

DEVELOPMENT TRENDS OF HUMAN CAPITAL IN LATVIA

Līga Briede, Juris Saulītis
Technical University – Riga, Latvia

ABSTRACT

The article deals with the development trends and problems faced by human capital in Latvia.

Investment in human capital is a decisive factor in the development of national economy, to stimulate its progress towards a knowledge-intensive economy. In a big part of countries the system of education faces relevant problems due to political, economic and social changes, i.e. instability. Despite the rapid increase of the number of students Latvian tertiary educational establishments fail to supply a sufficient number of specialists required by the national economy. Most students choose to study social sciences and law rather than exact or engineering sciences.

Key words: human capital, knowledge, education, labour market, life-long learning

Latvia is not rich in natural resources which can serve as a source for its economic growth. Nowadays this is knowledge and qualifications that have become the decisive factor for development of economy. Different Latvian development strategy scenarios outline that Latvia has real possibilities to reach high and sustainable quality of life growth rates

only based on our main resource – human capital.

Having analysed the structure of human capital in Latvia, it has to be noted that the situation is far from being optimistic, since the society is ageing. The ground for concern is the comparatively small number of children and young people in relation to other age groups (see Table 1).

Table 1. Resident population by major age groups [5, 40]

Year	Total	Ratio to total population, %		
		below working age	of working age	over working age
1970	2 351 903	23.1	56.2	20.7
1981	2 514 640	21.9	58.2	19.9
1990	2 668 140	22.7	56.5	20.8
1995	2 500 580	20.9	56.4	22.7
2000	2 377 383	18.1	58.8	23.1
2005	2 306 434	14.8	63.9	21.3

The data in the table show that the changes in the demographic situation in Latvia are unfavourable.

With the development of societies and increasing substitution of human labour by automation, the employment structure is undergoing changes: the number of semi-skilled workers is decreasing, at the same time, the scope of tasks that require supervision, management and organisation is increasing, and thus the requirements towards intellectual acumen of personnel at all levels are increasing. Employers are increasingly demanding the ability to resolve new problems and come up with initiative. In addition, there are dominant areas that demand general education and understanding of human behaviour and the environment, and this poses new challenges to education. The role of education in a person's life is increasing. So the whole educational process is increasingly viewed through the approach of life-long learning with regard to education.

The division of the life of an average person into childhood and youth devoted to learning, mature age as the time for professional activities, and retirement age does not anymore correspond to the contemporary requirements of the day. Moreover, in the conditions of social restructuring, the pace of

human's life is also changing, the same as interpretation of social roles. Nowadays no one hopes to amass a scope of knowledge sufficient for the whole life. The rapid changes in the world require constant updating of knowledge. In the world, with knowledge-based resources, as a development factor, increasingly dominating over material resources, the role of tertiary education can only increase. In addition, the rapid development of technologies means that economies will require higher competence, which, in its turn, will require a higher level of studies. The role of knowledge is also manifested in the employment rate; for educated/qualified people it is higher than for persons with a lower level of education. The system of education is to a great extent connected with globalisation and commercialisation.

In a big part of countries the system of education faces relevant problems due to political, economic and social changes, i.e. instability. Moreover, free movement of labour is a reality for highly skilled specialists, which is stimulated by the rich countries. The poor countries, which have chosen education as the main factor for their development, are risking that educated people will move to economically developed countries, since these countries can ensure

a higher material well-being and social guarantees as well as bigger possibilities for professional development.

Emergence and development of any new branch of economy is determined by objective causes that are to be sought for in the particular economic system and in the perception of the society about the relevance of the particular branch in the development of social and economic sphere.

Investment in human capital is a decisive factor in the development of national economy, to stimulate its progress towards a knowledge-intensive economy. These investments must ensure relevant improvements of the capacity of the educational system to adapt to the changing requirements of the labour market, to improve availability of all levels of education, to increase participation and commitment of employers in ensuring availability of professional education [4].

The Latvian Government has outlined the key factors affecting economic and social development, which are:

- level of education and life-long learning;
- investments in human capital;
- motivation of public to acquire new knowledge;
- application of knowledge in everyday life;
- involvement of individuals in the processes going on in the society, etc.

The formal system of education comprises several stages (pre-school, primary school, secondary school, and tertiary school), which are closely interconnected. The changes in some of the lower stages of education bring about consequences in the consecutive levels. However, the analysis of the educational system shows that the reforms that were undertaken in this sphere have failed to promote improvement of quality of education. Thus, an essential question arises – What are the objectives of primary and secondary education? We are of the opinion that schools must be versatile; they must provide the knowledge obtained and accumulated in the course of history. A contemporary education system should not only develop each individual's personality but should also promote development of interpersonal cooperation skills

Education of many young people is still of lower level, as compared with Western European countries, a small part of the population (65.4%) have general secondary education (see fig. 1). The analysis of the data of the number of young people, who do not continue their education in the consecutive stage of the education system, enables us to conclude that 5% of primary school leavers do not continue education in any schools, the same refers to 22.5% of alumni of secondary schools. 70% of secondary school graduates continue education in tertiary educational institutions.

