

LATVIA'S HIDDEN NEW POOR SOUP KITCHEN USERS IN RIGA

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Preamble: Latvian transition, soup kitchens, life and death

On an unusually cold winter day in Latvian capital Riga in February 2004, I was on my way to my first visit to a soup kitchen run by the Diakonijas Centrs (Diakonia Centre of The Evangelical Lutheran Church in Latvia)¹ on the other side of the river that runs through the city of 870,000 inhabitants. In this small Baltic nation of 2.3 million, at that time standing at the threshold of NATO and European Union entry after painful years of reform since breaking free from the Soviet Union in 1991, no one wanted soup kitchen queues to rise up as a symbol of the other side of the coin of all those efforts to reform. Despite being the poorest of the 10 post-Communist EU newcomers and struggling with huge socio-economic differences, those in political and economic control were united in their efforts to portray Latvia as a success story. Soup-kitchen queues had no place in this picture, and the issue of poverty was usually pushed under the carpet or glossed over in the public debate.

I was unsure about what to expect, since so far I had concentrated my field work on a soup kitchen run by the spiritual order of Hare Krishna, located in one of Riga's main streets just outside the picturesque Old Town and in defiance of public decorum, which demanded that any images of poverty be removed from the heart of the city. The Hare Krishna centre was in fact more than a soup kitchen, comprising both a restaurant-style dining room for paying costumers and a facility for providing food for the needy, where people patiently lined up outside to wait for their handouts. The Diakonia soup kitchen was situated in a run-down area of Riga that was far removed from the political and economic elite, tourists and other visitors. Luckily I found the little park that I had been told would be the right place, but there were no sign of any soup kitchen. However, plenty of poor-looking people in ragged clothing were hanging around, indicating that something was about to happen. Suddenly a white van stopped by the park and out came three smiling women and two men carrying huge casseroles of soup. In no time a provisory stand had been set up with bowls, spoons, bread and soup, and a queue of people stretched throughout the park. This grassroots aid effort was over in about 30 minutes, but it gave me a first glimpse of an event I would grow accustomed to over the

¹ <http://www.diakonija.lv/en.htm>

next months. There were close to 100 men and women present on that particular day, ranging from 20 to 80 years of age. Many were obviously in desperate need of warmer clothes, and I remember looking at their hands and being amazed that they could even manage to eat in the freezing cold. I was not surprised to hear that as many as 80 homeless people froze to death that year, reported rather matter-of-factly by local media as the result of an unusually cold winter. The deaths did not stir much debate.

Once it re-gained independence, Latvia found itself starting almost entirely from scratch when it came to rebuilding its nation. It had no political class ready to step in to take control, no national administration, a desperately weak economy and an infrastructure geared towards Latvia being just one piece in the USSR puzzle rather than a nation-state in its own right. It was an extremely difficult starting point, and its leaders had to make equally difficult strategic choices. One strategy that emerged was a strong belief in free-market principles, combined with a tight fiscal policy. In many ways, this strategy has enabled Latvia to pull itself up by the hair, with a booming economy, high foreign direct investment and crowned with NATO and EU membership in 2004. However, the success has come with a heavy price tag. The country has remained politically weak and the state financially poor, unable to respond to the large and growing challenges in ‘softer’ areas, such as health care, pension systems and education. With little or no social security net, those that fall off the slippery edges of this rising economic platform often hit the ground without anything to break their fall.

Thus, for many poor people in Riga, the soup kitchen represents their only salvation. Many of these are examples of the ‘new poor’ created by the transition period in Latvia, often overlooked and ignored and hence in many respects also ‘hidden’. Through their personal stories, they contrast what they experience as the relatively “problem-free” period of the all-encompassing Soviet society with the social disintegration of present-day Latvia. The small Baltic country may have had limited options back in 1991, but – as I would learn through this study – to many of the soup kitchen users in Riga the political choices made during the transition were seen as choices of life and death. Too often, they said, the choices made proved to be the wrong choices.

THE RE-EMERGENCE OF LATVIA, AND OF POVERTY

Introduction: 'There is no poverty in Latvia'

Latvia, like the other former USSR states and satellites, has undergone radical changes over the last one and a half decade. In the late 1980s, the world witnessed a revolutionary wave that swept across Central and Eastern Europe after nearly 50 years of communist rule. The transition from a communist regime to a market economy had a great influence on the political situation in Europe, and radically changed the daily lives of millions of people in these countries.

The Baltic countries were among the most affluent territories of the USSR, and Soviet leaders had regularly used the region as a showcase of communism. However, in the period between 1988 and 1995, immediately before and after the collapse of the Soviet Union, Latvia, as so many other Soviet states and satellites, experienced a drastic economic contraction. The country saw a fall in gross domestic product (GDP) per capita of more than 50% from 1990 to 1994 (Aasland 1996), inflation rocketed (958% in 1992) and people's purchasing power dropped drastically. This economic collapse in the early phase of transition naturally led to much hardship for the population, but a remarkable turnaround followed. In the mid-1990s the Baltic economic downturn was halted and their positive macroeconomic performance since then has been trumpeted as an unquestionable sign of a Baltic economic success. In Latvia's case, GDP was rapidly increasing every year, with an annual average of 5.8 % in the 1996-2002 period (Ministry of Economics 2003). By now the Baltic countries' transition is usually praised as 'success stories' and their economies are sometimes referred to as the 'Baltic tigers' due to their strong performance and high growth rates.

A transition from a centrally planned economy to a market economy is a highly complex process that requires both social and economic restructuring. During the stabilisation of the economy and reorganisation of the state, Latvians lost most of their Soviet-style state support systems (e.g. housing, childcare and health) without having any corresponding Latvian social security system to lean on. Suddenly, for people who had

been living under Soviet rule for almost half a century, a new way of thinking was expected and necessary almost overnight. Unsurprisingly, not everybody coped with such drastic changes and a class of 'new poor' followed in the wake of transition.

While research about poverty in Latvia is not new and various previous studies include much data on households and living conditions, few of them have incorporated the poorest part of the citizens. This segment - the poorest of the poor - is difficult to capture as they are often not a part of a household or, for various reasons, cannot or do not want to participate in research studies. Thus, on the one hand they become invisible on the research agenda, while on the other hand they form a group which most mainstream Latvian politicians and policy-makers choose to overlook and ignore since they represent failures in the otherwise successful reforms. This unwillingness to admit the adverse results of transition in Latvia has deep and complex roots, and may both be seen as a result of Latvia's determination to succeed where others, most notably Russia, predicted it would fail, and as turning a blind eye to situation nearly void of political options. With huge investments still urgently needed to create a social welfare system to replace the Soviet cradle-to-grave model, Latvian state coffers simply do not have the funds needed for a quick fix, and the poorest of the poor are often those suffering most.

Exemplifying this attitude, one of Latvia's most powerful and influential civil servants talked much about Latvia's strong macroeconomic performance in an interview with the Reuters news agency in early 2004. But when asked about the adverse affects about Latvia's mix of free-market economy and tight fiscal policies (including low public debt, low inflation and low budget deficits), such as the big differences between rich and poor, the civil servant categorically stated: "There is no poverty in Latvia".² This statement is, simply stated, plain wrong. However, absolute poverty in Latvia is difficult to quantify, and to a large extent such a study must be based on a bottom-up approach, since a large part of the 'new poor' are not captured in official statistics and sources.

This study focuses on those who are dependent on support from NGOs and voluntary organisations. Previous researches (CSB 2001, Dudwick et al. 1998) have found that only a very small fraction of the respondents receive such grassroots support. Apart from

² Influential civil servant interviewed by Reuters Chief Correspondent for the Baltic Countries in early 2004. The civil servant has been made anonymous and the exact date of the interview has been withheld as the quote remains unpublished.

adding new knowledge by researching a stratum of Latvian society not previously covered in studies, the bottom-up study of this group contributes added value by the personal testimonies of those dependent on this kind of help. Through the lens of personal experience, each one complements our understanding of poverty in Latvia.

There is much information available about the macroeconomic changes in former communist countries and about the reforms that were undertaken in order to develop them into market economies, but there is less information about the effect these changes had upon the people living in these countries. This human aspect seems often forgotten in the process, and the voices of the poor are seldom heard.

Part of my personal motivation to write about the very poor in Latvia was that circumstances led my partner and me to Riga in January 2003, where we lived for the following two years while he was working. After a few months in Riga some ideas about my research project started to develop. I was surprised by the wealth and luxury that surrounded us in the area where we lived; flashy cars, expensive shops and banks on every second corner. But we also noticed that our garbage was ransacked every night. I knew the population in Latvia was rather poor, and I found it curious that there were not more poverty visible. I started to question this paradox and wanted to investigate the issue of poverty beyond the official statistics, which did not seem to provide a full picture. Since I knew the location of at least one soup kitchen in Riga, I decided that those places might provide a part of the puzzle that the statistics did not. It proved that just to locate the various soup kitchens in Riga was a difficult and time-consuming task since many of them were hidden in down-trodden areas of the city. However, my prolonged stay in Latvia enabled me to get a fairly good overview over the different advocacy groups and institutions that were providing support to the absolute poor, such as the Missionaries of Charity. Through this long and regular contact with the poor of Riga as well as the volunteers who aided them, the level of polarisation in the population gradually became clear. It also became clear that the powerful and influential civil servant was wrong in his assessment of his country; there *is* poverty in Latvia.

"Seldom has the gap between expectations and reality been greater than in the case of the transition from communism to the market" (Stiglitz 2002 p.151)

The Riga soup kitchens: known to few, serving many

It was difficult to gain an overview over the various soup kitchens in Riga as they were entirely based on grassroots initiatives with no central planning. Even to locate the different soup kitchens was problematic, since there was so little information available. Remarkably, even the different soup kitchens themselves hardly knew anything about the others, and various humanitarian organisations, such as the Red Cross or institutions like the UNDP, as well as central and local authorities, did not seem to be familiar even with the existence of the soup kitchens.

In total, I managed to confirm the existence of 13 soup kitchens in Riga, of which interviews were undertaken at seven. Four of the 13 could be traced through postings on the Internet, while the remaining three were located from information provided by users or staff at other soup kitchens. For the last six, it proved impossible to determine essential information such as their location, and the day and time they operated.

The seven soup kitchens in this study represent a wide variety in terms of localisation, size, amount of people served and distribution method. Some were modest and small while others catered for 200 people when necessary. Some were open every day, while others served only once a week. One soup kitchen did not accept pensioners, another was quite strict on identification papers, while yet others served everybody who showed up. A couple of soup kitchens were frequented by a large number of intoxicated persons, while at others the majority of visitors seemed to be middle-aged poor people.

‘Poverty’ was not a common word in communist time, nor was the concept of soup kitchens, these facilities have popped up at various locations in Riga. Long-serving volunteers said the soup kitchen queues were a great deal longer in the early 1990s than they are at present, with one volunteer stating that up until 1995 as many as 2,000 individuals could show up every day. The volunteer saw the drop in soup kitchen users as a positive sign, and reckoned that many had disappeared from the queues as they had found ways to support themselves and their family. However, free distribution of food is still much needed for the poorest part of the citizens, and there is an urgent need for more shelters. In addition to the soup kitchen mentioned below, the Jewish community in Riga helps many people both elderly and needy every week.³

³ <http://www.chabad.lv/en/index.html>

Objectives: Latvia's hidden 'new poor'

"Optimum growth and prosperity in every nation is best achieved when the human capacity of all its population are developed to the maximum" ⁴

This study will examine the impact the transition had on the Latvian population, with main focus on the lowest strata in society. Against the backdrop of the radical changes that Latvia underwent and the spread of poverty that followed, the study will focus on three main transition themes: Socioeconomic changes; state duties, responsibilities and actions; and growth of inequality and poverty.

As can be traced in the preceding chapters, the Latvian transition from communism to capitalism was overly emphasised by economic development while the social development did not, for different reasons, experience the same improvements. This new social order, whose new characteristics included inequality and poverty, was allowed to establish itself much because of one-dimensional or defective reforms combined with the absence of any adequate redistribution policies. At the heart of these shortcomings lay the strong belief in the neo-liberal philosophy, which focused Latvian decision-making on macroeconomic development in the expectation that social development would follow in its wake. Just as with Adam Smith's 'hidden hand'-theory of market principles, with supply and demand automatically adjusting to the optimum, decision-makers seemed to expect a 'hidden hand' would guide the economic and social development of Latvia.

A social class of 'new poor', a new "pariah" class, at the bottom of the social ladder in the new post-communist society, emerged in Latvia in the transition period, which for various reasons fell outside the new free-market society. This class is either fully or partly missing from official statistics and previous studies. Consequently, the socio-economic conditions of these strata are difficult to capture, and hence a 'household' study of these strata would need to go beyond the usual household research methods. The Riga soup kitchens provide arenas where these people are present, and this research aims to determine the living conditions of this 'hidden' class.

My aim is to describe the changes and development in some of Latvia's very poor

⁴ <http://www.un.lv/down/LatviaCCA.pdf>

people's social life and human security over the 15-year transition period, which spans the transition from the all-embracing Soviet system to the social welfare system of free-market Latvia. Based on the above, the main objectives of this research can be summarised in the following research questions:

1. What are the socioeconomic conditions for the lowest strata in Latvian society (the 'new poor'), including their survival strategies?
2. What are the internal and external reasons behind the formation of this group of 'new poor', including the shift from communism to capitalism, macroeconomic developments and transition-period policies?
3. What formal and informal support systems does Latvia's 'new poor' have at their disposal, such as state welfare benefits, support from family and friends, and assistance from advocacy groups?

Structure of the thesis

The first part of chapter 2 is concentrated around the concept of 'development', including an overview of different definitions and theories. Of these, most focus is devoted to neo-liberalism, which was the most prominent direction of the transition process in former USSR in general and in Latvia specifically. The chapter will also focus on some factors of a country's development, such as the role of the state and the elite. Another important concept in this thesis is 'poverty', and hence a brief overview of some of the different theories and definitions regarding poverty will be provided, including various ways to measure poverty.

Chapter 3 will start with a short and general description of Latvia's historical development in the years prior to 1991, followed by a more detailed account of political and socioeconomic development in Latvia during the transition period. Chapter 4 provides explanations and details on the research methods used, as well as descriptions of the fieldwork of this study.

The illustrations the life situation of the informants of the study and discussions on the research findings will follow in chapter 5. The chapter, which is divided in to sub-chapters, will first introduce and provide an overview of the informants. Secondly, the

issue of poverty will be examined in light of the day-to-day challenges of the soup kitchen users. Thirdly, the survival strategies of the informants will be examined. The fourth sub-chapter will discuss the Latvian social security system, especially in terms of whether the system can be said to deliver according to people's needs, and how the poor regard the state benefit programmes, followed by an account of the informants' own thoughts about being part of the lowest strata in the society. The final part of chapter 5 is devoted to the transition experiences of the 'new poor' and what they regard as the causes of their poverty.

Chapter 6 aims to sum up the various strands of the preceding chapters and provide a comprehensive conclusion to the main issues of this study; the socioeconomic conditions of Latvia's hidden 'new poor'; the underlying reasons for the emergences on this group; and to which support systems – if any – can this group turn for immediate assistance and help to escape the poverty trap.

DEFINITIONS, CONCEPTS, THEORIES

As the Greek philosopher Plato once observed: *'You get fifteen democrats in a room, and you get twenty opinions.'* Differing opinions and discourse around key concepts and theories about our world and society is as old as the concepts and theories themselves, and this on-going debate and questioning about our own understanding about the world around us – this continuous dialectical process – furthers our understanding, knowledge and sciences. However, it also means that conceptually, we are in a constant a state of flux, in which differing concepts and theories are juxtaposed against each other, more often than not with no clear-cut alternative rising up as preferable to the others.

The topic of this dissertation is poverty, an age-old theme has proven nearly impossible to eliminate and consequently an issue for which numerous concepts and theories have been formulated. Poverty is present in people's everyday life, either directly or indirectly. Furthermore, poverty can occur in different degrees; it can be absolute or relative, real or perceived. From this, it follows naturally that poverty can mean different things to different people, and is a quite fluid concept and difficult to pin down in absolute terms. The same can be said about possible solutions to the problem of poverty. People do not necessarily agree on the 'right' strategy for solving a problem, and most often there are a number of alternative 'prescriptions' to each syndrome. This chapter will mainly deal with the concepts of 'development' and 'poverty', and their different meanings will be discussed in order to provide a conceptual basis for the study.

'Development' and how to measure it

In the following section, some of the most relevant development theories for this study will be explored together with brief overviews of the different understandings of development. Development is in itself a complex word, and has been given a multitude of varying political, economic and social meanings. It can range from concerning people to business to culture to environment and to regional, national as well as global development. In this thesis it will mainly be used in relation to the changes Latvia has made in the last two decades. Behind the enormous task it is to transform or improve a country's situation, there is usually some development theory and strategy at play.

There have been many development theories in the last century, some has been short lived while others have survived over longer periods, while yet others have merged and thereby created new ones. Through the competing theories, different views on the role of the state, the market and the civil society are at play, and there are numerous understandings of the reasons for why some countries lack development as well as of what is the best strategy to spur development.

The earliest modern development theories became prominent in the 1940-1950s. They regarded internal relations, such as economy, political system, culture and social organisation, as obstacles to development (Hesselberg 1996). They understood development as a transformation of the traditional and underdeveloped country into a modern western one (Potter et al. 1999), with the same institutions, organisations and values. This “trickle down” would eventually take place after the relations between the rich North and the poor South were many and strong enough. In these situations the role of the state was limited to promoting growth and should not interfere by trying to level out differences, since unevenness would sooner or later lead to development. In the following decades, development thinking was primarily addressed in economic terms (or as economic growth), and was mainly dominated by economists. The underdeveloped countries were usually described in quantitative terms, such as GDP per capita – a method of measuring development that was silent about distribution in the country.

The 1960s saw increasing criticism against this interpretation. The modernisation theory was among others things blamed for being too focused on economic factors and for not taking cultural differences into consideration. In addition, the critics pointed out that the expected “trickle down” had not occurred, but rather that the gap between rich and poor was increasing. A broader understanding of development was being sought.

The 1960s and 1970s was marked by development theories which focused more on the unevenness seen in world development. These voices originated from Latin American and Caribbean structuralists, who looked at how the invisible structures in society shaped the social order (Potter et al. 1999). The main thought behind these Marxist-inspired theories and the ‘dependency’ approach was that the development of the western countries occurred at the expense of the poorer part of world (ref. authors such as S. Amin, P. Baran, A.G. Frank). Development and underdevelopment were seen as

closely connected. The countries were joined in an exploiting relationship, where surplus were transmitted from the poorer regions to the richer. Some found the solution to be to disconnect from world markets. Others were less dramatic and believed that development was possible, but that some necessary steps were needed for the poorer countries gain more control and establish more reasonable forms of cooperation (Hesselberg 1996). While modernisation theories generally focused on internal explanations for the lack of development, theories inspired by Marxism often focused on external explanations, such as an exploitative international relationship.

A new shift came in the 1980s with a neo-liberal interpretation of classical economic theory. Neo-liberalism is known to define development in rather strict economic terms, as has been very clearly defined by the International Monetary Found:

“The International Monetary Found believes that economic growth is the only way to improve living standards in developing countries, and that is best achieved through globalisation.”⁵

Since neo-liberalism approach has been instrumental to Latvia’s development, this approach will be explored in greater detail in a separate sub-chapter (ref. pp. 17-20)

While these have been the main directions in development thinking in the past half century, many others have made their mark. One notable example is the 1998 winner of the Nobel Prize for Economics, Amartya Sen, who finds development to be about people’s possibilities to enjoy different freedoms (Sen 1999). Sen’s concern is not just freedom from starvation, but also the freedom to choose and have possibilities. He takes the focus away from the narrow factors of GDP growth and increased income per capita, as these do not necessarily result in an income rise for the poor or give people the freedoms that are needed for a ‘good life’. These economic measurements do play an important part and is often a prerequisite for healthy development, but unless factors such as political rights, adequate healthcare and education systems are in place, people risk loosing other freedoms, according to Sen.

Measuring development is a difficult task. According to the neo-liberal understanding of

⁵ www.imf.org/external/np/exr/ib/2002/031502/htm

development, *quantifiable* categories, such as the increase of GDP per capita, are critical. This approach does give information about the economy in the country, but does not say much about the distribution of income or resources. In other words, whereas high or increasing GDP tell us about the *potential* economic security of each individual, it does not say much about *actual* economic security. In this respect, using a combination of GDP per capita and income distribution is probably a more suitable model for measuring development (UNDP 2003). UNDP's Human Development Report rates countries after a Human Development Index that contains variables such as life expectancy at birth, literacy rate, GDP per capita and school attendance⁶. This aims to give an overview of the general standard of living in each country by including factors that go beyond economic development. Human development is critical to a country's future development, and it is vital that the population lives in an environment in that provides opportunities and are the ability of making choices.

Countries ranked 55 or higher in the UNDP reports are considered to have a high level of human development Latvia was ranked 48 of 177 countries in 2003. While the country scores high on literacy rate and education, it scores low on life expectancy and its GDP per capita is low compared to other European countries. Many other ex-USSR states are rated higher than Latvia when it comes to total ranking and to GDP per capita; Slovenia, Czech Republic, Estonia, Poland, Hungary, Lithuania, Slovakia and Croatia.

Latvia has however made much improvement on the index since 1995, when it was ranked as number 92. Real GDP per capita in PPP\$ has increased from 3.273 in 1995 to 10.270 in 2003, and life expectancy at birth has improved with almost three years. A country can, if only considering GDP figures, be seen to perform very well. But at the same time the number of poor people may increase and the gap between rich and poor may widen. These average statistics do not inform about the distribution of resources in the nation.

In the case of Latvia, neo-liberal development theory is especially important because it has been a mainstream political doctrine since the country regained independence in 1991. Party politics have throughout the period been extremely turbulent, with successive governments lasting little more than a year on average.

