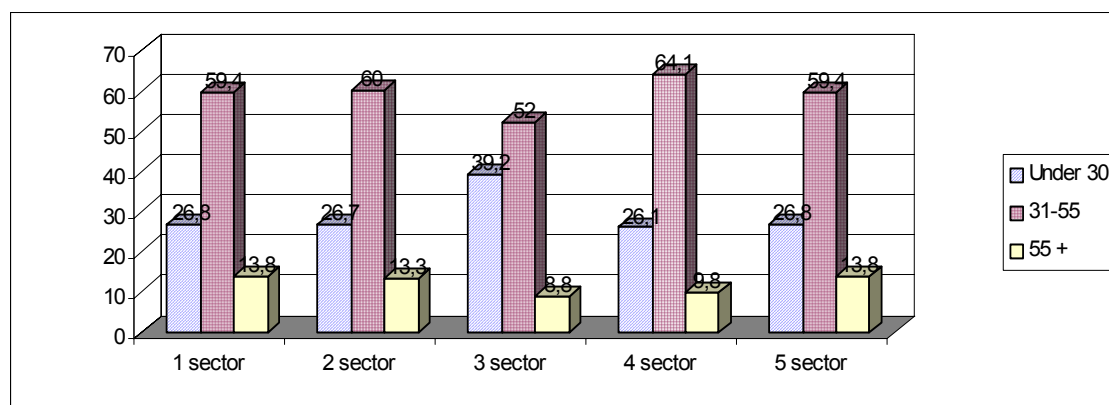
### THE AGE OF EMPLOYEES IN VARIOUS SECTORS

Another issue that is of importance when it comes to public integration is the question of the age structure among companies. Observations indicate that there are companies in which only young people are employed. Employers often seek out employees from specific age groups.

Survey results show that employers prefer young people, as well as people who are between 31 and 35 years of age. They do not favour older employees (Figure 23).

Figure 23

**Workers age-specific by sectors, %**



The largest proportion of young people is found in the 3<sup>rd</sup> sector, while the number of young people is virtually identical in all of the other sectors. There are few differences among the various sectors when it comes to older employees, but the lowest proportion is found in the 3<sup>rd</sup> sector - the so-called service sector; young employees dominate there.

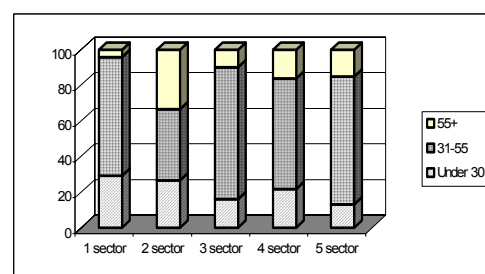
Region-by-region, the situation varies. In various regions it was found that there are more older employees and fewer young employees. In Zemgale and Latgale, no young people were found in the 3<sup>rd</sup> sector.

