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**Article**

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# Evaluating the efficiency of state socio-economic policy of Latvia

Zhanna Tsaurkubule<sup>1</sup>

## ABSTRACT

This article presents an analytical overview and defines the essence of the concept “social policy” in the context of its relation to the economy. The author of the article has developed a system of indicators to measure the impact of social policy and proposed a technique for assessing its efficiency on the basis of a comparative analysis of the dynamics of changes in key indicators of socio-economic development of Latvia in the context of its integration into the EU. The efficiency of social policy is determined using a system of indicators combined into eight areas of economic and social policy: social protection, employment, income, poverty, healthcare, education, demography, and economic policy. Furthermore, the authors also conducted a quantitative assessment of statistical data describing the impact of social policies, and conclusions and recommendations are drawn to improve this technique further.

The research on Latvia’s efficiency of social policy demonstrate that it is relatively low compared to other EU countries. In the future, it is recommended to improve the presentation of statistical data, to expand the list of indicators, and to assess the efficiency of social policy in a complex way, rather than in accordance with individual disparate indicators.

## KEY WORDS:

social policy, essence of social policy, social and economic development of state, indicators of social policy, efficiency of social policy, efficiency evaluation

**JEL Classification:** I38, H53, P46, R13

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## Introduction

Issues on achieving a high level of well-being of society and creating conditions for its further development are relevant to any country, including countries of the European Union. For Latvia, being a member of the EU, these issues have become particularly relevant in the aftermath of the economic crisis that has been progressing in the country. Latvia has been hit harder by the crisis than any other country, which has led to a serious deterioration of

living conditions of the population. As a result, a large part of the population of the country is in need for social protection, which must be provided to them by the state through its social policy (Caurkubule, 2010).

Social policy constitutes an important part of the policy of any state and represents the activity of managing the development of the social sphere of society aimed at meeting the needs and interests of its citizens. Moreover, the major objectives of social policy are raising the welfare, improving working and living conditions of people, and implementing the principles of social justice.

The solutions to these problems are impossible without development of the economy of the state. Thus, social policy and the economy are closely interrelated and

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interdependent. Executing social policy is directly related to the economic development of a country. Economic growth and development of the state is achieved through the effective use of tools and instruments of social policy. Social policy indicates the level of socio-economic development of society. Similarly, the modern economy cannot be considered effective if it does not fulfill its main purpose - to meet the needs of citizens and support the growth of their living standards and national well-being.

Currently, conditions of post-crisis development of the country and issues connected with the enhancement of its efficiency in all areas become increasingly urgent. The concept of efficiency has always been the main characteristic of success of economic activity, including the implementation of social policy. Widely known methodological approaches of evaluating the efficiency are combined by its idea as a multi-dimensional substance preconditioned by the meaning of the terms "results" and "costs" (Rodionova, 2012). The state social policy is usually expressed in the implementation of a set of social functions or programs aimed at solving a particular social problem. Each of these programs is a list of indicators and their target values that have to be achieved in the course of implementation of these programs (Belchik, 2013).

When assessing social efficiency that characterizes benefits gained by the society as a result of operation of various business entities, a certain criterion of efficiency is used as a degree of achievement of the objectives, determining the ratio of the actual results and the results of the previous period. In the context of this research, the efficiency of social policy is understood as an improvement (increase or decrease depending on the nature of indicator) of indicators that describe a state of affairs in a particular area of social policy.

The absence of a system of indicators that measure the success of social policy at the regional level and the urgent need for improvement of management in this area have determined the choice of the topic and thus ensured its relevance.

The aim of the research is to develop a methodology for assessing the efficiency of state social policy. To achieve this goal, the following objectives were set and accomplished:

1. to define the importance of social policy to society and the relation of social policy to the economy;

2. to describe the social policy model in Latvia based on typology of social policy models;
3. to develop a system of indicators that measure the success of social policy;
4. to collect statistical data describing the impact of social policies and to quantify these data;
5. to evaluate the efficiency of social policy in Latvia and analyze the results.

The object of the research is a social policy of Latvia and its implementation mechanism. The subject of the research is the efficiency of the implementation of social policy.

## Research methodology

To accomplish these objectives, the following scientific methods are used: the intuitive search, the statistical analysis, the method of comparing statistics from different periods and for different indicators, and the study of their dynamics. To improve the theoretical basis for the studied issue, a comprehensive analysis of the various sources and scientific papers was required.

The practical significance of the research is to systematize theoretical provisions and their presentation in a logical sequence according to the studied issue and to develop a system of indicators and methods of evaluating the efficiency of social policy and the conclusions that can be used in other studies.