⁶ http://hdr.undp.org/reports/global/2005/pdf/hdr05_HDI.pdf

However, the ruling parties and the elite's broad political acceptance of neo-liberalism has remained a guiding light throughout the transition period. *How* this was put into practice in Latvia will be discussed later. However, in order to fully grasp *why* Latvia's political and economical elite made the choices they did during the transition period, and how this affected poverty in the country, it is important to look at the conceptual basis of neo-liberalism as well as that of its critics.

Neo-liberalism and its critics

Neo-liberalism started to gain popularity in from the mid-1970s (Schuurman 1993), especially in the United States under Reagan (1981-1988) and in England under Thatcher (1979-1991). The central thesis of neo-liberalism is that the solution to a country's economic prosperity and growth may be determined by economical guidelines. The market mechanism should be left to control the economy and state interference was regarded ineffective and counterproductive. This development ideology has much in common with modernisation theory, but, as Schuurman mentions, has less to offer since it represents a reduction of the state. Another important difference between the two is that neo-liberalism looks towards external reasons and not just at internal affairs as barriers to development. In the neo-liberalist perspective, countries should open up their markets for import and export and let the market forces run the economy to the best for all parties. Through reforms aiming for stabilisation, trade-liberalisation, privatisation, deregulation and openness, the country would be best placed to take part in world trade and benefit from the positive consequences that would follow, such as foreign direct investment (FDI) and transfers of technology and knowledge, which again would spur economic growth (World Bank 2000).

Several international organisations work to promote trade across the borders, with the World Trade Organisation (WTO) in the lead. WTO works for reducing various forms of trade barriers. To back up and further their strategies of development, the International Monetary Found (IMF) and the World Bank provide loan-based support and advice. To receive such loans, countries have to sign up for Structural Adjustment Programs which contain different efforts to reduce or remove the barriers seen as

hampering economic growth. Demands can be to make the public sector more effective, to devalue the country's currency, to restrict monetary policy and also to create a more favourable business environment (Hovi & Underdal 2000). Such steps are expected to make bureaucracies more effective, increase FDI flows and boost national economies.

According to the neo-liberalist theory, the increasing gap between rich and poor countries is a consequence of the low-income-countries not integrating as fast or thoroughly into the global economy as they should. By contrast, critics would argue that it is market liberalism that is to blame for the widening gap. But neo-liberalists maintain that countries which have managed to implement a market-liberal policy have experienced faster growth than the countries that did not manage this. In short, the neo-liberalist view is that the more integrated a country is in the world trade, the faster the economic growth and the steeper the drop in poverty levels it would experience. In the words of the IMF:

*“Integration into the world economy has proven a powerful means for countries to promote economic growth, development and poverty reduction...The resulting integration of the world economy has raised living standards around the world. Most developing countries have shared in this prosperity. In some, incomes have risen dramatically. As a group, developing countries have become much more important in the world trade - they now account for one-third of world trade”.*⁷

Through Structural Adjustment Programs (SAP), designed to make necessary changes in poor countries, a reduction of the state would occur as a consequence. Demands for privatisation of state-owned enterprises reduce the state's control and decision-making, and the role of the state becomes more limited in order to prevent it from being the main owner of production. Instead, the private sector would run the industry in order to make it more effective and more suited for promoting economic growth. Another effect of selling off state-owned enterprises is a one-off boost of income for the state, which could cover foreign debt. Additionally, the state would be able to curb its expenses by limiting subsidies and thereby prevent budget and trade deficits. Price liberalisation would remove artificially low prices and the market would, with time, adjust prices to their ‘correct’ levels. Following from this, prices on utilities like water, electricity and rents should not

⁷ <http://www.imf.org/external/np/ib/2001/110801.htm>

be capped, since the market would be self-regulating.

The neo-liberal policy was supposed to make the situation better for the poorer countries, but after 20 years of neo-liberal policy many argue that such policies have had the opposite effect. The Canadian economist Michel Chossudovsky, a harsh critic of the IMF and the World Bank, has stated that the SAPs can be seen rather as a cause than as the solution for the economic problems in many third-world countries (Shuurmann 1993). In an interview, he went as far as saying that IMF and the World Bank “*are simply two tools used by the western elite to destroy nations, to turn them into territories*”⁸, and continued by saying that “*they are run by bankers and not by sociologists*”. There are also other people and organisations that are sceptical to the tight bonds between western, or American, interests and finance on one side and the World Bank and the IMF on the other. What has been labelled the *Washington Consensus* (a set of policies for promoting economic growth with the goal of making economies more similar to those found in western countries) has been criticized by among others Joseph Stiglitz (Stiglitz 2002) and the world-wide organisation Attac. Stiglitz, who himself worked in the World Bank as a chief economist, is critical to these policies and believes that some of the changes and reforms that are being pushed onto poorer countries, such as to limit the state's freedom of action, can be harmful. He warns about exaggerated liberalisation, deregulation and shock privatisation, and advocates the important role that public authorities and institutions have for economic development. He reckons that shock privatisation in a country with undeveloped democratic, legal and financial systems can lead to corruption and the formation of new elites that can be harmful for economic growth, and argues that an underlying institutional base is a critical factor in creating a functioning market economy. Currently, the Washington Consensus has been largely discredited, he says in an interview, since so many have found its economic strategies and objectives to be too narrow and overly focused on GDP growth while overlooking factors such as increasing welfare and democratic development⁹.

James Gustave Speth, a former administrator in UNDP, said in 1998 that poverty and inequality has been increasing in the last decades and that the world “*needs a new*

⁸ <http://emperors-clothes.com/articles/chuss/instru.htm>

⁹ <http://multinationalmonitor.org/mm2000/00april/interview.html>

architecture for development cooperation”, one that is also focused on sustainable human development and not only focused on political, economical and military interests¹⁰. However, this shift towards a more holistic approach to the theories of development, represented by among others Stiglitz, Speth, and the UNDP’s methods of measuring poverty, came too late for the decision-makers in the period of transition in the former Soviet states and satellites, including Latvia, from communism to capitalism.

Theories of transition and the ex-Soviet transformation

Many and difficult choices and decisions were on the agenda when 30 countries in Europe and Asia abandoned communism in favour of capitalism, many of which would shape the future for their inhabitants for decades to come. It was a difficult and complex process, and naturally there were different perceptions on how to achieve the best results. The starting point, the pace of actions and the way the transformation was carried out varied from country to country. Some advisers and countries went for what has become known as ‘shock therapy’, which focused on fast and radical changes. Others believed that a more gradual approach would minimise the risks. However, the main components of the process remained the same; macroeconomic stabilisation, liberalisation, privatisation, institutional changes and economic restructuring (Dabrowski 1996).

Although it is beyond the scope of this study to discuss which approach has proven to be the most suitable option, it is important to briefly enter into this debate – which has been on-going since the early 1990s – since Latvia found itself in the midst of this process. The speed of reform has varied among the eastern European countries. Estonia and Lithuania are both seen as examples of the shock variant, Latvia has been regarded as more of a mixed model, while Poland has been regarded as more of a gradualist, although far from as gradualist as China and Vietnam (Paldam 2002). Poland is one of the countries that have come the farthest, but they also started earlier than many others and from on a relatively higher level. Marek Dabrowski from the World Bank finds the debate about shock versus a gradual approach oversimplified and argues that comparing countries might not be of much value, since each country had a different

¹⁰ <http://www.undp.org.in/news/events/npcspeech.htm>

starting point, culture, composition and institutions (Dabrowski 1996).

Common for the majority of the countries of the former USSR just after the fall of Soviet Union was a large reduction in GDP (around 40% on average), a decline in external and internal demand, a rise in costs and prices and a rise in unemployment. Poland experienced only an 18% decline in GDP and managed to turn the arrow upwards after only a few years. Latvia on the other hand was the country hardest hit by the economic downturn and still lags far behind, although the economy is now growing steadily. Generally, the economies of the western countries grow on average by 2% percent a year, while many of the transition countries grow by 4-5% a year. If the growth rates remain at these levels, the gap is perhaps closed in 30-40 years (Paldam 2002).

The general fall in private spending among transition countries did not constitute the greatest part of the decrease, states Paldam, who writes about the Baltic states, Poland and Russia, as a significant part of this fall may be explained by cuts in military spending and investments. Private spending in Poland in 2001 was 50% higher than in 1989, whereas Latvia experienced a drastic fall in private spending that has yet to develop in line with GDP growth. An inflation wave went through the majority of the transition countries and reached a peak of around 1,000% in the first years of transition. By the end of the 1990s, inflation was closer to the levels seen in western countries.

'Poverty' and how to measure it

*"Everyone 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". Universal Declaration of Human Rights*¹¹

There are numerous perceptions, definitions, forms, levels, theories and solutions when it comes to poverty, but the essence of poverty must be said to be lack of life essentials, such as food, shelter and medical care. The terms "absolute" and "relative" poverty is a common distinction used among "poverty researchers". The former refers to a condition where basic needs are not covered and the prerequisites for life such as food, water,

housing and clothing are absent. There is usually a poverty line of a minimum amount of income per day which can be used when measuring the proportion of the population which is classified as absolute poor. Relative poverty on the other hand is used for people in situations where basics are covered, but who still are poorer than most others (Hesselberg 1996). This situation is also referred to as deprivation. These people feel poor since there are various things they cannot afford, and materialistically they are worse off than the people surrounding them. Their possibilities to participate in social activities are limited, and a lack of education and information often positions them low on the social ladder (social deprivation). People who are relatively poor are often in danger of becoming socially excluded because of the lack of a social. Social exclusion is a wider term than poverty, since it in addition to lack of material needs also includes people's inability to fully take part in society.

There are strong links between unemployment, poverty and social exclusion and these creates a vicious circle from which escape is difficult. Employment is very important for the hindrance of social exclusion and poverty. Involuntarily unemployment is almost certain to have a negative impact on the people it affects, mentally as well as economically. Unemployment or limited work opportunities can lead to poverty, bad health, poor nourishment, insufficient or no housing, dependency on others – either state, family or friends – low self-esteem and the feeling of being excluded from the society. But poverty does not necessarily lead to social exclusion.

A high number of unemployed will also have a negative effect on the society at large. The consequences of high unemployment and poverty will most likely increase state expenses, and other outcomes can be social tension, higher number of street children and homeless, and more crime. People who live with a daily uncertainty when it comes to food and housing often becomes vulnerable, and that is a hard way to live in the long run, both mentally and physically. Some might feel vulnerable even though they are not classified as poor at the moment but because of the lack of opportunities they fear the risk of poverty while others dread that they will sink deeper into the already existing poverty. It is a fact that a large part of the world's population lives in poverty and in some parts of the world it is actually increasing (Sub-Saharan Africa), and this is happening while

¹¹ http://www.hrea.org/erc/Library/display.php?doc_id=445&category_id=24&category_type=3

another part of the world's population is getting richer¹². Why some people cannot cover their essential needs is answered differently by the various organisations and people. Poverty can occur for people in different stages of life, it can be seasonal, and for others it can be a continuous condition.

Two obvious causes of poverty are natural disasters and war which can hamper the food access for the population. There are also historical reasons, such as imperialism and colonialism, which may influenced a country's development in a negative way and therefore led to scarcity or unevenness. Ted Bradshaw, professor at the University of Berkley writes in a working paper that there is a distinction between what researchers usually see as the reason behind poverty and describes five different theories of poverty (Bradshaw 2006). While it would be beyond the reach of this study to describe all five, the core division is between those who believe individual deficiencies are to blame and those who look more towards broader social phenomena for explanations. The researchers belonging to the latter group focus at the structures in the society, such as lack of employment and education, political corruption and a non-functioning welfare system, which are general factors that are beyond the individual's control. They look at external causes which for some people mean limited opportunities. This stands in contrast to the first category, which may be said to blame the victim. Researchers that fall under this heading put the centre of attention on the culture of the poor and blame their personal behaviour, their way of living and their passivity. Consequently, they regard possible strategies to break out of poverty as taking other choices, harder work and be more responsible. As Hesselberg states, this latter view takes the focus away from unfairness and the structural poverty explanations, and continues by saying that for most poor people it would be very difficult to escape poverty only through their own efforts (Hesselberg 1996).

To improve people's situation it is essential to look at the reasons behind the scarcity and to find strategies to make it better (for example aid, economic growth, improving social conditions). Additionally, it has been important for researchers to have methods to measure welfare and to have the opportunity to monitor possible progress or worsening circumstances. However, to analyse and measure poverty can be difficult and

¹² <http://news.bbc.co.uk/1/hi/business/906238.stm>

complicated, and especially deprivation is hard to measure (Hesselberg 1996). There are different ways to estimate poverty, most often through monetary values, such as income or consumption. There are also other non-monetary indicators, such as health, education, insecurity, self-esteem, powerlessness and self-perceived scarcity, that can be used (Klugman 2002). The methodology varies and there is no broad consensus on the most correct way to measure if a person is poor or “only” on the verge of poverty. Different approaches will give different results and small adjustments or inaccuracies in the poverty line can have a big impact on the results when it comes to the number of people regarded as poor – especially when considering countries where the majority of the population’s income is very low, such as in Latvia.

In order to measure poverty through monetary indicators, it is necessary to decide on a poverty threshold, which will classify those below the threshold as poor. There are different quantitative ways of measuring poverty. The World Bank operates with a poverty line of US\$1/ PPP\$1, which positions those who live on less a day as poor¹³. The EU operates with a single person’s income compared to the country’s median income, and regards someone on an income of less than 40% of the median income as extremely poor, while less than 60% would put a person in the at-risk-of-poverty bracket (Eurostat 13/2005). Some countries have decided on a minimum required subsistence income or a minimum value of crisis subsistence, which again can be used as a tool by measuring those on a salary below the minimum income or the minimum value of crisis subsistence.

While both income and consumption can be employed as monetary measures for poverty, the latter is said in the World Bank’s Poverty Reduction Sourcebook to be the most suitable if the information is sufficiently detailed, because it is said to better reflect living situation of a household (Klugman 2002). An alternative and subjective poverty line would be peoples’ self-perception of their situation.

Since these different ways of measuring poverty will give different outcomes and if the goal is to measure poverty over time, it is important to stick to one of them. It is

¹³ “Definition of PPPs: the number of currency units required to buy goods equivalent to what can be bought with one unit of the currency of the base country, usually the US dollar, or with one unit of the common currency of group of countries”

also possible to compare poverty internationally when using measurements like these, but there are problems connected to some of them that it is necessary to take into consideration. For example, the differences between urban and rural prices are not considered, and there are great differences when it comes to needs in terms of where you live. What is 'sufficient' will vary across the world. Goods can also be more expensive for poor people since they cannot afford to buy in bulk or larger quantities. In countries with a large black-market economy, the statistics of people's material welfare will be influenced by the unregistered income. If in a country a considerable part of the income is not considered in statistics, the situation could be better than the statistics would show.

In many ways Latvia is a telling example of the difficulties involved in measuring the magnitude and extent of poverty. Different organisations and statistics operate with highly different figures. Eurostat did not consider more than 16% of the population at the risk of poverty after social transfer in 2003, while the UNDP estimates that 70% of the population fall under the poverty line. Estimates from 1996 exemplify how using different parameters result in highly different outcomes. When utilizing a low threshold of 50% of the monthly mean household expenditure per capita (24 Ls), 12.22% of the population was considered very poor. The official minimums salary (38 Ls), on the other hand, put 40.45% of population under the poverty line. When applying the crisis subsistence minimum calculated by Latvia's Ministry of Welfare (52.18 Ls) the number increased to as many as 66.89% of the population (Gassmann 1998). According to these different ways of measuring poverty, the number of people considered as poor in Latvia varies with as much as one in ten to two-thirds of the population.

This study has approached the issue by concentrating on those that would be classified as poor according to all methods of measurement. The participants in this study do not have their most basic needs covered, and need to visit soup kitchens up to several times a week to survive. The questionnaire used in the study provides quantitative information that adds substance and detail to their categorisation as poor. This information, such as salary, unemployment and health status, housing conditions and state benefit levels, provides much insight into the specifics of their living situation. The majority of 76 respondents told me that their situation had deteriorated in the past ten years. Few of them have a regular job or received any unemployment benefit, their health

was generally poor and many were homeless. Those who had an apartment all said it was of low standard.

Inequality and polarisation

As already stated, many economic measurements, especially GDP per capita, do not say anything about the level of inequality in a country. An increase of GDP per capita does not necessarily mean an increase in the general welfare of the population. However, there are ways to determine this, such as the GINI index and the S80/S20 quintile ratio, which are both good tools for describing the distribution of welfare in a country. The GINI index, which is a tool for measuring stratification in a society, shows divergence away from an equal distribution (Solrød & Gundersen 1996). The lowest value – zero – would mean an equal distribution with no concentration, while the highest possible value – 100 – would indicate a total concentration. This tool can be very useful when comparing inequalities in a region or country over time. If the value rises, it would signify increased concentration and inequality, and vice versa. It is also possible to compare the ratio of income or consumption between the richest and the poorest in the country, as is done when applying the S80/S20 method. This tool measures the ratio of total income received (or consumption) by the richest quintile to the amount received by the poorest quintile.

HISTORY, POLITICS, SOCIOECONOMIC DEVELOPMENT

The first part of this chapter will provide a brief overview of the most important historical events in Latvia's development over the last century to provide the necessary historical context to the changes that occurred during the transition. This summary will be followed by a more in-depth analysis of the political changes of the last 15 years, with special focus on the effects the transition had on socioeconomic development.

A history of domination

Latvia, which has been under foreign rule (German, Polish, Swedish and Russian) for centuries, was independent during a short period, as its two Baltic neighbours, between the declared independence from the Russian empire in 1918 and the Sovietisation in 1940 (Smith et al. 2002). The two decades of independence during the inter-war period would prove important in the more recent development of the country, both economically and culturally. During this period, the Latvian economy proved prosperous and stable (Dreifelds 1996), cultural life was flourishing and the welfare much improved. In short, the brief glimmer of successful independence after centuries of foreign domination – some benevolent (notably Sweden), some harsh (notably Russia) – took a central place in the collective mind of Latvians during the Soviet era. It was a crucial element in their struggle to maintain their national identity, and, later, in the rebuilding of the nation once Latvia regained independence with the break-up of the Soviet Union. As with other Soviet states, Latvia was incorporated into the USSR in 1940. Private enterprises and farms were taken away from their Latvian owners without any compensation and put under state ownership (Dreifelds 1996). Central planning became the norm and prices, production and the location of enterprises came under the influence and control by the central planners in Moscow.

Much has been said and written about the Soviet economic and social system, and it would be beyond the scope of this study to add to the detailed knowledge that already exists in this field with a study of Latvian Soviet era living conditions. However, in terms of the later socioeconomic development and the general perceptions of this turn-around, the Soviet era experiences were of course instrumental. Thus, the personal account of the

transition seen through the lens of an average, though highly educated Latvian, whose adult life was divided between the two periods offer an interesting and informative insight to these experiences and perceptions.

My professor at the University of Latvia offered through several discussions with me her personal views on the Soviet past and the free-market present. First and foremost, her perception was that living conditions under Soviet rule were by and large acceptable. In terms of material needs, she felt that the average Latvian was actually better off during Soviet times than in re-independent Latvia. No one starved, everybody had a place to live and they all lived above the subsistence level. In many respects, life was safer. The education system was of a relatively high standard, and tight control meant that nobody slipped away without schooling. By contrast, Latvia currently struggles with rising numbers of street children (Lukasinska 2002). Furthermore, in the Soviet period, health care was subsidised by the state, and everybody was guaranteed work. In contrast to the new free-market era, in which most Latvians are forced to work long hours and possibly juggle two or even three jobs simultaneously, the Soviet system provided ample free time. In those days, people simply worked exactly the number hours required, but no more, as there were no incentives to put in more hours than the required minimum. The education system offered many opportunities to develop one's skills and interests, especially in the natural sciences. The military represented further opportunities, as the Soviet military put emphasis on the Baltic countries due to their geographical importance. One characteristic my professor emphasised was the isolation of the USSR. Rigid control over travel and information from the outside world, combined with the communist denouncement of everything western, served to prevent people from making comparisons and questioning the Soviet system.

But Latvians of course got their share of the often-reported negative aspects of the Soviet Union, such as empty shops, long bread queues, conformism, the KGB system of fear and control and being at the mercy of the infallible Communist Party. But despite all this, she still stressed the Soviet system's ability to provide fundamentals, such as food, housing, health care, work and education for everybody.

An added twist to this was that, for the majority of the population, transition from communism to capitalism actually meant that the standard of living fell rather than rose,

which of course was a poor start for the introduction of a new economic model that was heralded as superior to communism and would offer everybody a better life. In my professor's view, these experiences are representative for the vast majority of Latvians. It was a daunting task to many Latvians that meant more hardship and suffering than they had ever experienced under Moscow rule. However – and this was important to her account – Latvians went into this transition without fully realising what it would demand from them in terms of hardship. But even if it meant sub-subsistence poverty and soup kitchen queues, unknown during the Soviet era, most saw it as a price worth paying for an independent Latvia and few wanted to swap back again.

Independence regained: Latvia re-emerges on the European map

The break-up of the USSR went as a wave through all of Central and Eastern Europe, and in 1991 Latvia regained its independence. The industries that were formally owned by the Soviet government were now taken over by the state and later privatised. But unfortunately a great part of the enterprises, infrastructure and also collective farms were in poor condition and in desperate need of reconstruction and modernisation. In addition, the products that were manufactured were of limited value for the newly-established country, so the starting point was not the most favourable. Latvia had been a part of a large-scale industrial system that served the vast USSR market and was also the location of many super-size factories (Paldam 2002). The country was to a large degree dependent of raw materials and components from elsewhere in the now-defunct Soviet Union. Latvian industry consisted mainly of large machine-building production and of electronics, but the country was also a main area for military supplies (Dreifelds 1996). Thus, not being a part of the larger Union any longer, Latvia was left with an economy of little advantage for the great challenges that lay ahead.