Figure 24

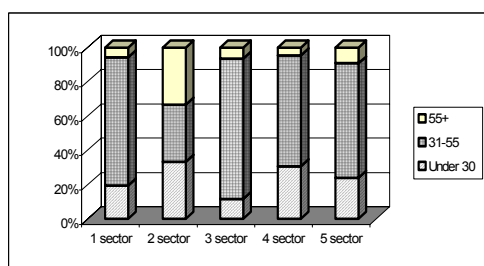
**Riga region**



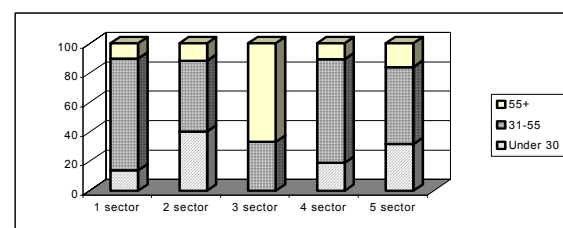
**Vidzeme region**



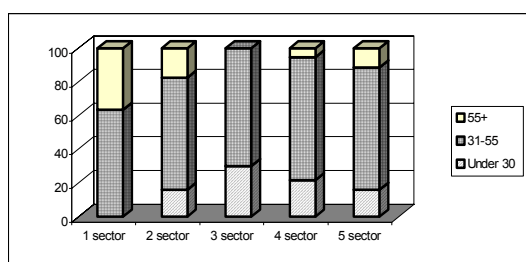
**Kurzeme region**



**Zemgale region**



## Latgale region

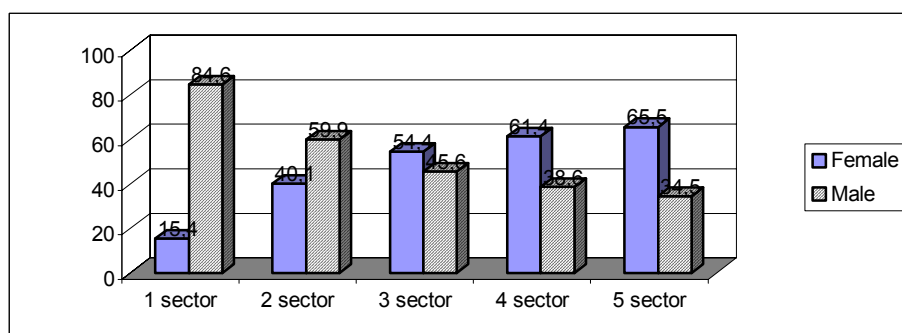


## THE PROPORTION OF WOMEN AND MEN IN THE SECTORS

There are big differences among the various sectors when it comes to the proportions of women and men. There are more men than women in the 1<sup>st</sup> and 2<sup>nd</sup> sector, and there are more women than men in the other sectors. The survey shows that in wholesale and retail operations, as well as in education and health care, there are nearly two times more women than men (Figure 25).

Figure 25

### Number of male and female by sectors, %



It must be remembered here that the survey covered only 422 companies, and analysis of the results cannot produce a full picture of the country's economic situation. Economic analysis would be much more complete if the number of companies were proportional in each sector. According to this survey, no factors which really influence the process of integration in Latvia were discovered. The results primarily reflect statistical data alone.

## SUMMARY

1. In order to find answers to the questions that were posed in the research project, there was analysis of official statistical data and of the results of a special survey of companies.

2. The self-secession of ethnic groups can lead to polarisation in business on the basis of the ethnic principle, and that creates negative social consequences and hinders public integration. In this study, polarisation of business for ethnic reasons was analysed in greater depth to see whether and how it affects the national economy.

3. Surveys in the past show that until 2002, the number of people who speak Russian at work declined, but in more recent times, the speaking of that language has once again been on the rise. Russians more than people of other nationalities speak Russian at work or speak more Russian than Latvian. There are some 150,000 jobs in Latvia which are held by people who can speak only Russian or Russian more than Latvian.

4. Between Latvian native speakers in the 35-49 age group, 0,8% of people speak mostly Russian at work, while among younger people (15-34) and older people (50-74), far fewer people speak Russian at work. Age is seen as one of the main reasons why people don't want to improve their Latvian language skills, although sociological research indicates that it is elderly people in particular who speak Latvian at work to the greatest degree.

5. Between Latvian native speakers, who live in villages and in the countryside, Russian language use less. It is in the capital city of Riga where Russian is spoken the most and Latvian is spoken the least (only 44.6%). This suggests that Russian is spoken more than Latvian at big companies that are sited in the capital city, and that polarisation of small companies on the basis of the ethnic principle is more pronounced in rural areas.

6. A comparison of the ethnic composition of the Latvian population (58.2% Latvian, 29.2% Russian, 12.6% - other ethnic groups) and the ethnic makeup of unemployed people, one finds that the proportion of Latvians among the jobless is 7.4% lower than the proportion of Latvians in the population at large.

7. The primary reason for unemployment is the weakness of economic development, not the ethnic constitution of the country's residents. This is demonstrated when unemployment rates and the ethnic makeup of the various regions are compared. In the Rīga region and in Latgale, there are virtually identical proportions of non-Latvians, and the age distribution is also similar. Still, unemployment in Latgale is far more extensive than in Rīga.

8. Labour laws in Latvia ban discrimination on the basis of ethnicity, which suggests that lower opportunities in the labour market are caused by personal shortcomings. Among these, the absence of language skills - including Latvian language knowledge - may be of importance.