## Discussion

In any economic system, the society is faced with the necessity of the three objectives defined by P. Samuelson: what, how and for whom to produce (Samuelson & Nordhaus, 2005). The issue for whom to produce is an issue facing the distribution of the produced goods.

In accordance with Art. 25 of the Universal Declaration of Human Rights (United Nations, 1948), every person has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control (United Nations, 1948).

A socially oriented market economy involves substantial activity of the state in dealing with social problems. This activity is observed because the mar-

ket economy does not guarantee workers the right to work, standard education, or social protection to people with disabilities, the poor and the pensioners (Huber & Stephens, 2014). Therefore, there is a need for state intervention in the field of income distribution through social policy.

The concept “social policy” is defined in different ways, often representing a definition of the objectives of social policy. This uncertainty stems from the fact that it is difficult to identify the social sphere, and distinguish it from other areas. In the European Union, the concept “social policy” is defined as a policy affecting social circumstances in which people live (Free Trade Union Confederation of Latvia, 2011). The home page of the government website Latvia in the European Union reveals the following definition of “social policy”: “the goal of the EU social policy is to improve working and living conditions of the population, promoting employment, ensuring proper social protection, social dialogue and preventing discrimination” (Ministry of Foreign Affairs of the Republic of Latvia, 2017).

Thus, social policy is the study of social services and the welfare state. In general terms, social policy examines the idea of social welfare and its relation to politics and society (Rittel & Webber, 1973). Social policy primarily refers to guidelines for the changing, maintenance or creation of living conditions that advance human welfare. Social policy is education, health, housing, employment and food for all people. Social policy is part of public policy, but public policy is more than that, specifically it includes economic policy, industrial policy, and social policy. Definitive answers regarding supply, poverty and inequality are likely to remain elusive, and as such, it is important to sustain the opportunities for discussion, experimentation, innovation and learning in social development approaches (Vargas-Hernández, Noruz, & Haj Ali, 2011).

Summarizing the essence of social policy, it can be concluded that a fairly broad range of issues of the life activity of citizens and society falls within the boundaries of social policy. The concept “social policy” cannot be treated heavy-handedly. Historians, legal experts, sociologists, philosophers, political scientists and economists consider some aspects of this being quite a multi-level, but at the same time com-

prehensive phenomenon. However, many researchers reveal the essence of social policy by addressing economic issues.

The reasons for this approach are following:

1. through an effective use of methods, tools and instruments of social policy to provide economic growth and development of the state, in other words a wisely pursued social policy has an economic effect;
2. understanding of social policy comes down to financing of social services, distribution and redistribution of state resources and income between the individual layers and groups;
3. any solutions to social problems, and effects of social policy, ultimately, affect the economic situation of the state and the people, i.e., the social policy is an indicator of socio-economic development of the state (Bykovskaya, 2013).

Thus, social policy is implemented through social orientation of the economy, which is understood as its development that ensures social sustainability and social stability of the members of the society in terms of improving living standards and quality of life. From an economic point of view, social policy represents government's actions aimed at distribution and redistribution of income of various members of society in order to ensure social stability of the society (Avtonomov & Gavrilova, 2011).

Social policy as an economic category represents one of the directions of macroeconomic management, designed to ensure social stability of society and to create, as much as possible, equal “launch environment” for citizens of the country. In this regard, social policy should be considered not only in terms of fair distribution of income but also as a policy that supports equality of opportunities (Kisejeva, 2008).

Redistribution of individual incomes through the state budget forms an economic base of the state social policy. “State plays a major role in distribution of income. This is reflected in the provisions number 117 of the ILO Convention “Social policy (basic aims and standards)”, where the underlying function of the state is defined in the following way: “to take all measures to ensure the standard of living is adequate for the health and well-being, including food, clothing, housing, medical care, social security and education.” Social policy provisions of the Council of Europe (defined in

the European Social Charter) are similar to those of International Labour Organization (1962).

The primary focus areas of social policy are the following:

1. guaranteeing a minimum income to members of society;
2. maintaining and developing abilities of society members, especially the ability to work;
3. providing an acceptable level of social services to members of society (Volgin, 2008);
4. fighting against income inequality in society.

The aim of social policy is raising the well-being of the population by improving the standard (quality) of living whereby the necessities of life are met, as well as the implementation of the principles of social justice (Caurkubule, 2012). Social policy proposes the following issues:

1. how to meet social needs of people;
2. how to ensure a fair distribution of wealth in society;
3. how to ensure that an increase in welfare of the people would go hand in hand with an increase in the efficiency of social reproduction.