With the separation from the USSR, Latvia not only lost the market for its products, but they also lost its supplies of energy and raw materials.

Neo-liberalism as the transition model of choice

"The combination of privatisation, liberalization, and decentralization was supposed to lead quickly, after perhaps a short transition recession, to a vast increase in production. ...These expectations for economic growth were not realized, not only in Russia but in most of the economies in transition." Stiglitz, 2002, s.151

As already mentioned, the way the ex-USSR societies were organized was quite different from western societies, and the collective mentality was conditioned accordingly. There were no existing structures or organisations that were ready to take over and implement the fast changes followed in the wake of the fall of the Soviet Union, and there were no legal and regulatory framework to ensure that these processes were conducted in a fair and transparent manner. In contrast to the Western industrialised countries which had mostly been allowed to gradually evolve for centuries, these countries started in many respects from scratch.

In Latvia's case, the transition happened rather quickly, seemingly without much overall planning or coordination and without much involvement of the majority of the population. As most other ex-Soviet states, Latvia followed a neo-liberal development strategy (Paldam 2002). The hallmarks of the neo-liberal model remained the same in both the gradualist and the 'shock' approach: liberalisation, macro-economical stabilisation, privatisation and legal and institutional reforms, which required to change and redefine the role of the state, and to develop institutions, laws and democracy.¹⁴ Instead of regarding the state as a control organ, the market should now become the chief regulator. By and large, and irrespective of the approach chosen (gradualist or shock), the transition is largely viewed as successful in the Baltics, as in Eastern and Central Europe in general. But as Martin Paldam writes, Latvia has had the most problematic transition among the three Baltic countries. Reasons behind this, he says, is because of the great internal divide among the population and also, as mentioned, because of a large amount of dinosaur industries (Paldam 2002). Among the three Baltic countries and Poland and Russia (which is his focus area), Latvia was hardest hit by the economic downturn. He also mentions that the transition was more irregular in Latvia than in Estonia and

¹⁴ <http://www.imf.org/external/np/exr/ib/2000/110300.htm>

Lithuania, with heaps of reforms in 1992 and 1994, less in 1993 and almost nothing in 1995. This is visible in the privatisation process as well. This “start-and-stop” policy is a consequence of the many government shifts and in resulting haphazard way they sought outside advice from the IMF or others. However, one continuing feature of Latvia has been strict monetary discipline, which has resulted in low inflation and heavy cuts in public sector (Paldam 2002).

The impact of these reforms are said to have played an important part in the increase of poverty among the inhabitants¹⁵, as many lost their jobs and their state security net. Another key factor in this was the way the privatisation occurred. The population received privatisation vouchers, almost as if the country’s ‘share capital’ was distributed among them. Despite being seemingly a very egalitarian approach, the voucher system served to re-distribute state-owned assets in a highly unequal manner with a significant concentration of wealth being the result. For those with power, connections and resources, the system proved an easy way to cement their position in a state-asset grab. A great part of the population simply lost out since they lacked the means to participate in the process, and were not able to privatise land or house. Many that did not see any other possibility than to sell their vouchers to survive.

The former USSR countries were urged to privatise, but were not given much guidance as to how this would best be done. Most of the mass-media were transferred to private hands, often sponsored by political or business groupings, and then often served as a platform to mould public opinion to the vested interests of these groups. In such a profound shift, the transition naturally offered lots of opportunities and possibilities, but mostly for those who found themselves in well-positioned jobs and with the necessary connections already in place, which will be further discussed in the next chapters.

Social effects of transition: 15 years of post-Soviet development

Many regard EU entry and NATO membership (the two main aspirations of Latvia since independence) as a stamp of approval of Latvia’s transition. However, important questions arise behind this broad sweep of political and economic reform in terms of how

¹⁵ <http://www.pnud.org.ni/publicaciones/opciones/pdf/TOC.PDF>

far and deep into the Latvian society these changes have actually reached, whether the economic gap between Latvia and the EU-average is narrowing according to expectations, and whether there are any social pockets left out from or negatively affected by this broad process of development. In other words, a key question is whether the Latvian transition was as successful seen from a bottom-up perspective as the EU and NATO membership suggests.

Political development: turmoil becomes the norm

Much effort was needed in the Baltic countries to create stable and democratic nations, but the precondition was not optimal after 50 years of Soviet rule in which a self-governing culture had been absent. The first two years after independence are broadly seen as characterised politically by a small clique's manoeuvring for money and power, led by an elite of former members of the Soviet nomenclature. Political decision-making was kept within closed circles and thereby excluding the majority of the population (Smith et al. 2002). A telling example of this is the select group of men that became known as 'Club 21', who met regularly behind closed doors and was widely seen to be the real power centre of Latvia despite formally having a status of something akin to a British country club. The first parliament, or *Seima*, elected after independence was regained convened in 1993. This is referred to as the fifth *Seima*, with the preceding four operating in the brief period of independence in the inter-war years. As a result of the frantic jostling for position among the competing branches of the elite, Latvian politics quickly became characterised by scandals, feuding and turmoil (Clemens 2001). In this highly-charged political environment, few parties survived for any length of time, and none had much support in the society. In a research from 1993, only 6-7% of the respondents agreed that the government and the political parties acted in the interest of the population (Nørgaard & Johannsen 1999). Latvian politics was from the outset closely connected with business groupings, which were seen throughout the transition period as exercising strong influence over the democratically elected (UNDP 2001).

Influencing factors on Latvian development: corruption and distrust

With the collapse of the Soviet Union, former republics such as Latvia, which were fully integrated into the USSR, in many ways had to build up a nation from scratch. Strategies for how to transform and re-build the country were developed and put into practice. Key components in this respect would be to develop rules, regulations and laws at the earliest stage in the transformation processes, and only put other reforms into action once this is established. Likewise, it would be important to emphasise transparency and to make sure the process is handled according to the new rules and laws to provide an even playing field and to build up trust in the new system. For example, embarking on a privatisation process without a well-functioning regulatory framework and legal infrastructures could increase the chances of asset-stripping and theft. Put simply, privatisation and open markets can lead to plundering and money being transferred onto a few well-connected hands if the regulatory framework is not in place, instead of creating wealth and production (Stiglitz 2002). The pitfalls are deep and many.

Eastern Europe in the beginning of the 1990s was for some people a period with opportunities to gain power and wealth (Paldam 2002). There were little control from the state and the market liberalisation and the privatisation-process made it easy for some to exploit the new system to their own benefit. The elites used private networks and acquaintances to gain favourable positions in the society, which had also been the *modus operandi* in the USSR. Dishonest methods were used by dishonest people to get hold of capital, resources and assets, and not much was done about it. Most likely, other citizens did not even know it was happening. Many had been growing up with corruption and low morale, and did not have any scruples when the opportunity to cheat their way to a fortune suddenly opened. Ordinary workers, on the other hand, often earned very little and saw nothing of the benefits of the privatisation process. Like the communist leaders before them, some Baltic politicians took the opportunity to enrich themselves, without bothering too much about those who could neither harm nor assist them (Clemens 2001). There were many positions to be filled, and the majority of those who got positions in power were former members of the nomenclature, communist-party and young career-seekers. The political system was changed, but without any corresponding change of the elite (An exception to this was Baltic neighbour Estonia, which made a clean sweep of

virtually everybody who had been in leading positions in the Soviet system). Former members of the Communist party accounted for 63% of the new political elite in Latvia in 1993 (Smith et al. 2002).

But even though the elites had a secure grip on power in Latvia, it did not necessarily stabilise politics. From 1993 to 2000 there were eight different governments; average time in power was just eight months (Smith et al. 2002). This trend continued all the way up to NATO and EU membership in 2004. One of the reasons behind these frequent changes is the tight bonds between politics and business interests. A very strong connection between politics and business, as in Latvia, can be harmful for the development and unfair for the population. A research in Latvia showed interesting results when asking people who they saw as the main "influencers" in decision-making (UNDP 2001); 84% answered that the government do influence "to a very large or large extent", while 79% said the same about business leaders, which means they are reckoned to have almost the same level of influence. These results are remarkable when compared with the answers given by parliamentary deputies. As could be expected, government got a full score of 100%, followed closely by the parties, their leaders and the parliament. However, the category 'leaders of business groupings' got a stunning 89%, while only 5% of the population and none of the parliamentarians thought that citizens and initiative groups, who come out as the losers in this research, had any influence 'to a large extent' or 'to a fairly large extent'. Both the population and even to a higher degree the parliamentary deputies agreed that a considerable problem regarding the political parties and decision-making in Latvia was the strong influence exerted by business interests. In the words of a Latvian governmental official:

"People who act as party sponsors and decision-makers do not do it for nothing". (UNDP 2001. p.21)

A Latvian party leader put it even more directly:

"In Latvia important decisions are influenced by the chief money bags - those throwing money around and considering it as a tool for achieving policy" (UNDP 2001. p.21)

A business leader in the same study simply equated making a short-cut with using bribes to gain a favourable political decision (UNDP 2001). This attitude seems to have become quite entrenched in Latvian society, and political decisions are often quite openly driven by self-interest rather than by public needs.

According to the Latvian Human Development Report (2001) there exist two parallel systems of decision making which functions next to each other in Latvia; one system based on legal, public multiparty system founded on democratic principles, and one system based on interest groupings and a personal contact system. The influence that private and business interest has on the development of the Latvian society is formidable and should be regarded as a serious problem (Open Society Institute 2002).

As already mentioned, during the transition vast resources and power got concentrated in the hands of a small minority while the majority of the population experienced a decrease in their living standard. This, together with a long line political crisis and broken promises, made a large proportion of the population lose faith in the government. Research done by UNDP has shown that as many as 79% thinks that neither the government nor the parliament is trustworthy (UNDP 2001).

The Latvian Human Development Report of 2000/01 found that both the low trust in public policy making and state capture and corruption had a negative influence on the development in the country. As Transparency International Chairman Peter Eigen says, *“Corruption is a major cause of poverty as well as a barrier to overcoming it”*¹⁶. Corruption and state capture is a well-known and well-documented problem in Latvia. Of the 25 EU members and the EEA-EFTA countries Norway, Iceland and Switzerland, which are not part of the EU but part of the Internal Market, Latvia only beats Poland in the Transparency International Corruption Perception Index. Latvia’s score was a weak 4.2 in 2005, which ranked Latvia as number 51 on the list¹⁷. A score below five out of a maximum ten points is seen to indicate a serious level of corruption. A 2002 report from the Open Society Institute on corruption identified public administration as one of the

¹⁶ <http://news.bbc.co.uk/2/hi/business/4351076.stm>

¹⁷ http://www1.transparency.org/cpi/2005/cpi2005_infocus.html

main sources of corruption in Latvia, with the Riga city council singled out as one of the worst offenders (Open Society Institute 2002). In the report, eight of eleven parties admit that party sponsors have suggested or made demands regarding their politics.

In many transition economies, a relatively large share of their economic activities is unfortunately not registered in public statistics (Nørgaard & Johannsen 1999). It is not easy to measure the amount of the unofficial economy, which is said to be very high in Latvia although the estimates differ greatly. One calculation estimated that 14-20% of the workforce were employed in non-registered activities, and that this economy constituted 30-40% of the GDP in all the three Baltic countries in the middle of 1990s (Clemens 2001). If correct, this should give serious cause for concern about the political ability and will to root out the economic injustices and inequalities that follow in the wake of the black economy. Clearly, this huge black-market share of the economy do have negative consequences for the country; the state loses tax income, workers are bereaved of welfare benefits, corruption and other crimes will be maintained and encouraged, potential investors might be discouraged or withdraw from the country.

Making use of informal networks is widely seen as part of the Soviet legacy, since unregistered, mutual and often illegal services were often the norm in the planned economy as many industrial leaders saw this as a necessity if they were to manage the goals set by the planners in Moscow (Dreifelds 1996). These secret networks are important for the informal economy and for organised crime (Nørgaard & Johannsen 1999). Lack of effective border control meant that many used this opportunity to smuggle goods from East to West. Drugs, alcohol, petrol, metals and money were transported over the borders without any registration. High metal prices in the West led to plundering of metal objects, such as monuments, railway and telephone lines, to the extent that it had a destructive effect on Latvia's infrastructure (Smith et al. 2002). The boarder guards, the police and state employees at all levels made good money on this kind of trade, and helped maintaining dishonesty and disorder in society.

The informal economy not just slows down economic development, but it also prevents a genuine and fair society to develop. Corruption and dishonest use of public services are wide-spread, and those with money and connections are able to bend the laws and rules through bribes or good lawyers. Low salaries, low morale and corruption

among state employees make it easy for the business elite to control decision-making (UNDP 2001). Simply stated; money talks. Unfortunately, unjust agreements are still happening, a small economic and political elite is still in control, a large part of the economy remains unofficial and the country suffers from a large democratic deficit and low participation in politics.

Transition economy: sharp contraction and consumer-fuelled growth

Latvia's economy was deeply integrated in the USSR economy, and with the disintegration of the communist block the economy experienced a drastic decrease in GDP. In 1993 it had slumped to only 50% of the 1989 level, but by 1999 it had made some progress and was at 60.2% of what it had been in 1989 (Klocker (ed.) 2001). The severe economic contraction (1993) experienced by Latvia was considerably worse than the average decrease seen in other transition economies (EBRD 1999). Predictably, while industry and agriculture production fell dramatically – the sectors most out of synchronisation with the new free-market reality – the Latvian service sector started to grow at a fast rate.

The Latvian economy has since the middle of 1990s experienced steady growth, and has been one of the fastest growing economies in Europe, together with Baltic neighbours Estonia and Lithuania. Real GDP average growth from 1996 to 2003 was 6.28% annually, compared to 2.3% for the EU-15 (Eurostat 2006). This high rate of economic growth is to a large extent fuelled by increasing domestic demand, combined with increasing exports. The main contribution comes from the service sector, especially from trade, transport and communication (Ministry of Economics 2005). Meanwhile, growth in agriculture has been hampered by poor productivity as a result of old and defective production facilities and an inefficient ownership distribution of farm land, combined with external competition. Although Latvia's GDP has been growing at a fast phase for years, GDP per capita remain very low in the European context. It is just below 50% of the average for the EU-25, making it the lowest in the EU (Eurostat 2006). Despite these overall figures showing Latvia trailing considerably behind the other transition countries that joined the EU in 2004, it has come a long way in creating a functioning market economy. Its strict macroeconomic policies have ensured that the *lats*,

the national currency, has remained highly stable throughout the transition period, and inflation stayed low for many years at around 2-3% in the period 1999-2003. With low foreign debt and low budget deficits, this boosted hopes that the country would be able to adopt the Euro single currency already in 2008. However, this changed after EU entry in 2004, with inflation jumping to 6.2% in 2004 and rising further to 6.9% in 2005, the highest rate of the EU-25¹⁸. By comparison, Estonian inflation rose to 4.1% in 2005 while Lithuania managed to keep it at 2.7%. The main reasons for this increase is said to be high oil prices, rise of ‘administratively regulated prices’ and other adjustments that Latvia knew it was required to make with EU accession, but for political reasons did not make gradually in the lead-up to entry as most others did. An official Latvian economic report from June 2005 stated that these are ‘one-off factors’ and that inflation would soon decline to its previous level (Ministry of Economics 2005), but by summer 2006 the Latvian central bank had abandoned its aim of adopting the Euro in 2008 as it was forced to admit that inflation would remain too high for some time to come¹⁹. A price-hike such as the one currently experienced by Latvia can have a devastating effect on the poorer parts of the population, since salary increases usually are trailing inflation by many months, if not years. This is made even more difficult for the poor because the gap between rich and poor has been especially wide and most salary rises have been restricted to the affluent few already. Furthermore, the average old-age pension has been trailing behind the increases seen in real income.

As may be expected from the above, the main macroeconomic headache in Latvia has for years been the current account deficit. The reason for the deficit is the negative trade balance, which is again connected to booming domestic demand. During the transition, Latvia had little choice but to rely on imports to fuel and improve industry and agriculture because of the lack of capital goods. In 2004, the current account deficit stood at 12.3% of GDP, an increase from 6.7% in 2002 (Ministry of Economics, Republic of Latvia 2005). The high current account deficit forced the Latvian government to keep public expenditure under strict control and thus served to put restraints on welfare spending. At the same time, the rapidly-growing consumer spending was not equally

¹⁸ http://epp.eurostat.cec.eu.int/cache/ITY_OFFPUB/KS-NK-05-013/EN/KS-NK-05-013-EN.PDF

¹⁹ <http://www.forbes.com/work/feeds/afx/2006/03/14/afx2593366.html>

shared by country's inhabitants. To many Latvians, therefore, the story behind the rising GDP figures, current account deficit and inflation was a story of increased costs, weakened purchasing power and a standstill or even drop in welfare support.

Employment, unemployment and underemployment

The number of unemployed in Latvia has declined in recent years, but in 2003 it still hovered 2.6% above the average of the EU-15 and was the fourth highest level of the EU candidate countries (Ministry of Foreign Affairs 2005).

There are two different methods for measuring unemployment in Latvia (Ministry of Welfare 2004). The State Employment Agency (SEA) calculates those who are registered unemployed, while the Labour Force Survey performed by Central Statistical Bureau (CSB) also includes those who are looking for jobs, are not working and not necessarily registered as unemployed (see table). Comparing the findings of these two methods, it becomes apparent that there are many who have not registered at the SEA, for various reasons. Some people do not know about the possibilities SEA offers or do not know where the offices are located due to a lack of information, while others are not entitled to any benefit and therefore choose not to register. Others again regard themselves as too old and think it will be difficult to find a job and maybe have experienced age discrimination already. Those with higher education are more willing to register. However, the two figures are getting closer, which indicates that more people are willing to register as unemployed (Rajevska 2006). The highest shares among the jobseekers were found in the age group of 15-24 years and 45-54 years (CSB 2004). The rate of jobseekers aged 45-64 increased from 28.2 % in the last quarter of 2002 to 40.2% in the last quarter of 2003. The biggest increase was in age group 45-54 years.

Unemployment rates in % of the economically active population;²⁰

	-95	-96	-97	-98	-99	-00	-01	-02	-03	-04	-05
Registered unemployment rate	6,6	7,2	7,0	9,2	9,1	7,8	7,7	8,5	8,6	8,5	7,4
Unemployment rate according LFS & ILO		20,7	15,2	14,2	14,3	14,4	13,1	12,0	10,6	10,4	8,7

www.csb.lv

In 2003, 43.8% of the jobseekers had been without work for more than a year (Ministry of Welfare 2003). Fortunately, this number has decreased in the latest years, but it is still higher than the EU average²¹.

The unemployment level is not equally distributed throughout the country. While 5.4% of the economically active population were unemployed in the region of Riga (in 2002), the corresponding number for the south-eastern Latgale region stood as high as 18.1% (CSB 2003b). In the region of Latgale, there is a low level of self-employed persons, and the region struggles with poor infrastructure and business activity is poorly developed (Ministry of Economics 2005).

The State Employment Agency organises different measurements for helping the unemployed back to work; vocational training, re-qualification, paid temporary work and courses to improve their working capacity and competitiveness. The number of people taking part in these active employment policy measurements has increased from 38,200 in 2000 to 54,729 in 2003 (Ministry of Welfare 2004).

Logically, being unemployed puts a lot of strain on people, but having a job does not necessarily secure you and your family's well-being. The results from HBS (Household Budget Survey), LFS (Labour Force Survey) and CSB (Central Statistical Bureau) show that there are still great risks of falling into poverty with one or even two jobs, since often salaries are too low to maintain a decent and acceptable standard of living. The Latvian constitution contains a clause (#107) that gives every employed person the right to receive an appropriate payment for the work carried out that is not below the minimum

²⁰ In 2002 the way of calculate the unemployed has changed. Previously age 15 and over was used but now it is 15 to retirement age (CSB, regions, 2003)

²¹ <http://www.eurofound.eu.int/areas/qualityoflife/eurlife/index.php?template=3&radioindic=18&idDomain=2>

wage²². The minimum monthly salary in 2004 was 80 Ls (1,007 NOK²³) and the minimum hourly wage rate was 0.474 Ls. The minimum wage is still low, but it is steadily rising and the government's goal is a 100% increase over the next seven years. In 2003, Latvia had the lowest minimum wage of the 10 countries that joined the EU a year later (Ministry of welfare 2004). However, data relating to average income is highly uncertain due to the large black economy.

Year	1999	2000	2001	2002	2003	2004
Monthly min. labour salary	50 LVL	50 Ls	55 Ls	60 Ls	70 Ls	80 Ls
Av. monthly gross labour salary of those employed	140,99 LVL	149,53 Ls	159,30 Ls	172,78 Ls	192,49 Ls	211 LVL
Min. lab salary % of average monthly salary	35,3%	33,4%	34,5%	34,7%	36,4%	37,9%
Min consumer basket	83,18 Ls	84,47 Ls	86,93 Ls	88,76 Ls	93,54 Ls	98,78 Ls

<http://www.csb.lv>

The minimum salary only constitute approximately one third of the national average salary, and is also consistently far below the monthly average value of a minimum consumer basket of goods and services per capita for corresponding years. This occurs despite of the Labour Law adopted by Parliament in 2001 stating that the minimum monthly wage should not be lower than the officially established minimum (Rajevska 2005). Latvia has been warned by ILO to improve this relationship. According to the Latvian government, the goal is for the minimum salary to reach 50% of the average salary by the year 2010²⁴.

Labour Force Surveys undertaken in the fourth quarter of 2003 showed that 10% of the employed received a net salary (after tax) in their basic workplace that was below 64 Ls (806 NOK) a month and 36.75% earned between 64-100 Ls. These figures indicate that nearly half of the workforce earned less or just above the monthly average value of a minimum consumer basket of goods and services per capita in 2003. Another 23.2% of the employed earned between 100-150 Ls and 25% earned more than 150 Ls (1,889 NOK) a month (CSB 2004). A few years earlier, the NORBALT II survey indicated that

²² <http://www.ilo.org>.