9. People in Latvia understand the importance of languages, and English is playing an increasing role in business.

10. Linguists have done research to show that the demand for Latvian language skills declined from 95% in 2000 to 92.5% in 2003, while demand for Russian and English among new employees increased. The expansion of the English language in Latvia hinders the low level of English language skills among local residents. This is seen as a key obstacle against the emergence of the Information Society in Latvia.

11. It was found during the survey that the Western market dominates external communications, external investments and it is also true that the English language is becoming more and more important in business. This serves to integrate the business world, and differences between “Latvian” and “Russian” companies, which businesspeople say used to be far more pronounced, are disappearing.

12. Quantitative analysis of the interviews shows that there are mixed (multi-ethnic), “Russian” and “Latvian” companies in Latvia.

13. The most common type of company is the multi-ethnic enterprise, and this clearly has a positive effect on public integration in Latvia.

14. The largest number of “Russian” companies can be found in wholesale and retail operations.

15. In terms of regions, the largest number of “Russian” companies can be found in each sector in Riga and in Latgale.

16. Business in Latvia is polarised on the basis of the ethnic principle only in some sectors, but on the other hand, there are sectors such as industry and construction in which the number of Russian employees exceeds the number of Latvian employees - even though there are no “Russian” companies in those sectors.

17. The survey results show that the direction for international co-operation of a company usually has nothing to do with the ethnic structure of that company’s employees.

18. At the same time, however, the quantitative analysis and the in-depth surveys did find that the style of business at “Latvian” and “Russian” companies differs, and there is an informal distribution by sector - “Russian” sectors include the oil business, trade, sports clubs, car repair shops, alcohol sales, etc., while “Latvian” companies dominate in agriculture, construction and industry (even though there are lots of Russians who work in those sectors).

19. Because “Russian” business operations tend to be more dynamic, there is reason to think that those sectors in which “Russian” business dominates involve higher risk.

20. Survey results showed that Latvians do not dominate in all sectors. In the service sector, the number of Russians and Latvians is virtually identical, and in the industry and construction sectors, there are more Russian than Latvian employees. The industry and construction sector is also the one with the largest number of other non-Latvians. It may be that this trend is typical in construction and industry, where state language skills are not of decisive importance where, in the construction industry in particular, many people work “unofficially.

21. The ethnic composition of a company’s staff determines the choice of a language that is used at work, but there are differences here. Although there are virtually identical numbers of Latvians and Russians in the service sector, the primary language in the working environment in that sector is Latvian.

22. The survey results showed that in all sectors, Latvian is used *mostly* or *exclusively*, and Russian is the second language. There is a considerably high rate of Russian language use in construction and industry, as well as in wholesale and retail operations.

23. The survey results show that employers prefer to hire young people and individuals in the 31-35 age group, as opposed to older workers. The highest proportion of young people is found in the industry and construction sector, while in all of the other sectors, the number of young people is virtually identical. There are few differences in terms of the number of older workers in the various sectors, but the smallest number is found in the industry and construction - the service sector, where young people dominate.

24. On a region-to-region basis, there are varieties, according to the survey. The number of older workers is increasing in all regions, and the number of young employees is declining. No young people were found in the 3<sup>rd</sup> (the service) sector in Latgale and Zemgale.

25. The information that has been collected indicates that there may be problems in introducing the Information Society in Latgale and Zemgale.

26. It has to be remembered that this survey covered only 422 companies, and the analysis of those companies provides us with a short review of the question of the research. The economic analysis would be much more complete if the number of surveyed companies were proportional in each sector.

27. No factors which have a fundamental effect on the process of integration in Latvia were identified in this survey, but there are several areas in which public integration policies can be improved on the basis of economic factors.

## CONCLUSIONS

Analysis of the statistical information that was collected during the research process and of the results of the survey that was conducted allow us to come up with the following conclusions:

- 1) We now have a sense of the way in which economic factors affect public integration and vice versa.

Ethnic polarisation among companies is on the wane in Latvia, and the scene is dominated by ethnically mixed enterprises. Reduction in polarisation process and forming of mixed enterprises is promoted by state language law and by economic factors:

- The inflow of foreign capital, which leads companies to focus more on “Western” standards;

- Globalisation and Latvia’s accession to the European Union.