### Typology of Social Policy Models and Social Policy of Latvia

The nature of the implementation of social policy in different countries and regions is dependent upon many parameters, including history, cultural traditions, particularities of the economic development, and political system. Therewith, along with all differences and variability of conduction of social policy in different countries of the world, scientists attempted to distinguish social policy models and their classification.

Since the emergence of the first states, governments have been trying to solve development issues of a model of effective social policy and provision of reliable social protection for the citizens. However, over the centuries, politicians and economists failed to reach a consensus on the nature, sources and level of social protection of all members of society. The works of many famous scientists of the past and present, such as Baker (1979), Bender, Kaltenborn, and Pfeleiderer, (2013), Dixon (1981), Erhard (1991), Fisher, Dornbush, and Shmalenzi (1993), Keynes (1919), Midgley

and Piachaud (2013), Midgley (2008), Pascall (1986), Pinker (1971), Smith (1776), Stiglitz (2009), Stiglitz, Sen, and Fitoussi (2010), Titmuss (1974), Williams (1989), are devoted to resolution of these issues.

There are different classifications of models of social policy, however, the majority of them is based on the principles, which arise from the role and degree of the state's, civil society's and individual citizens' participation in the implementation of the social policy.

There are several methods for classification of European countries' social policy models.

Describing Latvian social policy on the basis of the abovementioned typology, it can be concluded that during the implementation of social reforms in Latvia, not only are the principles of the social state performed but also of the state of "classical liberalism" epoch based on the ideology of individualism and non-interference in economic and social life. In fact, the government has withdrawn itself from social responsibility and has put the subjects of social policy, that is, the citizens of the country in the position of a daily struggle for the possession of social benefits. Continuing reforms of the social security system are ineffective because they have not achieved their goals and have not reached specific target groups. Splicing of the state apparatus with the business-structures greatly complicates the achievement of economic stabilization, active structural policy and social protection objectives. Thus, Latvia cannot meet the criteria used in the world practice regarding the characterization of the social state.

If we compare the indicators of social policy in Latvia with the average indicators in the EU, it can be concluded that Latvia did not show high results in terms of efficiency of its social policy (Caurkubule, 2011a; Caurkubule, 2011b; Cunska & Muravska, 2008; Latvian News, 2012):

1. Latvia is the leader in Europe in terms of infant mortality, which is two times higher than the European average and is directly related to the economic situation in the country, the state of medicine and the unemployment rate;
2. Latvia is the second poorest country in the EU after Bulgaria;
3. Latvia is the second in the EU by the level of alcohol consumption (after Luxembourg) and substance abuse (after Croatia);

**Table 1.** Typology of Models of Social Policy

Author	Models of social policy	Countries
(Therborn, 1987)	a "strong" state of well-being	Sweden, Norway, Austria
	a "soft" state of well-being	Belgium, Denmark, Netherlands
	small-scale costs of the welfare state, focused on maintaining a "full" employment	Switzerland, Japan
	social policy, the content-oriented market	UK, Australia, Canada, USA, New Zealand, Ireland, <b>Latvia</b>
(Manning & Shaw, 2000)	Pluralistic model	USA
	Elite's model	UK, France (partly), <b>Latvia</b>
	Corporate model	Germany, France
	Marxist model	
(Esping-Andersen, 1990)	Neo-liberal (Anglo-American)	USA, Canada, Australia, UK, <b>Latvia</b>
	Conservative-corporatist (continental, social market, the Franco-German)	Austria, Germany, Italy, France
	Social-Democratic (Scandinavian, Swedish model)	Sweden, Norway, Finland, Denmark, Netherlands, Switzerland
(Titmuss, 1974)	The Residual Welfare Model (liberal model)	USA, <b>Latvia</b>
	The Industrial Achievement-Performance Model (conservative, corporatist model)	Germany, China
	The Institutional Redistributive Model (the state redistributive socialist model)	UK, Sweden, Norway, Finland, Denmark
(Volgin, 2008)	The model of Bismarck	Germany, France, Italy, Austria, Belgium
	The Beveridge Model	UK, Ireland, <b>Latvia</b>
	The Swedish model	Sweden, Finland, Denmark, Norway

- Latvia is one of three (along with Estonia and Romania) anti-leaders in the EU in terms of social protection of the population and one of three (along with Romania and Bulgaria) anti-leaders in the EU in term of income (GDP) per capita;
- Latvia is among top five outsiders (together with Lithuania, Estonia, Bulgaria and Romania) in terms of minimum wage and spending money on food;
- Moreover, Latvia is one of the most corrupt countries in the EU (according to the Society for Openness "Delna" and organization «Transparency International», Corruption Perception Index in Latvia has reached a critical level), it has also one

of the highest rankings in the European Union in terms of level of the shadow economy, which in turn has an indirect negative effect on future social development of Latvia.