²³ 1 Ls corresponded to 12,59 NOK in 2004, Norges Bank

²⁴ <http://www.likumi.lv/doc.php?id=77636>

two thirds (67%) of the workers believed that their salaries were too low. Only 30% saw it as acceptable (CSB & FAFO 2001).

The Latvian Human Development Report 2002/03 stated that according to the numbers from CSB in 2002, as many as 83% of the population actually fell below the subsistence level, with an average disposable income per family member of 74.60 Ls a month. The average monthly old-age pension that same year was 62 Ls.

In addition to the differences and uncertainties regarding salaries, there are also great variations in the quality of the employment in terms of job security, contract and employment status. Many people do not have contracts, and receive their wages fully or partly in an envelope (Ministry of Welfare 2004). For the employer, this means reduced expenses. The short-term consequence for the employed is less or no tax, but it also means reduced security, no rights and no paid social taxes, which results in less or no pension and no benefits in case of sickness or unemployment. This practice is widespread in the private sector. Information from the Ministry of Welfare and the Free Trade Union Confederation from 1999 showed that the labour force included 200,000 workers for which social security had not been paid (CSB & FAFO 2001). That is about one-fifth of the total workforce.

Social and human security

The Global Human Development Report from year 1994 stated that;

“Human security can be said to have two main aspects. It means, first, safety from such chronic threats as hunger, diseases and repression. And, second, it means protection from sudden and hurtful disruption in the patterns of daily life – whether in homes, in jobs or in communities”. (UNDP 1994 p. 23)

As already mentioned, people's living standard was relatively acceptable when being a part of the USSR and everybody had an income. During that time many Latvian workplaces were responsible for their employers when it came to social services. With transition and privatisation, the majority lost benefits such as housing, free or subsidised kindergarten and medical services. Latvians went from a relative secure life regarding life essential needs, like work, income, food, healthcare and shelter to a situation without the same state support. For those who lost their jobs there was no well-functioning security

system to turn to when the previous safety net vanished. The country was in desperate need of developing a new welfare system.

Now, a relatively large part of the population in Latvia is instead dependent on the social security system for their survival (Trapenciere 2005). A Eurostat estimate from 2003 showed that 24% of the population would face the risk of poverty without social transfer while the actual number after transfer was 17%²⁵.

As mentioned above, there is a great number of working people who are not socially insured, but there has been a positive trend lately and the number of those who are insured has increased from 996,000 in 1999 to 1,048,900 in 2003 (Ministry of Welfare 2004). Contrary to the principles of progressive taxation, Latvia operates with the reverse principle when it comes to social taxes: it has set a maximum income limit for social security contribution, so that a person does not have to pay any social tax on income above a certain threshold. In 2006 this limit was 20,700 Ls²⁶.

Latvia has had an unfavourable demographic trend since 1991, with a negative natural increase due to low birth rate and an aging population. The annual population growth was -0.6 in 2004 (UNDP 2005), which is an improvement from earlier years (-1.2 in 1995 and -0.8 in 2001). In 1989, the share of population aged 0-14 years and 60+ was 21.4% and 17.4%, respectively, but this had changed to 15.9% and 22.1% in the beginning of 2003. The low number of births in 1990s will in a few years' time have a major influence on the social insurance system, especially when it comes to pensions due to the reductions in the labour force. The future demographic trend shows that the numbers of state benefit recipients are increasing, while fewer are contributing.

The average old-age pension has increased in the latest years, but not as much as the minimum salary. Statistics from the Central Statistical Bureau shows that just above 50% of the pensioners received an allowance of 60 Ls or less in 2003. In 2003, the average old-age pension stood at 91.91% of the minimum salary and 68.8% of the minimum required subsistence income.

²⁵ http://epp.eurostat.cec.eu.int/cache/ITY_OFFPUB/KS-NK-05-013/EN/KS-NK-05-013-EN.PDF

²⁶ <http://www.vsaa.lv/vsaa/content/?Ing=en&cat=707>

	2000	2001	2002	2003	2004	2005
Monthly average size old age pension	57,79 Ls	58,16 Ls	62,14 Ls	64,34 Ls	70,89 Ls	80,53 Ls
Old age pension recipients	513.700	504,800	496,900	487,900	481,700	475.600
Average unemployment benefit	45,13 Ls	40,54 Ls	42,51 Ls	50,93 Ls	57,07 Ls	63,73
Unemployment benefit recipients	39.785	37.910	41.502	38.981	39.681	37.961
Registered unemployed persons	90.283	91.642	89.735	90.551	90.800	78.482

<http://www.csb.lv>

Comparable figures for the unemployment benefit are even lower; 72% and 54.5%, respectively. At the same time, the state expenditures on social protection as a percentage of GDP have declined in recent years from 15.3% in 2000 to 13.4% in 2003. In comparison, the EU-25 average was 28%²⁷. Latvia had the absolute lowest numbers among the EU and the candidate countries. Latvia also scored very low on pension expenditures. In 2000 the pension expenditures in Latvia was 9.6% of GDP but decreased to 7.5% in 2003²⁸. The average for EU-25 the same year was 12.6%.

As seen from the table above, only half of the registered unemployed receive any benefits and the size of the different benefits are very low. Therefore, many people need to find ways to generate alternative and informal incomes; they sell things or grow vegetables, go out in the forests to collect food (In the weekends in the autumn, the forests are full of people picking mushrooms). Around 17-18% report that they receive money or other contributions from family or friends. Only a very small part of the population report that they receive any form of support from religious or humanitarian organisations (CSB & FAFO 2001).

²⁷ Total expenditure on social protection, available via <http://epp.eurostat.ec.eu.int>

²⁸ Expenditure on pension, available via <http://epp.eurostat.ec.eu.int>

The Latvian welfare system

In the beginning of the 1990s the welfare system got split up in central, regional and local departments when it came to social responsibilities (Gasmann & Neubourg 2000 b). State-financed benefits include family-, transportation-, and funeral benefits, as well as the state social security allowances (unemployment and pension). Benefits financed by the municipalities are means tested, such as social assistance and housing benefit. There are no exact tariffs or regulations when it comes to these benefits. For the poor the amounts and service will therefore vary since each municipality are free to decide the benefits within a certain limit. The state benefits are financed from the state budget, while the municipal social benefits are financed by their own budgets (Gassmann & Neubourg 2000b).

The communes are often worse off than the cities and are characterised by limited financial and human resources (Grønningsæter et al. 2001). There are also municipalities that do not even have any social assistance offices, and, if and when established, there is often a lack of educated workers to staff them (Grønningsæter 2003).

From the Household Budget Surveys data, Gassmann and Neubourg found that the local assistance benefits are mainly not received by the target group. The results showed that the highest income group is also that which receive the largest per capita benefits. The richest 10% of the households received an average 0.56 Ls per capita per month while the poorest 10% received 0.07 Ls on average.

Only 3% of the total households receive social assistance (not pension or child support), while the rest are fully dependent on the help from others. A household research showed that a bit more than 50% contributed with some kind of assistance to another household (Gassman & Neubourg 2000 a).

A guaranteed minimum income (GMI) was introduced in 2003 to assure an income in return for individually agreed activities (Rajevska 2005). Even though the GMI scheme was a high priority, the sum did not constitute more than 21 Ls a month in 2005, which is far from enough to cover basic needs. A positive feature in the latest years has been an increase in the childbirth grant and the child-care benefit.

To be granted unemployment benefit, Latvians need to be registered at the State Employment Agency and contributed to the social insurance system for at least a year

preceding unemployment²⁹. A person's unemployment benefit is calculated from his or her insurance contribution; 1-9 years contribution gives 50% of the average insurance contribution salary, 10-19 years gives 55%, 20-29 years gives 60% and 30+ gives 65%. Most unemployment benefit payments fall into the first group (1-9 years' contribution), and 60% of all the recipients are women.

The Latvian state pension scheme was changed in 1996 from a system based on equality to a scheme based on insurance contribution, which is much more cost-efficient than the former (Rajevska 2005). The principle with this system is that the more you pay today the more you will receive in pension later. However, most Latvian pensioners still receive their benefits according to the old law. To be entitled to old-age pension you must have reached the retirement age set by the state and you must have paid insurance for at least 10 years. The minimum old-age pension in 2006 for less than 20 years of contribution was 45 Ls, between 20-30 years 49.5 Ls and more than 30 years 58.5 Ls.

Health and lifestyle

In 1948 World Health Organization stated that: "*Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity*"³⁰. Good health is a prerequisite for a good quality of life. While some health issues are genetic, many factors of influence are social or side-effects of the surroundings. The Baltic states are rated among the least healthy countries in Europe, and the NAP³¹ concludes that "the general health condition of the Latvian population is unsatisfactory". The WHO has also stated that the Latvian lifestyle in general is unhealthy (WHO 2005)

Good health is an important component in peoples' lives. Poor health can have a negative effect on working life and social life, and the same is often true in the reverse; socioeconomic status and health are usually closely related. Therefore, the connection between determinants such as income, education and employment to health is important (WHO 2005). Among other factors that can influence people's health are diet, access to clean water, sanitation and health services, and exercise.

²⁹<http://www.lm.gov.lv/>

³⁰ <http://www.who.int/about/definition/en/>

³¹ Latvian National Action Plan for Reduction of poverty and Social Exclusion

Life expectancy at birth in Latvia is especially low for males and has failed to show much improvement. While the figure for women in 2002 was 76 years, it was only 65 years for men, which ranked Latvia as 112 worldwide when it came to male life expectancy (UNDP 2003).

The amount of hospitals and hospital beds has decreased in recent years, but it is still high compared to many other European countries³². Statistics from CSB shows that the number of hospital beds per 10,000 inhabitants fell from 90.5 in 1999 to 77.4 in 2000. The number of physicians (including dentists) has however been fairly stable.

State expenditure on health in percentage terms of GDP has been declining from 4.0% in 1995 to 3.6% in 2000 and 3.4% in 2004 (UNDP 2005). Calculations from the World Health Organisation showed a somewhat higher percentage, 5.1% of GDP in 2002, than the UNDP figures did. However, the latter report showed that compared with 51 other countries in the WHO European region, only seven other states had a lower expenditure on health: Ukraine, Kyrgyzstan, Turkey, Georgia, Azerbaijan, Kazakhstan, and Tajikistan at the very bottom with 3.3%. Switzerland was at the top with 11.2%³³.

The personal costs of health-related issues in Latvia are increasing, and this has a negative effect on poor people's health. A survey used in UNDP's Human Development Report from September 2002 showed that less than one third of the respondents had health insurance. The UNDP survey also showed that people in a positive economic situation rated their health as better than people in a negative economic situation. The same correlation was also found in relation to education; the higher educated also assessed their health situation as better than those with lower or no education. In Latvia patients often find it necessary to pay under the table for medical consultations and other health-related expenses, which limit poor people's access to healthcare service even further. In a UNDP report from 2001 it is stated that 48% of the respondents in a poll answered that they could not afford to visit the doctor and that as much as 39% of the actual costs are paid under the table. Compared to the other two Baltic countries, in which less than 10% of the patients had to pay anything for a doctor consultation over the

³² http://europa.eu.int/comm/health/ph_projects/1999/monitoring/latvia_en.pdf

³³ <http://www3.who.int/whosis/country/compare.cfm?language=english&country=Iva&indicator=strTotEOHPctOfGDP2002>

last 6 months, the corresponding number for Latvia was 80% (Aasland & Tyldum 2000).

Alcohol abuse is a major problem in Latvia, and it occurs to both genders although men are more prone to such abuse. Latvia has experienced an explosive increase in alcohol consumption per capita in the last decades. A research done by the European Commission shows that Latvia has the fourth highest alcohol consumption level in Europe, with an average of 17 litres per person annually (Anderson & Baumberg 2006). Especially villages with few work possibilities are often struck by high alcohol consumption. Alcohol abuse causes many road accidents every year and is also to blame for many work-related accidents. In the end of last decade, 1/5 of all deaths were related to alcohol. Furthermore, producing illegal alcohol is quite common in the Baltic countries and can function as a source of income for poor people (Dudwick et al. 1998).

Living standard and inequality

The sharp polarisation now visible in Latvia and many other former republics and satellites of the USSR, did not exist in the Soviet era. This high level of equality was expected to change during the transition, but the growing gap between rich and poor and the decline seen in living-standards for so many is worse than expected (Stiglitz 2002).

In Soviet times the majority of the population had what they needed and "poor" was rather a characterisation of a person that was lazy, alcoholic or similar. Poverty in the way it is currently understood is a relatively new concept in Latvia. Whereas material goods were evenly distributed in the USSR, inequality is now easy to spot even when passing through the country.

The number of poor people in Latvia has been fairly constant over the last years. In 2003 approximately 5% of the population were regarded as 'extremely poor', with an income of less than 20.30 Ls per month (Ministry of Foreign Affairs 2005). This is 29 % of the average monthly salary, and gives a person 0.68 Ls a day to live for (8.50 NOK).

The losers in the transition are often seen as those above 50 years when communism came to an end. Their skills and knowledge were outdated, and on top of that many lost their savings (Clemens 2001). For people in this group it is very difficult to get a new job if unemployed. Families with three or more children are also in a great risk of falling into poverty, especially if the breadwinner is unemployed. The winners are

said to be those who were around 30 years when the changes started. They were younger and more able to adapt, and had been educated during the 1980s and were more updated when it came new skills, such as being computer literate, and had more knowledge about the new economy.

The average disposable income in a one-person household in 2002 was 92.17 Ls, while the average per-household income in a four person household was 72.62 Ls, dropping to 56.07 Ls in a five person household (CSB 2003 a). Numbers from the Central Statistical Bureau website shows that as many as 36% of all Latvian children live in the bottom quintile households.

A household survey from 1998 showed that as many as 62% believed they consumed much less than they did in 1981 (Gassmann 2000). Another 14% thought they consumed somewhat less, while 12% answered that they consumed about the same amount as before and only 9% thought they consumed more. Three quarters of the population categorised themselves as being among the losers of the transition.

There is no accurate number of homeless people in Latvia, but it is estimated that there are 5,000 homeless in the capital and that the number is increasing (Ministry of Foreign Affairs 2005). 2,123 people used the shelters in 2003, the majority in Riga (NAP³⁴). The price for apartments has risen rapidly in recent years and many cannot afford paying rent or utility bills any longer. Some people have been talked into selling their apartments for a small amount of money, and others have been forced to move out because the owners wanted to modernise and raised the rent. The GDP share going to social housing is not sufficient. The share of the EU-15 was three times higher in 2001 (ibid) than in Latvia. In a household budget survey from 2002, only 0.6% of the respondents lived in a building constructed after 1996 (CSB 2003 a). The same household research showed that practically all dwellings had electricity, but in the bottom quintile there were just above half had toilets, less than half had showers or bathtubs, and less than 40% had hot water. In a 2000 household research, 44.6% of the households answered that they saw their material situation as either “bad” or “very bad” (Ministry of welfare 2002). On the other side of the scale, only 4.7% saw their material situation as

³⁴ *Latvian National Action Plan*, http://ec.europa.eu/employment_social/soc-prot/soc-incl/nap_incl_2004_lv_en_version.pdf

“good” or “very good”.

The gap in salaries and material standards has widened. The average income has increased, but the positive changes are mostly visible within the higher income brackets. Research done by the Ministry of Welfare offers a glimpse into this unevenness; the average disposable monthly income per household in the reference period (2002-2003) increased from 31.41 Ls to 31.87 Ls for the lowest quintile and from 178.64 Ls to 196.50 Ls for the top quintile (Ministry of Welfare 2004). The average disposable income per household member in the second quintile was 54.26Ls (in 2002) and 68.24Ls for the third and 91.96 Ls for the fourth. This compared with a monthly average minimum consumer basket of goods and services per capita in 2002 of 88.76Ls, indicates that at least 60% and almost 80% of the population had an income beneath the minimum consumer basket. The poorest 20% of the households had at their disposal only 9.4% of the total income, while the disposable share of the richest 20% was 43%. The income ratio between the richest 20% and the poorest 20% widened from 5.0 in 1996 to 5.5 in 2002 and 6 in 2004 (UNDP 2005). In 2003 the EU-25 average was 4.6 with Latvia only beaten in terms of inequality by Portugal and Greece³⁵.

The GINI index increased in Latvia from 31 in 1997 to 34 in 2000 and 36 in 2003 (Ministry of Foreign Affairs 2005). There are only three countries in Europe with higher rates (Turkey, Greece, and the UK) (Eurostat 13/2005). In comparison, the GINI index for the EU-25 average was 29 in 2003.

There are also large regional differences in Latvia. The average disposable income for households in the Riga region in 2002 was 31% higher than the national average of 80 Ls (CSB 2003a). In comparison, the amount in the Latgale region was only 58.44 Ls. Many rural parts of the country were hit hard by the 1990s economic downturn. Lack of jobs and educational institutions in rural areas have lead especially young people to the cities, leaving rural areas with an aging population and low economic activity. Consequently, the steady growth of GDP per capita over the last ten years has not been evenly distributed among Latvia’s regions. In 2002, the GDP per capita in the Riga region (3,499 Ls) was three times higher than in Zemgale and Latgale (1,176 Ls) (Ministry of Foreign Affairs 2005).

³⁵ Inequality of income distribution, available via <http://epp.eurostat.cec.eu.int>

Personal experience showed that the cost of living in Latvia was expensive compared to the average salary level, and indeed Eurostat's researches show that the average Latvian household spends more of its total consumption expenses on life essential commodities than the average European household³⁶. A Latvian household used 22.2% of its consumption expenses on food and non-alcoholic beverages in 2004 compared to 12.6% on average in the EU-25. This is the third highest in Europe after Lithuania and Romania. However the figure was at a towering 42% in 1994, indicating much improvement. The amount spent on alcoholic beverages, tobacco and narcotics is double the sum spent by the EU-25 average; 7.2% in Latvia and 3.6% in EU-25. For health-related issues Latvians spend on average 4.9% against 3.5 in EU-25, and 2.3% on education against 1% in EU-25. Latvian households were found to spend less than EU-25 on recreation and culture, and much less on restaurants and hotels. Latvian households also spent only half the EU-25 average on "furnishing, equipment and maintenance".

Already in 1991 the Latvian government established a complete minimum consumer basket of goods and services which should cover the minimum needs accepted by the society (Rajevska 1997). In the following year, an additional threshold was introduced in the form of a crises minimum consumer basket of goods and services. This was limited to only guarantee physical survival.

While the preceding statistics clearly indicate the economic hardships of the majority of the Latvian population, the high level of inequality among rich and poor is not as easy to convey through the same statistics, since those that make up the top economic elite of Latvia is an extremely limited group of people and hence is difficult to capture through national statistics. However, the vast power, influence and financial resources of this group are highly visible in this small country, especially because no attempts are made within this group to hide or downplay their personal wealth, but quite the opposite. But as an illustration, weekly The Baltic Times newspaper published in its 4-10 December 2003 issue estimates made by some 15 experts on the size of the fortunes of the 11 richest Latvians. Notably, three of the Latvian super-rich are in fact politicians. Some of the people on this list include:

- Valery Kargin and Viktor Krasovitsky, the owners of Parex Bank, started a street-

³⁶ Consumption expenditure of private households, available via <http://epp.eurostat.cec.eu.int>

level foreign exchange operation in 1990 and by now their individual fortunes are now estimated to 2.4 billion NOK.

- Aivars Lembergs, mayor of the city of Ventspils and chairman of Ventspils Free Port, is estimated to have a personal wealth of 1.84 billion NOK.
- Andris Skele, three times former prime minister and businessman is said to be in possession of 480 million NOK.
- Einars Slesers, widely referred to as a friend of Norway one of the founders of the Norwegian group Lindstow Varners' extensive operations in Latvia. He was also one of the founders of Latvia's First Party, and as until recently served as Deputy Prime Minister; 120 million NOK.

Methodology: a qualitative and quantitative combination

A great personal advantage for this thesis was to have lived in Latvia for a full year prior to starting the field work. I got to know the country much better than if I went there for a short field trip. Collecting information and finding sources and contacts can be frustrating and time-consuming, and also in this case it proved to take longer than expected, especially because of the language situation. Latvia is bilingual, and most of the population speaks both Latvian and Russian. However, not many know English and information in English can be hard to find. I did not have any contacts in Latvia when I arrived, so I spent a great deal of time searching for information. For a short stay in Latvia, it would have been difficult to even locate the soup kitchens. The relatively long duration of my stay also enabled me to learn some Latvian, which was beneficial when it came to meeting and talking to people.

During my time in Riga I felt I was living in two separate worlds: my real life with my working partner and expatriate friends, all living comfortably in nice apartments and with no worries about being able to afford food, clothes, medical services and so on. On the other hand I had my encounters with the less fortunate in this society who did not have any of those things I took for granted.

Laura, my translator

My translator Laura did an amazing job, and I could never have done this without her. Quite accidentally I mentioned to a woman at the Red Cross that I was looking for someone who could help me with the interviews, and she said she might know someone. And some days later Laura emailed me saying that she would love to help. She was juggling work and full-time studies, as so many students in Latvia have to do to make ends meet. To my fortune Laura spoke not only Russian, Latvian and English, but also Norwegian, and so we did not have any communication problems. Laura is an easy-going young student with a lot of empathy. Again to my fortune, she resembled me both in terms of outlook and temperament, and I learned to fully trust her ability to handle the interview situation in a competent manner.

She was well aware of the difficulties that had struck a great part of the

population after the transition, but nevertheless she often became overwhelmed by the stories we heard or by the situations in which we found ourselves. The sad, depressing stories we heard deeply affected Laura as she gradually realised that the picture of the situation in her country was worse than she thought. Because of the language barrier, all the information went through her and sometimes it was difficult for her to continue with simultaneous translation. Sometimes she got so involved and just kept the conversation going and temporarily forgetting her role as translator, with the result that re-telling everything back to me word for word was difficult.