“Mixed” companies have a positive effect on public integration, because people at work communicate in both languages. There is the possibility of information transfer, and there are fewer opportunities for segregation (although secession does exist).

Purely “Russian” companies are mostly found at the level of small enterprises and short-term business. According to expert interviews, **this is the segment of companies that could be the target group for economic integration.**

Economic factors also, however, have a deleterious influence on the integration of generations. The quantitative survey showed that companies are happier to hire younger, as opposed to older employees. Gender equality is not affected by economic factors.

Public integration, for its part, affects the economy in that language skills are of importance in finding a job and then doing the work. A lack of language skills is seen as a key shortcoming when people apply for jobs. Even if professional skills are sometimes more important, survey respondents say that language skills are necessary for communications with clients and for written documents. This means that public integration enhances the individual’s economic opportunities.

An important conclusion can be drawn from the in-depth interviews - ideas about “Russian” business are distinctly negative, but no quantitative confirmation of this has been found. The belief is (among Latvian population), for instance, that “Russian” businesses collaborate with the Russian Mafia, but quantitative data do not indicate that the international activities of “Russian” companies are particularly focused on Russia. The negative impression of “Russian” business is transferred to the entire ethnic group, and this, of course, hinders public integration. This means that **in support of public integration, more true and positive information about “Russian” business must be ensured.**

- 2) Researchers did find out the way in which integration processes affect the national economy. The hypothesis for the study was that the stratification of business can influence economic stability if it is manifested as an orientation toward economically instable market such as the Russian market.

As was noted before, the survey found no direct links between the ethnic makeup of a company on the one hand and its area of external business operations on the other. Still, negative concept about the nature of “Russian” business - concepts that have neither been proved nor disproved so far - cause people to be cautious about

sectors which are dominated by “Russian” businesses, the retail sector in particular, according to the survey.

With respect to specific issues, the following conclusions were drawn:

- There is no distinct polarisation in business, and increasing numbers of ethnically mixed companies are being established. This has a positive effect on public integration, and so polarisation of business cannot have a fundamental effect on the emergence of the Information Society in Latvia. Language barriers are gradually deteriorating, and use of the Latvian language as the local Information Society communications resource and the English language as the international means for Information Society communications is expanding as people more and more come to understand the meaning and importance of languages;

- Special steps that are to be taken toward the establishment of the Information Society and that are in step with the structure and behavioural model of society are necessary in the sense that in rural areas, many working people are elderly, and they have greater trouble in adapting to the Information Society. The accessibility of means of communications must be enhanced, because that promotes an orientation toward the international market and toward international business behaviour. As has been seen in this research, this promotes the integration of society;

- No key threats against the country’s economic structure were identified, and so there is no visible need for special structural and policy steps in the national economy so as to strengthen the stability of the system in relation to the orientation of significant numbers of companies and businesses toward economically unstable zones and the resulting risks against more rapid economic development. At the same time, however, it must be noted that the study cohort and the questions that were posed were not appropriate for a more detailed analysis of these issues.

When it comes to facilitating regional development and evening out regional differences, it can be noted that one target group for public integration policies could be small companies in which ethnic secession is more distinct. The Latgale region would also be a proper target audience.

## RECOMMENDATIONS

The purposeful inclusion of an economic dimension into public integration policies and strategies is to be recommended, and it could manifest itself through a variety of activities:

- Facilitating the emergence of mixed companies, improving the chance for non-Latvians to work for such companies on the basis of the following considerations:
  - Enhancing the opportunities for non-Latvians in the labour market, doing everything possible to allow individuals to learn the Latvian language and other languages;
  - Not exaggerating, at the same time, the importance of language skills and ensuring that language requirements do not hinder the ability of people to learn professional skills - something that must be taken into account as school reforms are developed further;
- Conducting more in-depth research about the nature of “Russian” businesses and providing public information about the results of such research so as to dissipate suspicions and reducing the negative approach that exists toward the economic activities of non-Latvians. This would exclude any possibility of manipulation with untested suppositions in this area for political purposes;
- Developing policies which promote the integration of generations in the economy and in employment, particularly focusing on the employment of older people and providing targeted opportunities for lifelong learning and adult education.