The supreme body of the EU executive power is concerned that in Latvia, there is still a very high level of poverty among the working population, and the effectiveness of social protection is low. Expenditures in this area are among the lowest in Europe, wages and pensions in Latvia are on average 40% lower than in Europe. At the same time, the cost of living is 70% of the European level. That is, Latvians get smaller wages, while their expenditures are almost at the same level as those of Western Europeans. An unbalanced social policy leads to large losses for the state and, above all, losses of human resources.

### Indicators of efficiency and effectiveness of social policy

Determination of efficiency of social policy is a very difficult and multi-factorial task. One of these factors (conditions) can be a regular assessment of the existing measures of public influence for the purpose of correction. Identification of criteria for evaluating the efficiency of social policy implementation creates the opportunity to study approaches in order to quantify its level or measure, as well as a comprehensive analysis of existing social policy.

It should be noted that ambiguity in understanding the terminology of efficiency (efficiency in Latin means - active, creative) makes it possible to reach different interpretations.

The Modern Dictionary of Economics defines the concept of the **effect** as “achieved results in its material, monetary or social (social effect) expression”, and the **efficiency** - as “the relative effect, efficiency of the process, operation, project”, which can be defined as “the ratio of the effect, result to the costs, expenses, providing its receiving, or as a ratio between the cost of rare factors and output of goods and services, offering to measure this ratio in the physical (process efficiency) or the value terms (economic effectiveness)” (Rainberg, Lozowski, & Starodurcev, 1999). Unfortunately, in public policy and public opinion, the concepts of **effect** and **efficiency** are often treated as synonyms, which leads, in particular, to an incorrect assessment of certain social programs.

The term **efficiency** also means the level (degree) of **effectiveness** in comparison with the incurred costs. This concept is used in determining the **efficiency** of the economy, individual industries, enterprises, investment, innovation (Porshnev, 2010). The term of **effectiveness** also requires clarification.

In accordance with the ISO-9001, the effectiveness in the study means the degree of implementation of planned activities and achievement of planned results. The effectiveness of social policy refers to the improvement (increase or decrease depending on the nature of the indicator) of indicators describing the state of affairs in a particular social sphere (Belchik, 2013). The effectiveness of social programs is determined by the efficiency of implemented measures and actions in accordance with the purpose and objectives.

Identification of criteria for evaluating the efficiency of the social policy implementation creates the opportunity to study approaches to quantify their level (activity result comparisons with a certain criterion or norm, elaborated on the basis of the analysis of historical results and future projections) (Polushkin, 2014).

### Estimation of Social Policy Impact

The methodological basis for estimation of economic efficiency of social programs in its final form has not yet been formed. There is no uniform terminology and methods for determining the performance of social programs, general approaches have not been developed to date for use in the calculation of economic efficiency of social programs, and the composition of information necessary for these calculations has not been defined to date. In deciding on new programs or activities, the comparison has not been practiced for the various options for achieving the objectives, established for each of the social programs.

If “efficiency is the degree of comparing the results with the costs, the system of indicators characterizing the utilization level of production capacity of the system, then in management, efficiency means the achievement of management objectives with minimal adverse consequences or costs” (Rumjanceva, 2011), then we are interested in social “price”, implied by social impact in the community.

Economic efficiency of social policy has been repeatedly discussed and written about. (Avtonomov & Gavrilova, 2011).

Social efficiency represents a ratio of costs to carry out social activities to the obtained results. Therefore, supporting the social sphere should not be viewed in terms of size of its financing, but it is necessary to evaluate the efficiency of resource allocation. Various methods of assessment of individual indicators of social policy are offered, (Clarke & Van Ourti, 2010; Erreygers & Van Ourti, 2011; Jarmolenko, 1999; Milenkovic, Vukmirovic, Bulajic, & Radojicic, 2014; Polushkin, 2014; Ramonov, 2012; Rizhov, 2009; Seke, Petrovic, Jeremic, Vukmirovic, Kilibarda, & Martic, 2013; Voronov & Lavrinenko, 2011; Whelan, Nolan, & Maitre, 2014) however, there is no comprehensive evaluation of large arrays (clusters) of data on the effectiveness of socio - economic policy.