I did not use tape recorder. The reason for this was that by doing so I would have needed to take possession of even more of Laura's time as she would need to be involved in the transcription process as well.

Quantitative and qualitative method, participant observation

In social research there are primarily two methods that are being used, the quantitative method and the qualitative method. Both the distinction between the two and which one of them is the most suitable has been subjected to much debate. However, these discussions are seen to be cooling down since it is now more accepted to apply the two methods in combination (Alvesson & Skoldberg 1994). Simply stated, the quantitative method is more about numbers and scope and is often applied with the aim of creating generalisations, while the qualitative method seeks to give a deeper and fuller understanding of a phenomenon (Thagaard 2002). Data from the first method will typically be expressed in numbers while data from the latter are expressed in the form of descriptive text. A significant difference between the two is that the quantitative method is more strict and researcher-controlled, while the qualitative is necessarily more open to researcher-respondent interaction (Alvesson & Skoldberg 1994).

In a quantitative research, questionnaires are employed to collect the information. Since the questionnaires usually cover a larger pool of interview objects but a more limited number of variables, it gives a perception of the extent of the phenomenon but lesser depth than the qualitative method. On the other hand, the latter method does not say much about the extent of the phenomenon. In a qualitative research situation the researcher conducts deeper and longer interviews with typically a smaller number of

social actors, which provides closeness and understanding. The purpose of qualitative research is not to make generalisations or statistics, but rather to grasp individual experiences, behaviour and self-understanding (Thagaard 2002). Consequently, this method is often combined with observation and participation. With quantitative questionnaires, the respondents do not have the same possibilities to elaborate on their opinions, situation or behaviour in the same way as qualitative interviews do. While the latter method is geared towards the experience of a conversation, the former is more geared towards interrogation. Since these two methods are quite different, they are often used for separate purposes. Nevertheless, there are also good reasons for combining them in research since they supplement each other in terms of strengths and weaknesses and could provide a more rounded picture of a phenomenon when applied in tandem.

I chose to employ a combination of these two methods in my research often referred to as triangulation (Thaagard 2002) in an attempt to maximise the field study by drawing on the strengths of both the qualitative and the quantitative approach. Additionally, I also combined these with participant observation. My choice of methodological approach of what would provide the best results was a gradual process. I started out by planning a qualitative research that would be well-suited to my purpose; finding out more about how the people in the soup kitchens perceived their situation and how they coped with daily life. However, I soon realized that I needed to know more about the general living situation in order to contextualise my findings to be able to draw well-informed conclusions. For example, how many of the very poor receive benefit from the state; what is the average amount of these benefits; what are their housing expenses and how many of them are homeless? To be able to get answers to these broader questions, I developed a quantitative questionnaire.

Target group and informants

My aim was to get in contact with people that I knew existed from observation, but apparently were left out of various household budget and living surveys, and who were among those that could definitely be said to have experienced the less favourable side effects of the transition. This led me to the soup kitchens.

In quantitative research it is normal to use some sort of random sampling techniques (Flowerdew & Martin 2005), such as based on every tenth person or date of

birth, and ideally I would have wanted to apply such a technique on the quantitative part of my study.

Unfortunately, this proved impossible for my questionnaire as we simply were forced to make use of all those who agreed to talk to us and complete as many as possible in each session. My informants for the questionnaires were selected according to a set of criteria that were both uncomplicated, easy to apply and that that fitted well to the circumstances. The criteria were that the informants had to be able to stand on their own feet and be able to talk freely and coherently, as well as not behaving agitated, threatening or aggressive. As shown in next chapter, the composition of my informants is spread across different age groups, ethnicity and sexes.

The selection of informants for the qualitative research was more strategic. It was based on the contact established and the answers given when completing the questionnaire. If a person was deemed to be within the set criteria and had expressed an interest in sharing their stories with us for the research, they were asked for a longer comprehensive interview.

The main goal with the research was not to make any statistical analysis or generalizing knowledge, but rather to gain a more complete overview of the respondents' material living standards and insight into their daily lives. This was in order to fill the void between the personal nature of results obtained through the qualitative interviews and the knowledge contained within the broader national studies that are available. Against this backdrop, I found this sampling method meaningful for my purpose.

All informants that were participating were doing so under their own free will and they understood the purpose of their role as informants in this field study. All informants referred to in this study have been given fictitious names.

Qualitative interviews

When starting the interviewing in February 2004, it proved difficult to gain the informants' trust, and many were reluctant to talk. This was frustrating but also understandable. There were several reasons for this reluctance; for one it was cold to stand outside and talk; potential informants got wary as we projected signs of insecurity in the beginning due to the unfamiliarity of the situation; we were a new and foreign

element in what they saw as their territory; their focus was on food, not conversation. Furthermore, I suspect that they did not see any reason to talk to us and they may have been prevented by their own worries about what others in the line might think of them if they chose to do so. Due to this lack of progress, it was necessary to find a better way to connect that would make the situation more pleasant for all of us. I managed to get hold of a 10 litre thermos that we began to bring along filled with hot coffee, which we served to anyone who wanted a cup. This was in no way restricted to those who agreed to participate in the research, and proved popular among those at the soup kitchens. Whether or not it was the fact that we provided people with coffee, that the soup kitchen users got used to us as time went by, that we grew more confident, that the weather was starting to get warmer or a combination of all these factors is impossible to say for certain, but gradually the atmosphere changed. In the end, few turned us down when we approached them and asked for an interview and the soup kitchen users were gradually accepting our presence and started to open up to us. The situation felt much more comfortable when we could meet them with a smile and a cup of coffee, showing them that they actually meant more to us than just being objects of research. I am not concerned that this had any major impact on the results of my quantitative study as I am confident the answers would have been the same with or without the coffee, which we made sure they understood came with no strings attached and was freely available to anyone regardless of whether they wanted to talk to us or not. However, it probably influenced the participant in some way, such as being more open and friendly towards us and more willing to share their stories. Without the coffee I am quite sure it would have taken much more time and effort to gather the same amount of respondents. It would of course be too categorical to state that the coffee handouts had absolutely no distortional effect on the data collected, but every effort was made to ensure that this effect was minimised. Similarly, every effort was made to ensure that none of the respondents felt pressured into becoming respondents for the sake of a free cup of coffee by clearly explaining that the two should not be seen as linked in any way by the soup kitchen users.

Laura and I carried out nine interviews during the next few months. Before I started I was unsure about the best way and place to carry out the interviews, and as a consequence the first two interview situations were less than optimal since they were

undertaken more or less in the soup kitchen queue. Predictably, these interviews are characterized by more stress and fewer elaborate answers compared with the others. Instead of interviewing people at the site, we decided to ask them if they could come with us to a quieter place, a nearby café for example, which was an arrangement accepted by the next five interviewees. The last two interviews were conducted in a quiet place outdoors. We managed to cover more or less the same questions in all the interviews, but since the situations and the individuals were different the answers varied when it came to length and substance. Some of the questions were often skipped because they turned out not to be as relevant as originally expected, particularly for the theme 'privatisation'. However, the key themes in my interview guide were all the same; family, living situation, working situation, money, social security and opinions and feelings regarding the transition. Most of the conversations were of a very personal character and I felt we established good relationship.

Since so few of the respondents spoke English the majority of the qualitative interviews were done with my translator Laura in either Latvian or Russian, depending on which language the person preferred. I asked the questions in English and she translated them, and then she translated the answers back to me again. Only one interview was done without Laura, since the respondent's English was so good that a translator was not needed. This is the interview which I consider to be the one with the most comprehensive material. In this situation I got the information first hand and not filtered through a translator. I absolutely think that using a translator makes a difference; even though I am quite sure I got all the information right in the interviews with Laura as well. However, without the added translation filter, it was easier to bring in follow-up questions and it resembled a conversation more than the other interviews.

In addition to not wanting to ask for more of Laura's precious time, I knew she found these interviews emotionally difficult, as did my informants. In the end, I decided to settle for nine interviews even though I had originally intended to do more. While we enjoyed being present at the soup kitchens, talking to people and serving them coffee, we found that asking them to elaborate their difficulties was something different all together. The questionnaires did not feel as uncomfortable and were not as emotional as the interviews. Besides talking to those dependent on charity, I also interviewed coordinators

at the different soup kitchens, one of the employees at the Riga shelter, and an employee at the Ministry of Welfare.

Quantitative questionnaires

In addition to the nine main interviews, we carried out 76 questionnaires (including answers from the nine informants). In contrast to the interviews, these questionnaires represented a more structured form of obtaining information. The data obtained from the questionnaires is expressed in numbers in contrast to the detailed and richer material from the nine main interviews. The questionnaires were relatively short (8 questions), and contained more or less the same topics as the interviews but in a more focused form; personal information, housing, state benefit and monthly expenses. In the last round of questionnaires I also included some questions about their health situation. We had prepared the forms with the basic questions into both Latvian and Russian. These interviews usually took place before they had started lining up in queues.

Quite remarkably, even though there was almost always food for everybody, people were standing in line long time before the soup kitchen opened. This could be seen even at the Hare Krishna centre, where users were guaranteed food as long as they showed a personal card. Whatever the deeper explanations for this may be, on a surface level it provides a small example of the degree of uncertainty and unpredictability among those in the lower strata of Latvian society.

Participant observation and informal conversations

Because of the specifics of my research situation, I was able to utilize a variant of the method known as participant observation in addition to quantitative and qualitative methods described above. This method is based on living and/or working in the actual environments that are being researched (Flowerdew & Martin 2005), thereby enabling the researcher to get to know the community from the inside by being an integrated part of it. If the main goal in a research is to study the interaction between people, then observation as a methodological tool is, for obvious reasons, highly suitable for this purpose (Thagaard 2002). However, since people-to-people interaction was not the core focus of

this study, observation was of secondary importance. But while the information gathered from observation through all the hours spent as a volunteer in two institutions, Atbalst Centrs Berniem in Sloka and Missionaries of Charity soup kitchen, did not contribute with any precise data, it has provided a deeper and more tangible understanding of the lives of the unprivileged in Riga.

The weeks as a volunteer at the Missionaries of Charity gave me an insight into the clients' behaviour in this rather special social setting in terms of how they related to each other and to the volunteers. This institution was the only one visited that in addition to serving food also provided treatment of wounds and infections, offered limited medical care and provided clothes for those who needed it most. Apart from the users who were severely intoxicated, the majority of clients were very polite and thankful to the workers in the soup kitchen. Several times they offered to help cleaning the floors or putting away chairs after we had served them breakfast or lunch.

In a broad interpretation, this may qualify as a form of hidden observation, since I did not announce who I was for these soup kitchen users. But in a stricter assessment, these observations did not form part of my research, and the information collected only has an indirect impact on this research in the sense that I was drawing on a fuller understanding of these groups when conducting the research. My participation in these two institutions was not planned as a part of my research. I volunteered there because I wanted to help. However, in this way I got to see how one soup kitchen really worked from the inside, how the users related to each other, how they acted in this setting and I got to actually feel the atmosphere there. The other volunteers and the Sisters all knew that I was writing a thesis on the subject.

I continued to work in the children centre in Sloka, a rather poor village outside Riga. That gave me a glimpse of the situations of unfortunate families who lacked money and other resources. Some mothers had to leave their children there for a period of time because they did not have money for housing or food and were therefore unable to take care of them. Other children had one of their parents in jail, and others had abandoned their children for various reasons. Generally, the children barely had any clothes when they arrived and they had hardly ever owned any toys, such as games or footballs. Several of the children were severely traumatised by the situation.

I also managed to organise the collection and shipment of about a tonne of old clothes and several tonnes of kitchen utensils from Norway to Riga. This was very giving for me in many ways. On one hand, I got to experience the suffocating effect of the bureaucracy which must be dealt with when trying to help people in another country, and on the other hand, I experienced the relief of the Sisters when they received clothes desperately needed and also knew from experience how the soup kitchen users would appreciate warmer clothes, shoes and glasses so they could see better. None of the respondents knew this was coming from me.

These experiences as a grassroots volunteer with two rather different organisations and as an ad hoc one-person aid organisation proved to be of much benefit in the research situation. It provided valuable background information and context and enabled me to approach the subject from a more holistic perspective and with a fuller understanding of the complexities of the issue. The combination of methods ensured that the study captured not only the subjective self-understanding of the interviewees combined with a more objective insight into the material conditions of Latvia's poor through a larger sample of questionnaires. By combining these two core qualitative and quantitative methods with information from observation and interaction with these groups, the results became more comprehensive than if only one, or even both, of the core methods had been used.

Limitations to the empirical research

It is vital for all research, both qualitative and quantitative, to verify the data being used. In the social sciences a trinity consisting of the concepts of reliability, validity and generalisation is often used to validate knowledge (Kvale 2002).

'Validity' refers to the appropriateness of the intended study, such as whether the research actually measures what it has set out to do. There ought to be a correlation between the theoretical and the operational definition (Solrød & Gundersen 1996). In the context of this study, this relates to the starting point of the study, namely the living situation of Latvia's new poor, and what is being measured in the study; income, house, health, consumption.

'Reliability' refers to the trustworthiness of the data, such as whether the data are

accurate and whether repeated measurements would give the same results. As it is not always possible to verify the reliability from other researches, a critical approach to third-party information, such as double-checking data for accuracy, may be needed (Solrød & Gundersen 1996). A working ethic based on precision and accuracy will heighten the reliability in the research by avoiding misunderstandings and code errors. Hence it is important to acknowledge that both researcher and informant are influenced by the process, and that the quality of this relation can have a notable effect on the research material (Thagaard 2002).

The last part of this trinity, 'generalisation', refers to the possibility of making generalisations based on the research findings, such as whether the results of a research would make it possible to predict similar outcomes in similar situations (Kvale 2002). Thagaard (2002) is replacing the term 'generalisation' with 'transferability', which refers to the relevance an interpretation based on one case may have in a wider context.

Seen against this theoretical framework, this study of poor people in Riga aims to establish its validity by showing the correlation between the data collected and the main objective of this thesis. Further, it aims to be reliable through a close link to other relevant researches and literature, by extended use of quotations and references, and to make sure it can be trusted by the readers by avoiding any blurred line between interpretation and information and acknowledging the mutual influence between researcher and informants. Lastly, the study should prove relevant for other studies of poor people in other transition countries, and thereby be in conformity with the concept of generalisation, or, in Thagaard's terminology, transferability.

It would also be important to highlight the weaknesses and strengths of this study. For a researcher it is important to be aware of the possibility of misunderstandings and incorrectness, which can have an impact on the final results. The potential for misunderstandings in this study is of course heightened by the fact that the informants live under difficult conditions and may not be able to provide trustworthy answers to seemingly simple questions, for example in terms of the size of their apartment and the rent they pay. Furthermore, even though I worked hard to ensure that the questions of the questionnaire gave little room for interpretation, there were still instances of insecurity. For example, in some cases it was difficult to ascertain whether informants were

providing expenditure figures for themselves only or for their entire household. However, even though some figures may be slightly imprecise, the value of the research should not have been weakened, provided that there was only a minor margin or error and since the main aim of the study was to look at the living conditions of poor people in Riga.

As an example, Olga stated that she lives in a 14 square-metre apartment in a run-down area of Riga, paying 35 Ls a month in rent. That is double the price of what many others pay and the figures reported might be slightly higher than the actual monthly rent that Olga pays or her flat is actually bigger than 14 square metres. But on the other hand, there is no reason to doubt Olga when she says that she is uncomfortable, that she does not feel safe, that the apartment is in desperate need for refurbishment and that she did not have any money for shoes last winter. In terms of this study, that information is more important than the correctness of monthly rent or the number of square metres.

As could be expected, some respondents were found not to provide answers based on objectivity, but were instead exaggerating their personal hardships. Some were doing the opposite. This was mainly the case of those who were intoxicated, but there were also other instances in which potential respondents were dropped as they showed signs of providing unreliable answers. However, given that the selection process of interviewees went through several stages and was handled with special care and attention because of this risk, I regard the answers from my main informants to be considered as trustworthy.

The interaction between researcher and respondents was another risk to consider in this study, both because the respondents may have felt uncomfortable talking about their difficult personal situation to someone young, foreign and much better off than them, and because their difficult lives and stories could often become emotional and hence difficult for the researcher to uphold neutrality. Another aspect of this interaction was the need for a translator. Even though much preparation was done to minimise the influence of these factors, it is unlikely that they did not have any influence whatsoever. As for the translation and its potential for distortion, much time and effort was spent on preparation and de-briefing to try to avoid or limit this risk to the extent possible.

For a research to be ethically sound, the informants' agreement is necessary (Thagaard 2002). All participants agreed to participate in my study after they were informed about my project's content and purpose. Furthermore, all respondents were told

that they did not have to answer questions they did not want to answer, that their participation was voluntarily and that they could withdraw from the research at any stage. As already mentioned, all respondents have been given fictitious names in order to be able to ensure them that there would be no possibilities of recognition.

A research of this kind also balances between being personal and intimate and being intrusive. Special care must be taken by the researcher to ensure that the research situation never tips into the wrong side of this balance, and in this study much of the time with the interviewees was devoted to ensuring that the respondent was comfortable with the situation and the questions asked.

ANALYSIS: A SOUP KITCHEN PERSPECTIVE ON POVERTY

The following chapters will explore in depth the life situations of the respondents of this study and illustrate how they cope with the harsh realities of everyday life; what are the main obstacles they experience and what possibilities do they see within their situation? Do they have work, income and a place to live, and if not, what are the reasons for this? What kind of possibilities do they have to get hold of essentials, such as food and clothes, in addition to the various soup kitchens? Does the welfare system effectively reach out to the people who are in desperate need of it? What are the respondents' experiences with the benefit system?

I will also try to give a glimpse of my respondents' perception about living in the Latvian society. Do they feel socially included or excluded, empowered or powerless? Do they have their own communities where they experience a sense of togetherness, solidarity and sympathy, or are they feeling isolated? How do the respondents look at the way the state handles the poverty situation? Do they feel that the state has let them down or do they believe that the state is trying its best in a difficult time? Are poor people aware of the increasing stratification around them and how do they look at this phenomenon?

In the last part I will look at their perception of the transition. What happened to them during that time and what are their perceived causes of poverty? Do they blame themselves for not being able to adjust to the new situation or do they mainly hold external incidents responsible. Are they bitter or have they accepted their difficult situation? First, however, I will begin with a short introduction of my main nine informants.

An informant overview

Biruta, 57, is married with three children. She lives with her husband and her two youngest children in a rented apartment. Biruta and her husband are both out of work. She goes to soup kitchens every day except Sundays, and is the person I met most often at the various soup kitchens in Riga during the study.

Martins, 62, is a divorcee and has four children. He is uneducated, but has worked his whole life at the 'Riga Piens' milk factory, but is now a pensioner. Martins was very friendly and outspoken about his personal situation, and did not show any hesitation about being included in the study.

Andrejs, soon 60, has remained unmarried, but has two sons who are 30 and 40 (disabled) years old. He has been more or less unemployed throughout the period 1991-1997 due to a back problem, and in 1997, at 53, he started to receive a pension of 25 Ls (315 NOK) a month as he finally became classified as disabled.

Alexanders, 54, is divorced and has a daughter. He does not currently have a formal job, but he does work at the cemetery making sculptures now and then. He lives in Ogre, a small town outside Riga, together with his sister's son.

Baiba, 52, is divorced with two grown-up sons. She used to work as a cleaning woman at a mental hospital, but is now unemployed after being fired. Baiba was the first person we interviewed who used the word 'poor' about her life situation and seemed very much depressed about her circumstances.

Monta, 53, is married with two grown up daughters. She used to work as a sewer, but got fired when her employer was forced to make cuts in the workforce due to a difficult economic situation. According to Monta, it was the older women in the staff that were told to go. She has been unemployed since November 2003.

Olga, 67 is a Russian citizen. She worked as a technician at the railway her whole life but has been pensioner since 1992. She lives on her own and has a grown up unemployed son.

Nerius, 37, Lithuanian, unmarried, but has three children. He does not have a steady job, but works on and off in the informal economy. For the last two months ahead of this study he had been living in a ramshackle building soon to be demolished.

Igors, 46, Russian, unmarried and has no children. He is unemployed, collects bottles for money and claims he is ready to do any kind of work if asked. At the time of this study, he was living in the state run shelter in Maskavas (part of Riga).

The soup kitchen users; who are they? A quantitative overview

Basic summary of a total 76 individuals interviewed, including the nine main informants

Sex	41 men; 29 women, 6 undeclared.
Age	Ranged between 21-94 years; average age about 54.
Nationality	41 Latvian, 27 Russian, 1 Lithuanian, 1 Ukrainian, 1Belarusian, 5 undeclared.
Status	50 unemployed, 17 pensioners, 3 disabled/pensioner, 4 disabled. 2 in informal employment.
Accommodation; type	40 in apartment, 6 in shelter, 30 without apartment (living on the street). Apartment size ranged between 16-71 m2.
Accommodation; rent	Ranged between 6-100 Ls (76-126 NOK). 2 lived temporarily for free at friends, 4 paid no rent by living illegally in condemned buildings.
Number of persons in each household	Ranged between 1-6 individuals
Household expenses	Ranged between 0-300 Ls (0-3,777 NOK) a month
Monthly state support	Ranged between 0-78 Ls (0-982 NOK)
Total monthly income	Ranged between 0-78 Ls (0-982 NOK)
Sustainable income as reported by respondents	Ranged between 35/40-600 Ls (440-7,554 NOK); average sustainable income seen at around 100 Ls (126 NOK) a month.

As can be seen in the table above, the 76 respondents of this study included a broad distribution in terms of sex, nationality and living conditions. It shows that poverty has struck women and men, as well as the two main nationalities (Latvian and Russian) in the country. The fact that the distribution of Latvians and Russians in this study corresponds broadly to the distribution of the two nationalities in general is in accordance with earlier assertions that ethnicity is not an important factor contributing to poverty in Latvia, while place of living and level of education are important factors in this respect.³⁷ There are no existing data that verifies a correlation between ethnicity and poverty in Latvia, with the exception of a small minority of Roman people (Pabriks 2002).

A staff member the Rigas Patversme, a shelter, estimated that approximately 80% of the clients were between 40-60 years old. Additionally, the shelter had many clients

³⁷ Latvian National Action Plan for Reduction of Poverty and Social Exclusion 2004-2006

that were pensioners and disabled, and at this particular shelter Russians constituted about 50% or more of the clientele. While the Russian minority makes up close to 30% of the population on a national level, it is far higher in all the main cities of Latvia. In Riga, the nationality split is roughly 50-50, but with wide differences between parts of the city.

The informants of this study were distributed across all age groups, but the majority was between 40 and 60 years. The youngest respondent was 21, while the oldest was 94 years old. The average age was 54 years old, which is in accordance with what a woman employed at the Hare Krishna soup kitchen estimated; that most of the people showing up there are around 55 years. Raimonds, who works in the administration of the Diakonijas Centers, also stated that the majority of the people coming to their soup kitchen are between 40-60 years old. But there are also pensioners, disabled and families with many children. Their main uniting feature of the soup kitchen users is (long-term) unemployment, according to Raimonds. From Raimonds' perspective, the number of people seeking help at the soup kitchens was increasing. This statement stands in contrast to the experience of Hare Krishna, where they had experienced a decrease. However, Hare Krishna saw the decrease in relation to the high numbers from the early 1990s.

Struggles, obstacles, possibilities of the Riga poor

"After I have paid all expenses, I just have 5-6 lats left for the rest of the month"³⁸.
Female pensioner (67)

In conformity with the view of Raimonds, the one issue all my 76 respondents had in common was a (desperate) lack of money. They all regarded the soup kitchen as the only alternative for survival. Hence, the interviews showed much desperation and frustration among the soup kitchen users. Unsurprisingly, respondents were most unhappy with the direction their lives had taken, but, perhaps more unexpectedly, many respondents did not complain or blame anyone for their difficulties. It seemed as if many had accepted the situation and just tried to make the best of it;

³⁸ Approximate cost in 2003-04; 2 kg potatoes, 0.57 Ls; 1 kg rice 0.42 Ls; 1 litre milk 0.39 Ls (RIMI)

“My life situation could have been better, but I am not desperate. It could have been worse also. No one in my family is starving, so it’s not that bad” Martins

A couple of my informants (Alexanders, Monta) told us that they had never been in such dependency before, counting on soup kitchens for their survival. They both hoped it was the first and last time they needed to ask for food in this way. Since the interviews were conducted during winter time – when the need for soup kitchens is at the highest - many were naturally hoping that the increase of cyclical work opportunities during the summer, such as construction work, or, in case of Alexanders, sculpture-making at the cemetery, would provide new opportunities and possibly help them break out of the circle of poverty. Others, meanwhile, had been soup kitchen regulars for years and would show up several times a week. Many of these had stopped making such hopes to avoid the disappointment once the winter set in again and they found themselves back in the queue. Some of these long-term clients said they still felt embarrassed being dependent on soup kitchens, while others had overcome the embarrassment and instead saw the soup kitchens as a place to meet friends their friends.

The majority of the unemployed did not receive any support from the state, and therefore had a purchasing power that for all practical purposes was zero. The pensioners all complained about the insufficiently low old-age benefit. The people encountered as part of the study all got food from the soup kitchens, while a couple of the institutions also donated clothes for those in desperate need. There were many that were clearly in need of warmer clothes. The winter of 2004, when this field study was carried out, was characterised by much bad and cold weather, something to which Olga (67) testified. She did not have any winter shoes, so when she had to go outside she wrapped her slippers in plastic. The Salvation Army helped her when she needed it most and gave her some proper footwear. However, Olga nevertheless reckoned that the Salvation Army is not fully aware of how difficult the situation was for many because it did not reach out as far and wide as necessary to capture the full picture of poverty in Latvia. Similarly, the Missionaries of Charity gave Igors new shoes when he showed up there with his feet wrapped in plastic.

One grey day in March we met a 58 year-old disabled woman at the Diaconia’s food stand. When we first approached her she did not want to talk to us because she was

sick and her memory was very poor she said, but she soon agreed and told us about a life characterised by sickness and scarcity. Once, she told us, she collapsed on the street, but no-one came to help her. She just had to lay there until she had strength enough to get up. She used to work as a cleaner at the hospital but she got fired due to sickness. Now, she got 60 Ls (755.40 NOK) from the state, which was too little to cover basic needs. She lived in a 23 square meter apartment for which she pays 13 Ls (163.67 NOK) a month, but on top of that comes expenses for firewood for heating. She said that what she most longed for was some basic clothing to keep the winter cold at bay; a nightgown, a dress, a skirt, a hat and a winter jacket. The field study exemplified many sad and tragic destinies, such as that of this 58 year-old disabled woman that had fallen to the bottom of Latvian society. Laura, the translator, was surprised that she knew so little about the scale and level of poverty in Latvia, even though she had been working for Red Cross for many years. This cover-up of poverty in Latvia prompted many who encountered it first hand, such as Laura, to ask whether the government fully knew of its extent and degree.

My nine main informants all mentioned rapid price rises over the last years as an added difficulty. It was hard for all of them already to manage with the low amount of income they had (some of them did not have any), which was insufficient for covering basic needs such as rent, electricity, heating, food and clothes. Biruta desperately wanted to buy gym shoes for her son so he could participate in gym class at school, but she simply could not afford it and as a result her son was forced to remain out of gymnastics at school. She was also very worried about his graduation, because they did not have any clothes he could wear. To Biruta, as with many of the other soup kitchen users, their children was great worry to them, both in the near term and as a future worry that the poverty they themselves experienced would be carried into the next generation by their children. For the majority of all my respondents the only thing they could afford to buy was bread and milk, although some of them also chose to spend their limited resources on cigarettes and alcohol. They did not know much about the general price level in society, except that prices were on the rise. Needless to say, none of them had the opportunity to spend anything on something other than basic necessities, such as to go to restaurants or cafés, buying a summer dress or a radio. Biruta said she had not been to a café in 11 years. As mentioned in chapter four, five respondents were interviewed in a café, and

they were all quite emotional about it. Alexanders knew right away where he wanted to go when asked - to a place called “13 Kresli”, where he had used to go with friends before. He could not afford to go to restaurants anymore, but said that at least he usually did not go hungry, although would eat more if he could. He told us that he always bought food at the market, as that was the cheapest option.

At the time of interviewing, EU membership on 1 May 2004 was drawing closer for Latvia. Although views on EU and NATO membership was mostly positive in Latvia in general, as seen in the successful campaign of the pro-EU government to gain a ‘Yes’ in the referendum on EU entry, many of the poor had grave concerns about joining the EU because they feared it would spur inflation. They turned out to be right; annual inflation shot up with EU membership due to a wide range price adjustments combined with high rates of GDP growth.

Employment and income: managing without neither

None of my 76 informants had steady (formal) work. All of them, even some of the pensioners, desperately wanted to find some way to earn an income. They had more or less given up trying to find formal jobs, so their focus was on finding unofficial work. But even informal jobs were difficult to get for many because of age. The majority of all my informants were above 50 years old, and they were always turned down by the same sentence; “We don’t need you, you are too old”. Not even work as a dishwasher or a cleaner was possible for Baiba, 52; because of her age. If they did get hired as an illegal labourer, they were, as mentioned in chapter three, an easy target for being exploited by the employer and being forced to work for next to nothing. However, my respondents were all willing to take informal jobs with payment under the table because they saw that as their only possibility to earn a little extra money, even though that would mean reduced state benefits later compared with having a normal job and making social security payments. According to Monta: *“there are both positive and negative aspects of having an informal job; you save money there and then since you do not pay tax, but you will lose future income, and you can’t get loan in the bank”*.

During the past years Alexanders had had several informal jobs, and he was now an on-and-off worker at the cemetery where he claimed he paid taxes. He said he gladly

paid taxes as he wanted to get a pension when he reaches retirement, and additionally he said he feared getting caught by the tax authorities or the police for working illegally. He has had several unofficial jobs earlier where he did not pay tax.

The questionnaire respondents all have the same opinion about the state's effort of helping them to find work; highly insufficient. Many felt rejected at job-seeking offices, and were offered neither courses nor training. Furthermore, many encountered the same attitude there as in the job market in general, and were simply told they were too old to get hired. Of the 76 respondents, there were only two people who said they had been offered any kind of help other than unemployment benefit or old-age pension by the state; Alexander's were given two job proposals that both would have required him to move across the country (which he turned down as he could not or would not move from Riga), while Monta had been able to participate in a job-training course, and been offered a second course in accounting (which she had turned down as it was not her field).

An encounter one morning at the Salvation Army breakfast exemplified how the poverty trap also affected the young. There a young unemployed man was very frustrated with his situation. He was homeless and had lived at the shelter for nearly a year. What he really wanted was to take a course in computing, which he hoped would help him get a job and break the cycle of poverty. The course he wanted to attend cost 27 Ls (340 NOK). That price tag represented an impossible hurdle for this young man because all had to be paid in one go, and he did not have anyone to turn to among family and friends to help him cover the bill, nor was he able to get help from the state to take a computing course.

We asked all informants about the amount of money that they would see as sufficient per month for their household without relying on outside help such as the soup kitchens. As shown in the table above, the smallest amount reported was 35/40 Ls, which was a figure provided by a 48 year-old unemployed man. However, 23 of the 62 persons who answered the question said that they would do relatively fine with approximately 80-120 Ls per person, while 13 would manage on less and the last 26 would need more. Martins said he thought he would be independent if he received 90 Ls instead of the 51 Ls he was receiving from the state. Andreijs thought 100 Ls would be sufficient in order to be self-sufficient. Those who were drunk and homeless tended to state higher amounts

than the rest. But the highest amount, 600 Ls (7,554 NOK), was provided by an unemployed 57 year-old woman, who lived together with her husband and two children.

These results show that the national minimum consumer basket of 98.78 Ls was a good estimation for a poverty threshold at least for my respondents. They might still be relatively poor with approximately 100 Ls but at least they would not be dependent on charity. It is then quite startling that the labour force survey (chapter.3) shows that nearly 50% of the workforce received a net salary below 100 Ls in the last quarter of 2003, and that minimum labour salary in 2004 was 80 Ls, the average unemployment benefit was 57 Ls and that the average old age pension was 71 Ls. In my interview with an employee from the Welfare Ministry, he considered that the minimum salary at that moment should constitute 100 Ls.

A concurrent theme among the pensioners was that the allowances they received from the state simply were insufficient to cover basic needs. A large share of the pensioners' income is spent on apartment rent, often as much as half, leaving in the best case approximately 30-40 Ls (378-504 NOK) a month to cover all other expenses, such as food, medications, transport.

Furthermore, many people I spoke to outside the soup kitchens with an ordinary salary found themselves barely managing. Some examples of this were one woman who worked in the child centre where I volunteered, who earned 60 Ls (755 NOK) a month; two waitresses (friends of Laura) who were earning 25 Ls (315 NOK) and 100 Ls (1,260 NOK) a month for fulltime work. Even the latter example gave an hourly wage of only 0.6 Ls (7.50 NOK). Laura, the translator, tried to manage on a 60 Ls a month student loan. What all the people mentioned had in common was to be in a situation where income and expenses simply did not add up.

Housing: a main worry among the poor

Approximately 50% of my 76 respondents lived in some kind of apartment. Of these, 33 persons paid rent, while two women lived for free with their boyfriends and a third had a boyfriend who helped her with the rent. Another four did not pay any rent because they lived in abandoned buildings. Of the remaining half, 30 people lived on the street and six stayed temporarily in shelters. The size and rent of the apartments varied to a great extent. From 13 to 71 square meters, the lowest rent was 8 Ls (101 NOK) and the highest

was 100 Ls (1,260 NOK). The number of people in each household varied, from one adult to three adults, to three adults and one child, five adults and one child to two adults and two children. All the pensioners lived in an apartment and paid rent. Of those 30 living on the street, the majority were unemployed men around 35-55 years old, but there were also five women; one aged 59 (she had a mother with an apartment in which her sister and brother already lived), one aged 43, a 58 year-old disabled woman receiving 50 Ls in pension per month, a 58 year old long-term unemployed (ten years) and a 51 year-old unemployed (six years), who got some help from a boyfriend receiving 30 Ls (378 NOK) per month in pension.

An unemployed 57 year-old woman explained that she lived in a two-room apartment together with her husband and two children, paying around 70 Ls (881 NOK) a month in rent. She estimated that both their monthly expenses and income totalled around 300 Ls (3,777 NOK), the highest per household in this research. After rent they had 230 Ls a month left, and divided on the number of days and persons this sum would give each person 1.92 Ls (24 NOK) a day at their disposal. The woman reckoned her family would manage without outside help if the household had an income double of what they actually had, 600 Ls a month.

A 69 year-old male pensioner receiving 54 Ls (680 NOK) from the state lived in a 27 square meter apartment for which he paid 27 Ls (340 NOK). That left him with approximately 0.9 Ls (11 NOK) a day. However, as such sums are unrealistically small to live on, quite many pensioners stated that their monthly expenses were higher than their total monthly income.

Two pensioners who volunteered in one of the soup kitchens received respectively 70 Ls (881 NOK) and 64.27 Ls (809 NOK) from the state. For their apartments they paid 65 Ls and 23 Ls, respectively. The first person was left with nearly no money after rent, and also stated that her monthly expenses amounted to 100 Ls a month. The latter lived in a much smaller apartment and was left with approximately 41 Ls a month after having paid rent. Nevertheless, her monthly expenses also exceeded her income with 15 Ls. Of the seven pensioners interviewed that same day, all said they would manage relatively fine if they had a monthly income ranging from 80 Ls to 155 Ls.

Several of my informants expressed a wish to renovate their dwellings, as these

were invariably described as cold, dark, small and run-down without much of the equipment taken for granted by most people in Western Europe.

Baiba, the 52 year-old former cleaning woman, said her housing situation was acceptable, but difficult. Although she said she felt in control over her own life, she still felt insecure, largely due to fears of losing her apartment. She lived by her self in a 26 square meter two-room apartment for which she pays 24 Ls (302 NOK). It lacked electricity, water and toilet, but was a place to live. She was afraid of not being able to pay the rent, and said she tried to save on other expenses such as food. Her staple diet was bread and tea, she said.

Among the nine that were extensively interviewed as part of this study, only Nerius and Igor did not have their own place to stay. Nerius lived in a building that was soon to be demolished and Igors lived in a shelter. Biruta, who lived with her husband and two children, found their apartment okay, but too small. They did have electricity, but no telephone and a toilet in the staircase. Her husband had always lived there, so she moved in with him many years ago. Their oldest son paid the 30 Ls (378 NOK) monthly rent, which she found very expensive. She thought it was disturbing that the cost of housing was rising, and feared they might one day be kicked out.

Alexanders shared an apartment with his sister's son outside Riga, and was happy with his housing situation. His apartment was in good condition, and he had a telephone, electricity, toilet and water. The apartment was 46 square metres, for which he paid 47 Ls (592 NOK) per month, including electricity. He said he felt safe there and had good contact with the neighbours. He was one of the few that we spoke to who had privatised his own apartment.

Olga lived by herself in a 39 square-metre apartment in one of Riga's worst areas, for which she paid 35 Ls (441 NOK) a month. She said she did not like to live there and she did not feel safe in the area. She described the flat as dark and badly in need of renovation, and found electricity very expensive. The 60 Ls she received each month from the state was not enough to make ends meet, and she already owed the state 230 Ls (2,896 NOK) for previous apartment rent, which she had not been able to pay due to sickness. She said she would like to privatise her apartment and still had her vouchers, but she did not have the rest of the money needed to cover the privatisation.

A 92 year-old woman encountered in one of Diakonia's soup kitchens told about her housing situation. She paid 16 Ls in rent a month, which is not very much, but then she did not have a bathroom and the toilet was outdoors. There was no electrical heating, just a stove, which meant that she had to carry firewood all winter. She had one of the highest old-age benefit (72 Ls) reported in the study, but still after rent she had less than 2 Ls a day to cover food, clothes and medications. She claimed she was not one of the "actual users" of the soup kitchen, but that she used to show up there since she had worked there earlier. She did not want to sit together with the others, but rather in the kitchen together with the other women who works there as volunteers. In this way, the 92 year-old exemplified some of the pride and embarrassment that helps to keep poverty something of a social taboo and out of public debate.

The worst lodging conditions were found among those who frequented the "Missionaries of Charity", mainly because of its location (Maskavas) being among the worst areas of Riga and also because it did not serve pensioners. Of the eight persons interviewed, only one paid for accommodation, and another stayed with a friend. The rest were living on the street. The man who paid for his apartment were also the only one to say that he has seen some improvements to his overall situation in the last years. He had an informal job as an electrician, and earned approximately 70 Ls a month. The seven others said that their situation had worsened: "It is horrible," a woman, aged 51, said.

Health: an unaffordable luxury

"If you go to the doctor, you can't afford food, and so I never go to the doctor or to the dentist." Baiba

My health is really bad, Olga told us. She has some kind of stomach disease and some times she could not feel her legs. She barely had any teeth left in her mouth, but she tried to conceal it with her hand. She was very ashamed over her missing teeth and because of this she avoided taking part in social gatherings. She thought she looked very bad. Her teeth were in such poor condition that it would cost a lot of money to do something with them. She might have been eligible for some support from the state, but would not be able to afford to pay the rest, which would be more than 100 Ls, according to Olga (It

would likely be several times that figure, which exemplifies how out of touch with the general price level of Latvia many of the respondents were). As many others in her situation, Olga never visited a doctor or a dentist. Earlier, when she was working, she used to think that when she became a pensioner she could get her teeth fixed, but life as a pensioner did not turn out the way she thought it would. She did not have subsidized health care since she was not disabled. But on the other side, she said, state support for the disabled was not particularly good either, something the study also showed through the disabled that were forced to visit soup kitchens to get by.

"My family's health is OK, but it's difficult if someone gets sick. We can't afford to go to the doctor or dentist, so if any of us for example loses their teeth, we can't afford to replace them. And an operation would be impossible". Biruta

Andrejs, although disabled (and a pensioner), said his health was mostly good. He suffered from back problems, which he got while playing ice hockey many years ago and that was the reason he had been out of work since 1990. Surgery was for him unthinkable because it would be very expensive and the result uncertain. He did however have subsidised health service due to his disability; by paying 18 Ls a year he had cover for medial expenses of up to 200 Ls a year.

The last question round undertaken at the "Missionaries of Charity" gave an insightful, if gloomy, picture of the health situation among the very poor in Riga. Of the eight individuals questioned, none of them could recall the last time they visited the dentist. Prompted to give an estimate, two of them said approximately 10 years ago while another said it would have been around 20 years ago. A glimpse of their teeth would convince most people that they were being serious. The situation was somewhat better when it came to indicating their last appointment with a medical doctor. One woman had checked her lungs three months ago for tuberculosis, while another woman had been to the doctor six months earlier and a man went to see a doctor the day before because of his epilepsy. However, the rest of them had not visited the doctor at all during the last year. One person could not recall last time, while two answered that it was more than a year ago, another answered that it had been a long time ago, and the last one said it was four years since the last doctor appointment. Without money it is difficult for them to take

care of their health, and with poor health it can be hard to get or hold on to a job. One employee at the Rigas Patversme, the shelter, said many of those seeking help are trapped in a negative spiral, especially those who have been unemployed for a long time. For them the situation is getting worse and worse, their health is steadily getting poorer and they are more vulnerable for diseases. It is difficult for them to keep up a good appearance, which often is needed when applying for a job. If they should happen to get a job, it can often be hard for them to keep it because of their poor health situation.

The shelter employee also mentioned the paradox that even though they do not have any money, they will always manage to get hold of alcohol (vodka). Heavy alcohol consumption is a great problem among the soup kitchen users, said several of the NGO workers. On estimation, approximately 2/3 of the clientele was seemingly intoxicated during the many visits of this study. But the degree varied. While some could hardly stand upright, others are hard to spot as having been drinking unless being very close.

"Alcohol is very cheap. It is easier to get drunk for 60 santimes³⁹ than to satisfy one's hunger for the same amount of money because of all the illegal liquor shops. In this way people are kept drunk, since when they wake up with hangover they keep on drinking. With this approach the government keeps the population 'down' and in a condition of constant intoxication." Alexanders

As could perhaps be expected, the pensioners were most worried about their health and the lack of money for treating their illnesses. Their health expenses are naturally higher than for younger people.

"My health is OK, except from a bad shoulder which was frost-bitten two weeks ago when I worked in the cemetery. I can't remember last time I went to the doctor or the dentist, but at least I know where they are situated". Alexanders, who one the day of the interview did not have any teeth, as he was taking out his fake teeth when making sculptures at the cemetery.

³⁹ (100 santimes in 1 lats)

Survival strategies: black-market jobs, friends, soup kitchens

As shown above, a large share of the respondents do not have any income at all, while those who do still found that it is often not enough to make ends meet. What kind of strategies do they make use of to survive? In the following, some of the most common strategies used by the respondents will be explored to show both the extent and degree of poverty in Latvia.

Not surprisingly, a great part of the 76 respondents were not comfortable seeking help from the soup kitchens. However, they seemed to swallow their pride as this was often the only solution they saw for their survival. Needless to say, many found it humiliating to show up day after day at a charity soup kitchen, waiting in long lines until someone pours soup into a bowl or can that they brought with them, and not even being able to sit down while eating. The soup kitchen at “Missionaries of Charity” was by far the most pleasantly looking, with tables and chairs in a dining hall and friendly people serving breakfast or lunch at the table.