This analysis can be performed through a system of statistical indicators (ratios) that describe quantitative and qualitative aspects of social phenomena and processes in society. To evaluate the efficiency of social policy based on the analysis of the sources of literature (Atkinson, Cantillon, Marlier, & Nolan, 2002; Atkinson, Marlier, & Nolan, 2004) and statistical data, eight areas of social and economic policy were distinguished in the research:

### 1. Social protection

- Social guarantees
- Expenditure on social protection
- State social budget revenue
- State social budget expenditures
- Fiscal deficit/surplus of social budget
- Minimum pension benefit
- Average pension benefit
- The share of pensioners receiving pension below the minimum subsistence level
- The average monthly amount of the allowance for childcare
- The minimum amount of the allowance for childcare

### 2. Employment

- The employment rate in the state
- The unemployment rate in the state
- The number of registered unemployed
- The number of long-term unemployed (over one year)
- The number of recipients of unemployment benefits

- The average monthly unemployment benefits
- The proportion of young people among the unemployed

### 3. Personal income

- GDP per capita
- GDP per capita at PPP
- The minimum monthly wage
- The average monthly wage
- The minimum monthly subsistence level per capita
- The share of population receiving minimum wage

### 4. Poverty

- The share of people living below the poverty threshold
- The share of population being at risk of poverty
- The share of pensioners being at risk of poverty
- Indicators of material deprivation
- Income inequality (Gini coefficient)
- The number of people with a status of the poor and needy (proportion)
- The proportion of people in need of better housing conditions (in the queue for social housing)

### 5. Healthcare

- Total expenditure on health as% of GDP
- The number of hospitals
- The number of beds in hospitals
- Morbidity of mental illness
- Morbidity of alcoholism
- The number of people with addiction to drugs and psychotropic substances
- Work safety: accidents in the workplace

### 6. Education

- The number of secondary schools
- The number of pupils per 10 000 inhabitants
- Number of teachers in secondary schools
- The number of vocational training institutions
- The number of pupils of vocational institutions per 10,000 inhabitants
- The number of universities and colleges
- Number of students per 10,000 inhabitants
- The number of academic staff in universities and colleges



- The number of students who received a degree or qualification at universities and colleges
- Public spending on education as % of GDP

#### 7. Demography

- The number of residents
- Birthrate
- Mortality
- Child mortality
- Natural increase
- Immigration
- Emigration
- Migration balance
- Life expectancy

#### 8. Economic policy

- Tax policy
- Inflation
- The pension system
- The level of corruption
- The proportion of officials
- The share of maintenance costs of the state apparatus
- Shadow economy
- Safety at work
- Policy in the field of modern infrastructure (e.g., housing and transportation)

As indicators of social policy, in addition to those represented above, some authors indicate social and psychological well-being of the population (social tension, incarceration, anxiety, proneness to conflict), ICT indicators and health indicators, economic and social security (the costs of environmental safety and crime prevention, environmental thresholds and indicators of criminality), housing, family policy, environmental policy and law enforcement (Czapiński & Panek, 2014; Jeremic et al., 2011). However, in this article, we will examine the analysis of statistical data, since in order to determine other indicators, it is necessary to use expert evaluation methods or study public opinion.

In the initial phase of the study, 65 indicators were selected based on the areas. At a later stage many of them turned out to be either controversial (ambiguously characterizing the impact of social policies), or unavailable for collection and comparison. In general,

after the completion phase of collecting statistical data, 30 indicators were selected: 16 indicators in a set of the collected data, the increase of which positively affects the efficiency of social policy, and 14 indicators, a decrease of which has a positive effect on the efficiency of social policy (determined by experts by means of survey) (Table 2).

This article presents only preliminary results of the analysis of statistical indicators. In the calculation process, there was estimated the decline in growth rate of all the studied parameters, given that changing them may have a different impact on the efficiency of social policies (Belchik, 2013):

$$RC = \frac{I_n - I_{n-1}}{I_{n-1}} * 100\%, \text{ where} \quad (1)$$

RC – rate of change;

I – indicator.

The efficiency of social policy is determined by the change of indicators in the dynamics for a certain period. In this research are used indicators (the study results) in 2010, 2011, 2012 and 2013. (In the future, the comparisons may be done over a longer period of time.)