Biruta said that her family only managed thanks to the soup kitchens. They went every day apart from on Sundays, being totally dependent on them for food. Biruta’s regular weekly route included three visits to Hare Krishna (which is where she was when becoming part of this study), Friday mornings at the Salvation Army and sporadic visits to St. Saviours Anglican Church in old town and the Missionaries of Charity, where I met her together with some of the other family members. Biruta was the person encountered most often during this study, and also the one who frequented the largest number of soup kitchens. Despite this desperate situation, Biruta and her family did not get any help from the state, such as subsidized health care or medication. Instead, all the help they got was from churches and other religious organisations. Biruta was naturally very thankful for the religious organisations since they were of great assistance. “*What should we have done if the churches didn’t care?*” she asked rhetorically.

The frequency of visits to the soup kitchen varied among my 76 respondents, from several times a week and daily, to only occasional visits. Three-four times a week seemed to constitute the average. Some went to two or three different soup kitchens, while some

people stuck to one “favourite” place. The reasons for this remained unclear, but could sometimes be a mix of religious affiliation and lack of information about other soup kitchens.

Six respondents had the Rigas Patversme as their base. The shelter’s representative interviewed as part of this study said the shelter is run by money from the local government (in Riga). In his opinion, it was such a well run place that people easily got dependent on it and did not want to leave. The cost of lodging one person was 3.50 Ls per day, which included bed, breakfast, dinner, laundry and disinfection. This would sum up to approximately 105 Ls per month, which, as has been showed above, is a lot more than the average client would have at his or her disposal. The shelter had rooms for 120 men, and an extra 30 people in the family ward. The amount of people visiting was increasing, the representative said, but they could not take care of more than maximum 150 people a day. However, in the winter they would sometimes make exceptions. In the cold winter of 2004 up to 250 were sheltered there at one point to prevent them from freezing to death. It was so crowded that they had to sit in the stairs. The shelter representative reckoned there are more people in need of sheltering than what they had been able to map through their activity. A person may stay there for two consecutive months and a total of six months a year. The representative saw the shelter as a positive opportunity, especially for those who were really trying to get back into society.

All my main informants, except Olga, said that they tried to get hold of a job, preferably an official one, but found that this was more or less impossible. Even informal work was seen as hard to get. At the time of the interviews, two of my key informants managed to get hold of some work now and then. Nerius sometimes cleaned at the central market, and earned about one lats a day that way. The hours worked each time varied, between two and six hours usually, but the salary was always one lats. However, these opportunities came at irregular intervals. For example, he was not needed there on the day we spoke to him, and he already knew there would not be any work for him the day after either. If he could get work there every day, he would still not earn more than 30 Ls a month. Another key informant, Andreijs, said he too had had some unofficial jobs, for which he did not pay taxes. He seemed ashamed about it, but, as he said, “everybody in Latvia does it”.

Alexanders also wrote letters for other people, and received one lats per letter. In total, he usually managed to earn about 50-60 Ls each month. He did not get any support from the state, such as unemployment benefit or pension. He would truly like to have a secure job. He had a steady job working with sculptures from 1977-1997, but after that he had unofficial jobs. He also worked for a period as an apartment decorator, which was an official job. He had been more or less unemployed from 1997 to 2004. He was very happy with making sculptures at the cemetery, which was why he also tried to work in the winter despite the cold.

While not all 76 respondents gave answers about their educational background, all nine key informants provided such details. Among them four did not have any education apart from high school, while three had finished a degree (one as an architect, one had a technical degree and one had a degree as a sewer). The last two had started university degrees but had not completed their courses.

The impression of the shelter representative interviewed was that as few as 10% of the users there tried to find a job, which indicates that many had become so disillusioned with the difficult job market that they had either given up or did not care anymore.

Latvia is a country with vast forests and farmland which makes it possible for people to leave the cities during summer and autumn seasons and go to the countryside to cultivate agricultural products or gather mushrooms in the woods. Andreijs was one of those utilising this possibility as a means to survive. In addition to the aid from the soup kitchen, he believed it would not be possible without the help from his cousin in rural Aluksne. He often visited his cousin and helped him with cultivating in return for potatoes and mushrooms. As he did not like the food in the soup kitchen, he tried to avoid going there the days after he had received his monthly pension. He said he had been going to the Hare Krishna soup kitchen three times a week for two years, and managed to buy some food at the market in addition to what he was served there. From workers and volunteers at the soup kitchens it was often mentioned that it was more quiet during summer, and one of the reasons for this was that many are able to take advantages of what nature would give, in a variant of subsistence farming.

Several informants said they had taken different steps to limit their spending.

They would go to the market where food is cheaper, and cut their grocery shopping down to bare essentials; usually only bread. Some had left their apartments for a cheaper place, or started sharing accommodation with others. Of my seven main respondents who had their own apartment five of them had carried out steps connected to their housing situation to save money. As an example, Alexanders lived 40 minutes outside Riga, because rent there was cheaper. On top of this, he shared accommodation and costs with his sister's son to make it even cheaper still.

Martins had been living in the same apartment for a long period, but at the time of interviewing the owner wanted him out. He was going to move in with a female friend, which would be much cheaper. He was paying 40 Ls a month, but would only pay 10-15 Ls, included electricity, once he moved. Baiba's son sold his privatised apartment in Riga and moved out to the countryside, where he only paid 6-7 Ls a month. In this way he managed not only to pay for himself but also to help his unemployed mother and brother. Baiba was very proud of this son because he did not drink or smoke, and therefore did not waste any money. On top of this he did not eat very much either, and therefore he managed pretty well, according to his mother. Baiba went to soup kitchens four times a week, to Agenskalna Tirgus and to a Russian church on Sundays, where it was also possible to get clothes. She helped preparing lunch there by peeling potatoes.

Monta and her husband had sold their privatised apartment and now rented a 22 square-metre flat. Andreijs used to live in central Riga, but had to move out to the suburbs seven years ago to reduce his rent. He strongly disliked doing so because he had ended up in a predominantly Russian area. He shared a large six-room flat with three others, and had 20 square meters for himself. However, he did not feel safe in the area or in the building, and said he had been attacked in the stairway several times. He paid approximately 35 Ls in the winter, including electricity, but less in the summer (15 Ls). There was both a kitchen and a toilet in the apartment, but no hot water. He estimated that as much as 40% of the population in Latvia had too little money to sustain themselves, and, as is also obvious to most people visiting Latvia, a tiny minority was very rich.

Among the soup kitchen users, selling whatever personal belongings that could generate a few lats was a much used strategy. The privatization vouchers handed out by the government at the start of the transition period were often sold by the poor at

considerably below market value, while all other material belongings, personal documents, and even items collected in the garbage were sold in times of need.

Andrejs were among those who sold his privatisation vouchers because he needed the money, knowing that the real value of those vouchers were far above what he was able to get. Since utilising the vouchers – such as to buy your own home – came at a price, only relatively few people were able to use them, while the majority could not afford to buy their apartment from the state. This way, the few with financial resources were able to sweep the market for vouchers at rock-bottom prices, thereby enabling themselves to build up a large portfolio of apartments that could then be rented out to the same people forced to sell them their vouchers in the first place. This was not the stated intention of privatisation at the start of the transition, but has become a telling example of how the shift from communism to capitalism benefited the few at the expense of the many in Latvia.

"I no longer have anything to sell, but if I had, I would have sold it." Olga

Around half of the 76 informants said they received some kind of help now and then from friends, family or partners. By help in this context is meant everything from food, clothes, money and a place to sleep to psychological support.

Two unemployed half-sisters, 58 and 59, said that both of them and another brother all lived off their mother's pension of 55 Ls. One of the sisters was homeless (mentioned above), while the other two siblings lived together with their mother in her 20 square-metre flat. The rent was 10 Ls, excluding firewood and electricity. A pensioner, 73 years, said that she lived in a 25 square-metre flat together with her son and his wife. Her son sometimes worked informally, but she more or less supported them both with her 59.57 Ls pension. Her total expenses each month was as high as her income, and she had a good overview over the different soup kitchens in Riga, taking the tram around town to get hold of food. An unemployed man, 56, lived with his parents in the town of Jelgava during weekends while spending weekdays in Riga. As already mentioned, Baiba received much help from her oldest son, who had moved out to the countryside. He worked as a potter and earned 110 Ls a month. He also worked during weekends to make

some extra money. He did not pay tax for the work done on the extra days.

But unfortunately, there were many who felt that they did not have anyone to turn to for help, except the soup kitchens and churches where they got food, and sometimes clothes and medications. Two even said that they did not have any friends at all.

Having family and friends for support would seem to be a great asset among the poor, especially in a country like Latvia where the state is weak both politically and financially. However, having such a network could also work against you in the Latvian system. As two of the respondents had experienced, having a family could in fact constitute a reason for being refused help from the state. In the case of Martins, he was told that since he had two children that lived by themselves and could help him, he would not be eligible for any extra money, even though he had never received any support from his children.

The social security system: a loose-knit safety net

As an example of the complexity of a nation largely built on two nationalities, Nerius did not get any benefit from the Latvian state, but did get a small allowance from Russia since he went to war school there. However, that money went straight to his children, leaving Nerius without any support.

As mentioned before, the social security system does not seem to reach out to all those who need it, and the respondents' experience with the welfare system confirms this view. Of all the unemployed (50 persons) which were included in this study, only three actually received state unemployment benefit. The sums received in such support were 25 Ls, 26 Ls (reduced from 32 Ls during the first three months, and would soon be reduced even further) and 18 Ls a month, respectively. Some of the respondents had never been registered; they thought it was too much hassle and paper work and would result in nothing. Several had not registered as they lacked basic information about whom to contact. Other again said that there would be no use to register because it would not help anyway as long as they had not worked for the last months, or not paid taxes, and some said they did not have the personal documents needed. A number of them said they had lost their papers. However, what often happens is that people sell their personal documents for illicit use by others to earn some extra money, but find that they cannot

afford new ones when needed.

The respondents shared their experiences with various state offices; some positive and some rather unhelpful. Alexanders were offered two jobs when he registered as unemployed three years ago, although it was of little help. One job was located in Rezekne and the other in Balvi (close to the Russian border) and both were so far away that he would have had to move to take up the offer. He turned them down, as he did not want to move so far away with his father being very depressed and in need of help following his wife passing away. (Later, his father had hanged himself in Alexanders' room.) The only thing the state did for him was to offer him unrealistic jobs, he said, and he was disappointed that the authorities did not even inform about the right to a double pension following the death of his mother. He also missed out on unemployment benefit because he turned the two offers down.

Olga had applied for social assistance several times, but was told that since she had a son who the authorities expected had the means (if not the will) to help her, she was not entitled to any extra help. The son in question was in fact unemployed, and she was helping him rather than the other way round.

Baiba, who had applied for several jobs without any luck, felt that the state did not care very much and that it was all up to herself. In her view, the state should be more helpful to its citizens. The state should have done a better job at redistributing its resources, even if scarce.

“It is very difficult for people like me to get a job. I hope the situation will get better, but it doesn't look too good. The state doesn't contribute much. I have never been offered any courses or education....If you don't have a job at 42, it's bad. It's very hard to get one then” Baiba

Biruta has been to the job seeking office, but did not feel that there had been much help on offer. She said there were no reasons for her to register because it would not help her anyway. The unemployed have to prove that they got fired as part of justifying the fact that they are out of work, and Biruta did not have the means to prove this in the required way. However, her family did receive childcare benefit for one son, amounting to 7.20 Ls a month. Biruta reckoned that the state did not have any strategy for handling the unemployed and all of those who lost their social security in the shift from the all-

embracing Soviet communism to Latvian capitalism. She also believed that the state knew too little about the extent of poverty in Latvia, and that authorities had done too little to map the situation in order to be able to make a proper response.

Monta went to see the unemployment office when she lost her job as a sewer. There she had been explained about the situation and been informed about her possibilities. She received unemployment benefit and was offered two courses, attended one of them and received 22 Ls a month for doing so. The other course was in accounting, which she did not attend because she felt it was not in line with her qualifications, interests and abilities. Her opinion was that the state made a bigger effort with young unemployed than was the case with older job-seekers.

“The state do organise job-seeking programs for the unemployed, but either these people don’t have the possibility and interest to find any job or their personalities are too damaged to fight with their problems” Raimonds, coordinator Diakon center

We asked an employee at the shelter whether he thought that the state did enough to help the unemployed back to work, and he responded by saying that it can be difficult to change something for people who does not want to be changed. However, he also said that there are courses to attend at the social offices but that these may not be the courses that they really need, such as classes in IT-skills or driving lessons, but rather language courses. Furthermore, for some people their level of education is too low to even attend the different courses on offer.

Some respondents had been unemployed for many years. One woman, aged 58, had been unemployed for 12 years at the time of the study. She lived on the street, was not registered as unemployed, and had never received any unemployment benefit. 12 years ago, she said, there was no well-functioning system where she could even apply for such support, and now she thought it was too late. Since she had not been working for so long, she would not be entitled to any benefit either. One man, 45, told us that when he got unemployed some time ago, he did register and did receive benefit. Later he managed to get an unofficial job, but the problem arrived when he lost that job and found he was no longer entitled to unemployment benefit because he had had an informal job.

The situation was somewhat more positive for the pensioners and the disabled in

the study, who all received some kind of benefit from the state. But there are reasons to believe that this amount is not sufficient since there were a great number of them represented at the soup kitchens. The smallest amount recorded offered to a disabled person was 35 Ls a month, while the highest was 65 Ls. A 75 year-old disabled woman who received 60 Ls a month, said that her pension only covered rent, electricity, gas and medications, leaving nothing to buy food after the bills had been paid. Andreijs, who was a pensioner soon to turn 60 years, was also classified as disabled. He got 36 Ls a month in cash from the state on top of 20 Ls to cover rent. He had to quit his former job because of a back problem, and said he had gone to the job seeking offices several times to search for a job, only to be told he was too old and should not bother. In addition, the back problems made it even more difficult for him to get a job. He had asked some time ago for a higher pension due to his situation, which he was granted. Still, he thought it was sad that people who had been working for 40 years received so little in return that they could not manage on their own.

While all pensioners in the study received old-age benefits, the amount varied quite a lot. It ranged between 38 Ls to 78 Ls a month, with an average of approximately 58 Ls. The person who received the lowest amount, 38 Ls, was a 64 year-old woman who could only cover the apartment rent with her pension. She said she just wanted to die. If she had had 120 Ls to her disposal each month, she reckoned she would manage without any help from others. There were many pensioners like her frequenting the soup kitchens who saw these places as their only solution for surviving. As mentioned earlier, the average pension in Latvia in 2004 was 70.89 Ls a month, while the minimum consumer basket of goods and services amounted to 98.78 Ls a month (CSB). My respondents' average pension was 40 Ls below the minimum consumer basket, and more than 20 Ls less than the minimum monthly salary (80 Ls in 2004).

“The minimum for living would be about 100 Ls. Most pensioners have 50-60 Ls, while the minimum wage is 70 Ls (2003). This is when people get poor. Almost 70% of Latvia’s population lives under 100 Ls a month”. Raimonds, coordinator at Diakonia Centre

Martins, a pensioner, received 51 Ls a month from the state at the time of the study, soon to be increased to 60 Ls. Still, this increased amount would not be enough for him, he

said. He tried to get hold of extra jobs, but got rejected because of his age. He also got refused when he applied for social assistance. (As mentioned earlier, one of the reasons was that he had family that was seen as able to help him) He believed that the government should think more about the pensioners. The pensions are too low and the apartments are too expensive, he said. The rapid growth in prices and slow growth of pensions was making the problems more and more difficult, he said. He had noticed changes in his spending patterns to try to make up for this loss of purchasing power, and was especially careful with food due to the rising prices in the shops.

One woman, 62, had received 45.50 Ls in pension for six years, but after she lost her passport the state would not hand it out anymore. She said she did not have the money necessary to get new documents at the moment, but she was rather intoxicated. She was however very worried that she might end up homeless since she could not contribute to the rent now that she stayed with a friend. Another pensioner told us that after all monthly expenses had been paid, she only had 5-6 Ls left for food and clothes.

“I think it is unfair that the higher pension you get the higher social support you get. It is not logical, that the ones that have the most also get the most, while those who have little receive less”. Olga

Olga said that if only the government had thought a bit more about the pensioners, she would have managed better. She continued to say that she did not receive as high pension as she really should have. As mentioned earlier, there are two pension laws at play in Latvia, one before 1996 and one after. Those who got pensioned under the first law get a pension according to how many years they have worked. Those who receive pension from 1996 onwards, however, get a pension calculated on the amount of taxes paid. In Olga’s case, a pension based on first one had been far better than based on the newer law, as it was in her case. She said a former colleague of hers was receiving 120 Ls a month in pension, compared to her 60 Ls a month.

Poverty and social exclusion: powerless, ignored and lonely

*“No, I don’t have many friends. No one wants to be friends with you if you are poor”.*Baiba

As previously mentioned, the gap between the rich and the poor is increasing in Latvia. A growing share of the citizens feels that they have ended up at the margins of society, which stands in contrast to the more privileged who are clearly benefiting from the nation’s rapid economic development. People find themselves in a situation where scarcity is “normal” and they cannot see any possibilities to improve their situation. They have no work opportunities and no income, few choices and possibilities and nowhere to seek help. While the experience of poverty is closely connected to relative considerations, Latvian poverty is also closely linked to absolutes. As seen in this study, there are people in Latvia who cannot afford to properly feed or clothe themselves or their children. Others experience not being able to pay for their children in school or give them the possibility to take higher education. As was previously mentioned, the informant Biruta said that the cost of having their youngest son in school was a tough financial burden.

My professor at the University in Latvia told a story about an eminent student she had once supervised who dropped out because she could no longer afford the tram to and from university.

“Little money means little freedom. Little money gives you few choices” Andrejs

Great parts of the Latvian population in the age group 40-60 years are in an especially vulnerable situation due to the economic, social and cultural disadvantage of having grown up and become adults in the communist system before the fall of the Soviet Union. These ‘losers of the transition’ found that they went from being well-functioning Soviet citizens to suddenly lacking the necessary education or competence needed in the post-communist reality. These soon-to-be pensioners are often first to get fired if staff must be

reduced, and, as shown previously, it can be very difficult for people in this age group to find a new job.

Monta, who said she got fired because of her age, found that being unemployed was a very difficult situation psychologically as well as financially, due to the sudden sense of losing control over one's own life. Monta did not have a contract when she worked as a sewer, meaning that her employer did not pay the required social tax and that her pension rights would be reduced accordingly. Typically, it is the poor and uneducated that end up working without proper contracts. The fear of being replaced by someone less demanding makes it difficult to complain, and many are not aware of their rights as employees.

Monta said she was voting at elections, but her comment to the question 'Do you trust the government?' was a telling example of disillusionment: "*We just have to live with it.*" The institution she trusted the most was the Court of Justice, but continued by saying that she felt that she was powerless to influence anything in society. Many respondents did not vote. Some lacked the rights to vote (Russian citizens) while others had become too disillusioned with the democratic process because they felt they had been repeatedly let down by the government.

Olga was not entitled to vote since she was a Russian citizen (her family moved to Latvia during the Second World War), but she said she did trust the government although she was confused by the political parties and what they stood for due to the many political scandals in recent years: "*There is something wrong with the whole system,*" she said. Olga was among the many poor who reckoned the state simply did not take the issue of poverty seriously enough, although she acknowledged that the state's room for maneuver was limited. Either way, she had lost all confidence in her own ability to influence her own situation: "*It would be difficult for me to influence anything. No one would take me seriously.*"

In addition to feeling politically excluded in the society there are other reasons that give the sense of being socially left out. Olga, with many others, was not updated regarding the general price level and development of her country and an effect of not having money can be to withdraw oneself from social life. One cannot afford to join in on activities such going to cafés, movie or restaurants or one lack the money for transport,

also not having proper clothes or bad health can prevent one to socialize, or it can simply be the embarrassment of their situation that causes the poor to avoid others.

We met Olga in Salvation Army one Friday morning and asked her if she wanted to have a talk with us in a café. We went to “Double coffee” which is close by, one of the coffee chains in Riga and quite modern. She was a little bit unsure if she wanted to enter since it looked “so nice”, and she said that everybody was looking at us and wondering why we came with her (which they were not). She was shocked when she saw the prices and did not want to order anything, but after some persuasion she did order a coffee with cream. The coffee tasted heavenly she said and drank up all the cream that was left. She asked us if we maybe could “steel” the menu (made of paper) so she could keep it as a memory. When we were leaving I gave her 5 Ls (63 NOK), but she refused to take it in the beginning, and said that Laura (my translator) should have it instead, since she was a poor student. Olga was, in spite of the circumstances, very optimistic and cheerful, and said that everything would turn out OK. She said that her life was and had always been very tough. She was in a very difficult situation, but was happy on behalf of all the young people that the future is open for and has a lot of opportunities.

Biruta said she did not vote in elections now, unlike earlier. She used to vote for the social democrats, but since in her view nothing ever changed she stopped voting. It is difficult for people in her situation to voice their opinions, she said, and added that the poor are forced to accept the status quo. Rich people, on the other hand, are able to exert influence, she said. Biruta did not feel part of society, but did have a sense of belonging in her community, i.e. in church and in the soup kitchen. Hence, while she felt she had dropped out of society in general, she was actively helping out during the Salvation Army breakfast on Fridays, and felt she was meeting with friends in the soup kitchens. In a sense, Biruta, as with many other poor encountered during this study, felt disconnected from almost all other aspects of society apart from those with which she was in immediate contact; the wider public discourse in fields such as politics or culture had ceased to be meaningful, while the connection with the soup kitchen had become increasingly significant.

Alexanders used to vote in elections, but had chosen to abstain from voting in the last two polls due to disillusionment with the main politician, the former central bank

chief Einars Repse, whose political platform was in fact centred on good governance issues. According to Alexanders, however, Repse was not to be trusted as he was doing “bad things” behind the scenes, and so he refused to give him his ballot or vote for anyone else. In short, Alexanders had stopped trusting in the government, and surveys consistently show that he was not alone in this in Latvia. Perhaps unsurprisingly, Alexanders did not reckon that the state took poverty seriously, and argued that the church and other religious organisations were alone in helping the deprived.