At the preliminary stage of the analysis, a scale for assessing efficiency of social policy, (presented in Table 3), was adopted:

## Results of the Research

Analysis of the data on development of social policy in Latvia in 2011 compared to 2010 showed that the dynamics of ten (33.3% of the total number of indicators or almost 1/3) out of 30 indicators suggests that there were no significant changes in the efficiency of social policies in the period of time analyzed. Only eight indicators (or 26.7%) show improvement in socio-economic policy of Latvia: four indicators (13.3%) show positive changes in the efficiency of social policies, and four indicators (13.3%) suggest significant improvement in performance. In turn, 12 of 30 indicators selected (or 40.0%) indicate that the situation has worsened: six indicators (20.0%) show a decrease in the efficiency of social policy, and six indicators (20.0%) show a significant decline in its efficiency in 2011 compared with the previous period. Furthermore, spending on social protection has significantly decreased,

**Table 2.** Calculation of Indicators of Socio-Economic Policy of Latvia

Areas of social and economic policy		Indicator	2010 год	2011 год	2012 год	2013 год	2011/2010, %	2012/2011, %	2013/2012, %
1.	2.	3.	4.	5.	6.	7.	8.	9.	
Social protection	State social budget revenues, billion Ls	1.178	1.255	1.353	1.431	+6.5	+7.8	+5.8	
	State social budget expenses, billion Ls	1.514	1.380	1.402	1.472	-8.7	+1.6	+5.0	
	Social protection expenditure as% of GDP	20.9	15,7	14,8	10,4	-24.8	-5.7	-29.7	
Employment	The unemployment rate, %	19,5	16,2	14,9	12,1	-16.9	-8.0	-18.8	
	The number of long-term unemployed (over one year), thous. people	61,3	56,9	46,0	33,0	-7.2	-19.2	-28.2	
Personal income	GDP per capita at PPP,% of the EU average (EU-100)	55	60	64	67	+9.1	+6.7	+4.6	
	The value of the minimum monthly wage, Ls	256,12	284,57	284,57	320,00	+11.1	0	+12.5	
	The minimum monthly subsistence level per capita, Ls	236,81	246,63	250,00	252,84	+4.1	+1.4	+1.1	
	The share of the population receiving the minimum wage,%	40.1	55,6	44,6	37.0	+38.7	-19.8	-17.0	
	The share of people living below the poverty line, (%)	27.6	31.0	25.6	24.0	+12.3	-17.4	-6.3	
	The share of the population being at risk of poverty,%	38.2	40.1	36.2	35.1	+5.0	-9.7	-3.0	
	The share of pensioners being at risk of poverty,%	33.0	33.7	33.2	36.1	+2.1	-1.5	+8.7	
	Income inequality (Gini coefficient),%	35.9	35.1	35.7	35.2	-2.2	+1.7	-1.4	
	The number of people with the status of the poor and needy, thous. people	155,6	185,5	160,3	108.7	+19.2	-13.4	-32.2	
	The share of people in need of better housing conditions,%	59.2	58.0	60.2	57.5	-2.0	+3.8	-4.5	
Healthcare	Total expenditure on healthcare as% of GDP	6.7	3.6	3.5	3.13	-46.3	-2.8	-10.6	
	The number of beds in hospitals, units.	11920	12 111	11972	11 673	+1.6	-1.1	-2.5	

**Table 2.** Calculation of Indicators of Socio-Economic Policy of Latvia (Continued)

Areas of social and economic policy	Indicator	2010 год	2011 год	2012 год	2013 год	2011/2010, %	2012/2011, %	2013/2012, %
1.	2.	3.	4.	5.	6.	7.	8.	9.
Education	The number of pupils per 10 000 inhabitants	1132	1104	1070	1050	-2.5	-3.1	-1.9
	Number of pupils of vocational schools per 10,000 inhabitants	173	172	170	159	-0.5	-1.2	-6.5
	Number of students per 10,000 inhabitants	531	501	475	467	-5.6	-5.2	-1.7
	Government spending on education as% of GDP	6.1	5.7	5.5	5.0	-6.6	-3.5	-9.1
Demography	The population number, thousand people	2120.5	2074.6	2044.8	2023,8	-2.2	-1.4	-1.0
	Birthrate, pers. per 1000 inhabitants	10.1	9.1	9.8	10.2	-9.9	+7.7	+4.1
	Mortality, pers. per 1000 inhabitants	14.3	13.9	14.3	14.3	-2.8	+2.9	0
	Infant mortality rate, number of deaths per 1000 births	5.6	6.6	6.3	4.4	+17.9	-4.5	-30.2
	Emigration, thous. pers.	39.7	30.4	25.1	22.6	-23.4	-17.4	-10.0
	Life expectancy, years (average number)	73.3	74.0	74.2	74.4	+0.95	+0.3	+0.3
Economic Policy	Inflation (average level of consumer prices),%	2.5	4.4	2.3	1.8	+76.0	-47.7	-21.7
	The share of maintenance costs of the state apparatus, as % of GDP	26.2	22.2	21.0	20,1	-15.3	-5.4	-4.3

Source: Adapted from "2012. gada publiskais pārskats [Public report for year 2012]", by the Ministry of Welfare of the Republic of Latvia (2012). Retrieved from [http://www.lm.gov.lv/upload/gada\\_parskats/lm\\_publ\\_parsk\\_2012.pdf](http://www.lm.gov.lv/upload/gada_parskats/lm_publ_parsk_2012.pdf); "Statistika [Statistic]", by the Ministry of Welfare of the Republic of Latvia (2013). Retrieved from <http://www.lm.gov.lv/text/2156>; "Sociālā drošība – Galvenie rādītāji [Social Security – Key Indicators]", by the Central Statistical Bureau of Latvia (2013a). Retrieved from <http://www.csb.gov.lv/statistikas-temas/sociala-drosiba-galvenie-raditaji-30402.html>; "Veselības aprūpe un sports – Galvenie rādītāji [Health care and sport – Key indicators]", by the Central Statistical Bureau of Latvia (2013b). Retrieved from <http://www.csb.gov.lv/statistikas-temas/veselibas-aprupe-un-sports-galvenie-raditaji-30287.html>; "Nodarbinātība un bezdarbs – Galvenie rādītāji [Employment and unemployment – Key indicators]", by the Central Statistical Bureau of Latvia (2013c). Retrieved from <http://www.csb.gov.lv/statistikas-temas/nodarbinatiba-un-bezdarbs-galvenie-raditaji-30263.html>; "Iedzīvotāji – Galvenie rādītāji [Population – Key Indicators]", by the Central Statistical Bureau of Latvia (2013d). Retrieved from <http://www.csb.gov.lv/statistikas-temas/iedzivotaji-galvenie-raditaji-30260.html>; "GDP per capita in PPS", by Eurostat (2013). Retrieved from <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00114>; "Ziņojums par Latvijas tautsaimniecības attīstību [Report on the Economic Development of Latvia]", by the Ministry of Economics of the Republic of Latvia (2010). Retrieved from [https://www.em.gov.lv/files/tautsaimniecibas\\_attistiba/zin\\_2010\\_1.pdf](https://www.em.gov.lv/files/tautsaimniecibas_attistiba/zin_2010_1.pdf); "Ziņojums par Latvijas tautsaimniecības attīstību [Report on the Economic Development of Latvia]", by the Ministry of Economics of the Republic of Latvia (2011). Retrieved from [https://www.em.gov.lv/files/tautsaimniecibas\\_attistiba/zin\\_2011\\_1.pdf](https://www.em.gov.lv/files/tautsaimniecibas_attistiba/zin_2011_1.pdf); "Ziņojums par Latvijas tautsaimniecības attīstību [Report on the Economic Development of Latvia]", by the Ministry of Economics of the Republic of Latvia (2012). Retrieved from [https://www.em.gov.lv/files/tautsaimniecibas\\_attistiba/zin\\_2012\\_1.pdf](https://www.em.gov.lv/files/tautsaimniecibas_attistiba/zin_2012_1.pdf); "Ziņojums par Latvijas tautsaimniecības attīstību [Report on the Economic Development of Latvia]", by the Ministry of Economics of the Republic of Latvia (2013). Retrieved from [https://www.em.gov.lv/files/tautsaimniecibas\\_attistiba/zin\\_2013\\_1.pdf](https://www.em.gov.lv/files/tautsaimniecibas_attistiba/zin_2013_1.pdf); "Ziņojums par Latvijas tautsaimniecības attīstību [Report on the Economic Development of Latvia]", by the Ministry of Economics of the Republic of Latvia (2014). Retrieved from [https://www.em.gov.lv/files/tautsaimniecibas\\_attistiba/zin\\_2014\\_1.pdf](https://www.em.gov.lv/files/tautsaimniecibas_attistiba/zin_2014_1.pdf)

**Table 3.** The Scale for Evaluating Efficiency of Social Policy

Change in indicator	Efficiency	Interpretation
More than 15%	2	Significant increase in efficiency
From 5 to 15%	1	Growth of efficiency
To 5%	0	No significant changes in efficiency
From 5 to 15%	-1	Decrease in efficiency
More than 15%	-2	Significant decrease in efficiency

From "Оценка результативности социальной политики [Evaluating impact of social policy]" by T. Belchik, 2013, Фундаментальные исследования [Fundamental research], 1(1), p. 202. Copyright 2013 by Fundamental research.

which, in turn, led to a significant increase in the number of residents living below the poverty threshold with the status of the poor and needy, or receiving minimum wage. There has been a significant decrease of public healthcare service costs (46.3%) that was the result of the economic crisis of 2009-2010 when primarily the social sphere was subject to cost cuts.