A while before the study, Alexanders had met his childhood friend Andris Berzins, who had served as Prime Minister for just above two years until 2002, and Alexanders had asked him why he acted in the way he did going against what Alexanders took to be his childhood friends actual beliefs. Berzins had not denied doing so, but instead answered that he had to follow the party line (or the chief money bags). To Alexanders, having a childhood friend openly admit that he did not stand up for his opinion was a big blow to his trust in the political system.

The widespread opinion among the respondents that the government did not care enough for poor people got some backing by the volunteers running the soup kitchens. All soup kitchens visited as part of this study were run by humanitarian organizations or churches. A representative of the Anglican Church confirmed that it did not have any contact with the state at all, and all the aid it received came from volunteers and donators, mostly foreign. He believed that in addition to food and shelters, the deprived needed extensive job training and programmes to build up their self-esteem.

The experience of transition; perceived causes of poverty

This last part of the analysis centres on the respondents’ personal experiences of the transition and how they now regard the changes that followed in its wake, as well as what view they have of the way these changes were handled by the state. The section also includes their personal accounts of how and why they ended up among Latvia’s poor.

Personal experiences of the transition

Many Latvians feel disappointed over the outcome of the transition. Their hopes and

expectations for a better future when they stood on the barricades in 1989 have not been met. Although they reached the primary goal in their fight for independence, their lives did not turn out the way they expected, even though a famous slogan from that period said ‘Better in bark-shoes, but independent’. It is said that people had naïve expectations regarding independence, but shortly after the new era started to settle, many realised that the outcome was far from positive and that a small elite had managed to use the tumults to take control over large parts of the country’s assets (Ramina et al. 2000).

“I can feel the gap between rich and poor increases, and I can see it everyday. It shouldn’t be like this under capitalism. The state doesn’t develop as it should”.
Olga

The nine main informants all agreed that the development of the post-Soviet era had been unfair. They all shared a sense of betrayal by the government, which in their view paid more attention their own immediate circle of family, friends and connections than the well-being of the population. The respondents were all strongly critical to the government’s efforts in relation to securing work opportunities for the citizens. They all felt that social development seemed to have been forgotten during the transition.

“No, the transition has not been fair after the break up of the USSR. The changes should have been made step by step and not everything at the same time and not so fast. Some people got rich very quickly. No one who made money at that time did it in an honest way”. Alexanders

All my key informants said their situation changed a lot over the last 15 years, mainly to the worse. During the restructuring and the transformation of the country, the welfare and support systems many had learned to take for granted during the Soviet period evaporated. As the employees at the shelter said, many people got their personal lives sidetracked by the profound changes caused by the transition to political and social system. Many simply did not know how to cope with the new post-Soviet reality. In the cradle-to-grave Soviet system, they were for instance guaranteed a salary, affordable accommodation and a pension it was possible to live on. Unsurprisingly, some of the respondents concluded that life was better during the Soviet system than under the new free-market reality of independent Latvia. However, several respondents, such as Olga disagreed. Despite the hardships endured by the poor in the new system – the bark-shoes

of the slogan – it was price worth paying for an independent Latvia. Another informant, Andreijs, said that the liberalisation in Latvia had had a profound effect on his life. Some 20 years ago, all essential things in Andreijs' life were covered; he had a cheap and good apartment, a job, a car, food, free doctor, subsidized childcare and vacations by the Black sea. In material terms, he reckoned he had been well off, even by today's standards. However, he was not free. In independent Latvia, he had gained his freedom, which meant a lot to him. The downside was of course that this freedom did little for him in terms of satisfying material needs. A key problem with the social structure in Latvia, as Andreijs saw it, was that it had failed to produce a stable middle-class between these two categories: people are either very poor or very rich.

All my nine respondents agreed that the transition should have been more controlled. An example often mentioned was the privatization process, which in their view had not been sufficiently transparent, given few possibilities to any others than those with connections, power and money, and had been marred by high levels of corruption at all levels. Alexanders and Andreijs were not alone in suspecting that the vast majority of the Latvian elite had reached their positions by following a path of corruption.

Latvia's banking system was a rather shady operation in the first part of the 1990s. There were an unusually, and seemingly unsustainable, high number of banks operating in this relatively small country, approximately 60, doing business in an environment characterised by few rules and little regulation (Smith et al. 2002). In addition to operating more or less as an 'offshore' haven for the rich and powerful from Russia and elsewhere, a popular scheme was to open a new bank, tempt potential clients with terms that seemed too good to be true (which, of course, was indeed the case), only to close down and run off with people's savings. In essence, it was a pyramid scheme feeding off a get-rich-quick attitude and the limited understanding people had of the world of private banking. When the then largest bank in Latvia, Banka Baltija, closed in the same abrupt manner in 1995, a full-blown crisis was a fact. While a state rescue operation may have been a likely scenario in Western Europe in response to a similar situation, no one came to the rescue of the many ordinary Latvians who suddenly found that they were as bankrupt as the bank to which they had entrusted their savings. The

elite, on the other hand, came out of this largely unscathed, causing much anger.

Then, in 1998-1999, Latvia was again struck by financial crises when it was caught in the maelstrom of the Russian financial crises. Fortunately, the effect this time round was not as severe as in 1995, but it was nevertheless a huge blow that again hit ordinary Latvian the hardest while the elite somehow managed to duck just in time. The families of Alexanders and Monta lost, like many others, their savings during this period. Monta`s father, for example had set aside 5000 Ls (63,000 NOK) in the bank because he wanted to buy new furniture, but those savings shrunk to only 5 Ls.

Alexanders said there have been massive changes since the beginning of the 1990s, but, as opposed to the Soviet system, it was mainly up to each individual to handle these as best they could. He singled out two main areas that in his view had had a very negative effect on the country`s inhabitants; firstly, since many of the Soviet-era factories lost their market overnight with the collapse of the Soviet Union and the goods they produced were either unwanted in other market or too inefficiently made to be able to compete in an open-market environment, scores of these factories closed down all over Latvia. As a consequence, lots of people who until recently had expected to work in these factories throughout their working life were suddenly unemployed, often together with the rest of their village or town if these had been built around the factories. Suddenly, they were out of work, could not find new work and had no security network to turn to.

The other problem singled out by Alexanders was the agricultural sector. Collective farming had been a positive aspect of the Soviet system, he said, but with the break-up of the Soviet Union these large-scale farms collapsed and turned Latvian farming into ineffective small-scale farms of not nearly the same scale and productivity. When going to the countryside these days, he said, all that he saw was empty land where there once had been large farms, or small-lot farming done without even the most basic farming equipment needed to be effective and competitive by the standards of today. One of the informants, Martins, was at least happy with the changes that occurred at his workplace, the Rigas Piens milk factory, during the transition. It had been privatised by nine staff from the administration, production had been restructured, salaries increased and there were continuously new developments taking place; new machines and new technology. However, when he had later spoken to his former colleges, he had been told

that salaries had started to fall and he was worried that it too would follow the destiny of many other businesses that folded in the increasingly competitive European market.

"I think the development after independence could have been better. It hasn't been fair, as for example the politicians make a lot of money while I have to live on 50 Ls (630 NOK) a month. It doesn't seem like there was any plan and the state didn't give out enough information, such as about the privatisation process. Much was depending on the person at that time. If you had good contacts it was easier to manage and to get rich. It is easier for business people to influence the politics than for other people." Martins.

Alexanders did actually experience what good acquaintances could mean back then. His childhood friend Berzins had once told him to "start your own business and I will help you". But Alexanders did not dare to take that chance because he did not believe that people who barely could afford to pay rent would buy his sculptures for 400-500 Ls (5,000-6,000 NOK).

Two transitional effects were mentioned repeatedly as having had negative influence on people's daily lives; one was the rapid increase to prices (inflation), while the other was high unemployment (20% calculated by CSB) in the middle of the 1990s. Biruta believed that the state lacked a plan on how to deal with the new situation with so many unemployed and all those who lost their social security. She still thought that the state does not know enough about the poverty problem in Latvia and that it did not contribute enough to create new jobs. Biruta and her family managed now on her husband's informal salary, and the help from the son, and their greatest fear was to lose that income. With the exception of Biruta, who had stayed home with their children, all of my key respondents had had jobs during the Soviet era, but now none had a real job.

"Earlier no one could earn above a certain limit, and in that way people were more equal and everybody managed. During the transition period some people who knew how to make use of the changes made a lot of money. But for the rest of the population everything got more expensive, such as school, sport activities, medical help and medications etc." Biruta

Causes of poverty as seen by the poor

As the study has shown, a clear side-effect of the transition in Latvia was that a considerable number of people experienced a marked decline in their material welfare.

While singling out one main reason for why this happened to these people, and not to others, may be impossible, the majority of those who took part in this study blamed the transition and the lack of controlled development by the state. However, a few again put the main responsibility on themselves for not being able to adapt to the new free-market Latvia. A view supported by the study was that most of those ending up among Latvia's new poor did so due to factors and circumstances beyond their personal control, such as ending up unemployed as a consequence of their Soviet era factory going bankrupt almost over night. Others, again, seemed to have had options to either avoid poverty or find a way out of it, but did not take the chance when it presented itself.

This plurality of causes, factors and circumstances was supported by first-hand accounts among the volunteers who worked in the soup kitchens and outreach programmes. One of the shelter staff said his experience was that there were various reasons why some ended up poor. For one, he said, when the political system changed, many felt lost because of the radical changes that came with the transition. But he also mentioned personal problems as a catalyst. Some had too high ambitions and hopes for independent Latvia, which were not consistent with their efforts or realistic, and some refused jobs that they felt were under their level. Alcoholism was also to blame, he said, which was often aggravated by other problems during the difficult years immediately after the transition. Raimonds from Diakonijas said that in sum the majority of the poor are victims of the radical transformation of politics and ideology, but he also mentioned alcohol as one of the main underlying reasons for poverty. While the study did not focus on alcoholism as a separate factor, it was evident from the many visits to the various soup kitchens operating in Riga that a disproportionately high number of their clients did have problems with alcohol. Whether these problems were to blame for their situation or a consequence of it would be difficult to determine, but most likely the answer would often be a combination of both. Much has been said about the ill effects of the high (state-encouraged) alcohol consumption of the Soviet Union – where workers were often served vodka during lunch breaks and encouraged to toast for Stalin – but the Latvian authorities have done little to curb or reverse this trend, much to the detriment of the poor.

While those taking part in this study had different and sometimes conflicting views as to what were the main reasons behind their poverty, most seemed to agree that

the state welfare system was not functioning properly. Either they saw it as having done too little to prevent them from falling into the poverty trap, and consequently blamed the authorities for their situation, or they blamed the state for doing too little once they had fallen into the trap and were looking for ways out. Pension and unemployment rates, disability allowances, health care benefits and so on were all seen as insufficient to live on, and there seemed to be almost a total lack of state-sponsored outreach programmes. In this the views of the poor were in unison; the Latvian authorities that came into power after the break with the Soviet Union were too occupied with making Latvia (and themselves) a success-story to spend much time, effort and resources on the needs of the poor. By this, the transition created a bipolar society, segregated into success and failure, rich and poor. Few nurtured any hopes of that gap being bridged anytime soon.

CONCLUSION: NEO-LIBERAL ‘SUCCESS STORY’ AND THE GROWTH IN POVERTY

“I don’t think that the state takes poverty seriously enough. The institutions that help the poor are the churches and not the state” Alexanders

To contextualise the current situation in Latvia, it should be clear from the discussions that the relatively fast transition in Latvia has been characterised by a strong focus on macroeconomic issues while social development has come second. From a strictly economic point of view, Latvia is certainly on its way up, with strong annual growth across most sectors of the economy and most economic indicators seemingly pointing into the sky. However, as has been shown in the bottom-up approach of this study and confirmed by several other surveys and reports, the successes of the economic transformation in Latvia have come at heavy social price. This study has provided the view of those at the very bottom of the new Latvian society of the transition, and, in short, they feel overlooked and left behind.

Many of those we spoke to at the soup kitchens also stated that a lot of the problems seen in present-day Latvia could indeed be tracked to the rapid transition from communist rule to a free-market society. A majority of all the people interviewed experienced economical problems as a consequence of external forces over which they had no control; during and after the transition there were drastic cuts in the workforce, salaries and pensions remained low while prices and housing costs were climbing, to name but a few. Many of these difficulties were aggravated by the fact that Latvia went from a Soviet republic to an independent state almost overnight. For Latvia and its Baltic neighbours, therefore, this task could be seen as even more daunting than for many of the former so-called Soviet satellite states, such as Poland, Hungary and the Czech Republic, that could build on somewhat more of a set of national structures in their transition. However, even if a poor starting point made it extremely difficult to Latvian decision-makers to combine economic with social development in the first turbulent years of the transition, there have been numerous opportunities over the latter half of the transition period to do so, as the economy become increasingly diversified, well-functioning and

stable. But despite the growing economic, and therefore political, possibilities of Latvia, this much-needed shift in focus has yet to materialise.

To accurately measure the level and degree of poverty in Latvia is difficult. It is also a problem to gain good overview of the social situation in Latvia. As mentioned earlier, there is no official poverty line in Latvia, but instead there are several thresholds that are utilized for indicating the scarcity among the population. The amount of people classified as poor will vary according to which tool is being used as a measure. However, the very fact that Latvia found it necessary to introduce an extra poverty line in the form of the so-called 'crisis consumer basket' to add an extra step below the more standard 'minimum consumer basket' cannot be taken as anything but a sign that Latvia struggles with a deep-rooted and complex poverty issue that is worsening rather than improving for those that find themselves in the poverty trap.

Against this backdrop, some of the key issues are whether the poverty limit in Latvia has been set artificially low and therefore is unsuited as a measure of poverty in the country, and whether more recently introduced indicators, such as the minimum wage and the minimum consumer basket, are equally artificial. Since a higher poverty limit and indicators that are closely related to it would result in more people being classified as poor – with all the added pressures, and, potentially, costs that would lead to for the state - then another fundamental issue when considering poverty in Latvia is whether the state could be said to shy away from its responsibility.

As various reports (Gassman 2000, Aasland & Tyldum 2000, Trapensiere 2005) have mentioned, Latvian pensioners are lifted out of poverty due to their monthly allowance. This is reflected by the Missionaries of Charity who are barring pensioners from its soup kitchen. However, this study found that a large share of the people being forced by poverty to visit soup kitchens to cover basic needs were in fact pensioners who found that their welfare support was below subsistence level. The study therefore indicates that people classified above the 1st quintile, as are many pensioners, should necessarily be regarded as not being poor, but only that some may be even worse off. This difference vis-à-vis other studies may be explained by Latvia operating with a rather narrow understanding of poverty. This, as this study has shown, may well be the case for many Latvians in general and for many Latvian pensioners in particular.

Income and economic security is crucial in determining people's well-being, material situation and health situation. Many poor people get caught in a vicious circle where the limited financial means often result in a negative health effect, which again could have a negative effect on a person's capabilities to continue to work or find work. In Latvia, this cycle is not only linked to employment-unemployment, but also has an effect on those with low-wage incomes due to the low level of wages. In other words, even those who have work may become victims of this cycle in the Latvian society, since a job does not necessarily secure a decent standard of living due to factors such as below-subsistence salaries, lack of contracts and tax avoidance, including social taxes. Other factors also play a part, ranging from the real estate market to political decisions issues, such as the level of the minimum salary, state benefit levels and pension levels. Although the well-being of the citizens is described as the main aim of the state and key to economic development in Latvia as elsewhere in Europe, the sharp economic growth in Latvia in recent years has not been matched with a corresponding rise in the expenditures on social development. In short, there is a big discrepancy between political rhetoric and political actions when it comes to tackling the poverty issue in Latvia.

However, poverty, as has been shown in this study, is a highly complex issue, and the responsibility for its existence can seldom be pinned down to one entity. Rather, it is typically a wide range of actors and factors at play simultaneously, such as the state, economic conditions, historical and cultural factors, corruption levels and personal responsibilities. As was shown in the study, some soup kitchen users had not even bothered to seek assistance as they simply assumed they would be turned down anyway, and others again suffered from life-style related illnesses, such as from alcohol and drug abuse. In these situations it is difficult to entirely blame social structures and leave out personal and cultural considerations, as they are often the result of a plurality of factors.

For the majority of all my respondents, the soup kitchens constituted a centre of gravity in terms of their survival strategies. Other measures taken often included reducing housing cost by either moving, sharing accommodation, or both. But for many these were only short term solutions and a large share of them had fallen even further and had ended up living on the street. Other actions were selling off belongings, documents (illegally) or items collected from the trash, and to borrow money – all short-term measures that would

prove unsustainable in the longer term. More sustainable measures included picking mushrooms, cultivate vegetables, as well as help from family and friends. Furthermore, most were seeking employment, be it formal or informal, permanent or temporary – but all found this potentially poverty-circle breaking measure the most difficult. Other steps included temporary stays in shelters and pleading for emergency social support. One step that was, perhaps surprisingly, never mentioned as an alternative was to beg. However, despite the extent of poverty in Latvia, beggars were hardly seen in Riga, possibly due to a combination of high social barriers against begging and strict police enforcement against anything that could be seen as a violation to public order. But then again, many could be seen selling self-picked flowers, home-grown garlic or home-made items of a quality that only symbolically lifted the transaction from an act of charity to a ‘purchase’.

The mix of survival strategies among the respondents in response to poverty were highly varied, and the level of desperation likewise. The common theme among them was however that few saw any possibility of successfully taking measures that would help them break free from the poverty under which they suffered, and many worried that their poverty would follow their children once they grew up. This poverty trap is amplified by the insufficient support from the state to help them to even cover basic needs, let alone the almost total absence of any more long-term state measures to help people break free from poverty, such as work-training or adult learning programmes. Hence, the survival strategies used were mostly focused on immediate survival and not on the future. The soup kitchens addressed the former but had no means to address the latter.

In Latvia as elsewhere, poor people are not alone in feeling powerless from time to time, and all strata of Latvian society complain about inefficiency, malpractice and corruption within public services. Businesses and the middle classes may feel powerless against these forces, they most often have the means necessary to comply with shady demands or fight against bureaucratic malpractice if they chose to do so. The poor, on the other hand, are often powerless in the sense of not being able to find a job, comply with bribes or stand up against injustices. Consequently, the study showed high levels of frustration and disillusionment among the poor, and ultimately many had given up; they had stopped voting, stopped fighting for their rights, and stopped hoping for a better tomorrow. In short, they had come to accept their situation, however unjust it seemed,

and had allowed themselves to disconnect from the wider society.

Most of the respondent in this study had a decent living standard earlier, with enough resources to manage reasonably well. Now, 15 years later they would hardly survive without handouts. In the beginning of the 1990s people stood together on the barricades and were fighting for independence from the USSR and longed for freedom and self-determination. This they gained, at least on paper. But now, many people find themselves occupied full-time with just surviving, and dreams about democracy, liberty and freedom is long gone and, in their view, out of reach. At the same time, a small group of people are in control over money and power, often strong business men or groupings, having a solid grip on decision-making in Latvian society. The elite and does not constitute much of Latvia's 2.3 millions habitants. They gained a great deal during the transition by exploiting the situation for all it was worth, not always through legal means. Meanwhile, many of the population experienced a substantial decline in their living standard in the following decade.

The social assistance system in Latvia could be said to combine two negatives by being both complicated and ineffective, making it too weak to reach out to those that need it most. The rights, possibilities, rules and regulations are difficult for many to understand, especially for the poor who often do not possess the necessary resources to come to grips with this complex system. Furthermore, if people manage to cut through these complexities and gain assistance, it is often too little to pay the bills and feed themselves and their families. This study of soup kitchen goers confirmed this, through complex regulations and sometimes incomprehensible enforcement of those rules - such as a mother being rejected assistance because of the 'resources' of an unemployed son that is in fact himself dependent on his mother's assistance.

Another main complaint was that rates of assistance were becoming increasingly disproportionate to the minimum cost of living. Few of the people contributing to this study had managed to secure any assistance from the welfare system at all. As was shown, some were at least partly responsible for this lack of assistance, since they had not actively sought help. However, it would seem natural to take into consideration when designing a public system of social assistance that many of those at the lowest strata in society would not be resourceful enough to actively seek help on their own accord, but

rather would need active assistance from relevant public authorities and institutions.

This study of poverty in Latvia has shown that the phenomenon of poverty is a relatively persistent and wide-spread feature of Latvian society – ranging from those who find it difficult to make ends meet to those living on the streets – with access to a normal job remains the biggest obstacle to breaking out of the circle of poverty. However, the study further showed that even among those with a job (formal or informal) as well as among those on state benefit schemes, such as pensions and disability allowances, there are people who suffer from such acute poverty that they are forced to go to soup kitchens to survive. This severe poverty is reflected both in their difficult housing situation and in their health situation. The pensioners interviewed show that a deep-rooted systemic failure is at least partly to blame; with too small pensions to even cover basic needs, pensioners are forced to shy away from health-related expenditures. With a lack of resources or political determination or both, for the state to provide extra support in such cases, these pensioners are at the mercy of family and friends. With no such family or friends stepping in, health-related needs are simply not met and to find ways to cover daily food consumption proves difficult. It is in this desperate situation that the charity-run soup kitchens in Riga find their calling and their reason for being; to cover the most basic nutritional needs of those that have no other way to turn, often because of insufficient or completely absent state welfare programmes.

Those suffering most directly from the political inability in Latvia since independence to focus on social as well as economic development have of course been Latvia's poor, such as the soup-kitchen users of this study. However, that the problem of poverty is both relatively large and has largely been ignored is also a looming threat to Latvia; if left unchecked the widening gap between rich and poor and the poverty of Latvia could start to undermine the very economic development to which so many hopes have been pinned since. A more active redistribution policy is acutely needed, not only to help those at the bottom of Latvian society, but also to provide a more solid platform for Latvia's still-fragile economy. As for the respondents of this study, they certainly did not frequent soup frequent soup kitchens to be fed the latest macroeconomic figures.

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