The analysis of the data on the development of social policy in Latvia in **2012** compared with data of **2011** has showed that the dynamics of the 15 (50.0% of the total number of indicators) out of 30 indicators suggest that there were no significant changes in the efficiency of social policy during that period. Seven indicators (23.3%) have shown positive changes in the efficiency of social policy. Six indicators (20.0) have revealed a significant improvement in efficiency. The state was able to significantly reduce the number of long-term unemployed, and thereby to reduce labor market tension, the number of people with the status of the poor and the needy, the proportion of the population receiving the minimum wage, as well as emigration and inflation in the country. Dynamics of two indicators (6.7%) (decreased number of students per 10,000 inhabitants, which is a consequence not only of demographic decline but also of strengthening of emigration and spending on social protection) suggests that the efficiency of social policy decreased during the research period insignificantly.

Analysis of the data on the development of social policy in Latvia in **2013** compared to **2012** showed that the dynamics of twelve (40.0% of the total number

of indicators) out of 30 indicators suggests that there were no significant changes in the efficiency of social policies in the period of time analyzed. At the same time, eleven indicators (or 36.7%) show improvement in the socio-economic policy of Latvia: five indicators (16.7%) show positive changes in the efficiency of social policies, and six indicators (20.0) suggest significant improvement in performance. The improvement was due to significant reduction in the unemployment rate and, accordingly, the number of the long-term unemployed in the labor market, the proportion of people receiving minimum wage and the number of residents having the status of the poor and the needy, decreased infant mortality and inflation in the country.

In turn, 14 of 30 selected indicators (46.7%) show that the situation has worsened: four indicators (13.3%) show a decrease in the efficiency of social policy, and two indicators (6.7%) - a significant decline in its efficiency in 2013 compared with the previous period. Furthermore, spending on social protection has significantly decreased (by 29.7%), and there has been a significant decrease of public healthcare service costs (by 10,6%), and in the education sector (by 9.1%). Since the official financial and economic crisis in Latvia ended in 2011, such cutting of expenses on the social sector can be attributed to a decrease in the number of Latvian population and, accordingly, the recipients of social services, or to the fact that those in power, right-wing parties, which during all the years of Latvian independence did not consider social services as a priority in the development of the state.

Although the number of indicators reflecting negative trends and indicating a decline in the efficiency of social policy in Latvia has decreased significantly (from 12 to 3) in 2012 compared to 2011, we can say that the efficiency of social policy in Latvia during the study period was not marked by considerable success. However, this investigation has good points as well, as there are several issues that need more attention. If to compare dynamics of change of social policy indicators in 2013 in comparison with 2012, there is a tendency of increase from three to six indicators, reflecting the negative trend and showing a decrease in the effectiveness of social policy in Latvia, while at the same time, the indicators demonstrating productivity growth have remained essentially unchanged.

## Conclusions and Suggestions

The most comprehensive definition of social policy, in our opinion, is the following: social policy is the activity of the various subjects of public relations involving coordination of interests of different social groups aimed at achieving social goals related to improving the well-being and quality of life, human potential development and the development of social partnership and prevention of social conflicts.

The efficiency of social policy may be determined using a system of indicators, combined into eight areas of economic and social policy: social protection, employment, income, poverty, healthcare, education, demography, economic policy.

The research on the effectiveness of social policy in Latvia shows its relatively low level compared to other EU countries.

Another conclusion that can be drawn from the research is that such monitoring is very important for the activities of public authorities. It is necessary to improve presentation of statistical data, to expand the list of indicators, and to assess the efficiency of social policy in a complex way, rather than in accordance with individual disparate indicators.

Furthermore, the analysis of the results of the research enables recommending them as a basis for monitoring the results of social policy, keeping a constant lookout for any process. The purpose of supervision is to make sure that an observed process matches standards, desired results or initial assumptions. Further research will be devoted to the develop-

ment of more precise criteria for estimating efficiency of socio-economic policy. This will be the criteria developed for each individual indicator using expert evaluation methods. In the future, for a more objective assessment of the situation regarding the state socio-economic policy, there will be a need for a properly designed questionnaire to assess the efficiency of social policy by means of a survey of the population according to the place of residence. It is necessary to develop a method of integration of the estimates obtained with the help of statistical data and estimates obtained using a questionnaire survey of the population.

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