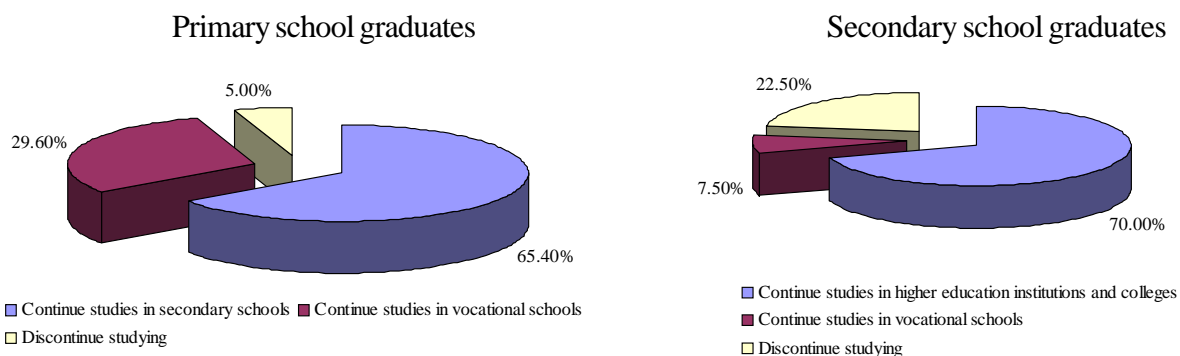


Figure 1. Pursuit of further education by pupils who graduated from primary and secondary schools in 2004 (% distribution) [5, 103]

It has to be outlined that school education is lacking professional orientation, which creates adaptation problems for first year students in the professional work field. Pupils often lack sufficient motivation to continue education.

There is no doubt that an individual's need for education can be fostered not only by external socio-economic or political factors and stimuli, but also by internal motifs and requirements. Most frequently persons mention the following factors encouraging them to acquire and continue education:

- the need of self-expression with regard to both

general and professional competence;

- requirement for increasing the level of self-respect and self-esteem;
- the requirement for self-assurance;
- awareness of education as an asset in society [2].

Nowadays, new requirements are posed with regard to personal qualifications, the character of education, as well as the role of competence in a person's life.

The development of human resources and training of labour in Latvia is equally affected by the sup-

ply, regional coverage and quality of education programmes in 3 sectors of the system of education – basic professional, tertiary, and further education. Investment in the development of these sectors is promoted by the State Employment Agency, by organising social advertising and various informative events, as well as retraining courses offered to the unemployed etc.

The state must ensure such changes in the education system that would promote the development of a knowledge-based society and would enhance the competitiveness of national economy. In order to achieve this objective, several principal goals are set with regard to further development of education: to enhance the quality of education at all stages and types of education, to ensure availability of education in terms of life-long learning etc. [4].

Several problems are to be highlighted in the system of tertiary education in Latvia:

- insufficiency of financing;
- insufficient competition in selecting academic staff, including also aging of academic staff;
- lack of unified requirements to evaluate students' academic performance;
- insufficient quality of education.

Economists, when analysing the possibilities how to increase competitive human capital in Latvia, to perfect education and increase scientific potential, regard that it is necessary to restructure the economy, to transform it onto the track of a knowledge-based development. It has to be outlined that efficient utilisation of the scientific potential in Latvia is hampered by the insufficient development of the

existing research base and science infrastructure, the non-compliance of human resources to contemporary production requirements, the lack of interrelationships between science and business, as well as a the weak support of innovation.

Therefore, the key questions that have to be answered are:

- How many tertiary education graduates does the country need to be competitive?
- How much can a country afford to pay for one student?
- How can a person obtain state financing for education?
- Does the state evaluate its qualified specialists? [3]

As has already been mentioned above, the demand for qualified labour in Latvia is increasing. However, concerns arise about the insufficient quality of education at all levels, as well as about the isolation of education and the labour market. The insufficient cooperation lowers the possibilities of the system of education to supply highly qualified and competitive specialists for the labour market. The market economy, by posing new requirements to professional qualifications, is developing faster than the supply of corresponding professional and tertiary education programmes. Thus in some professions there is a discrepancy between the demand of the labour market and the existing supply of education. Currently, the distribution of students by specialisation study groups does not correspond to the needs of national economy and the changes in the labour market.

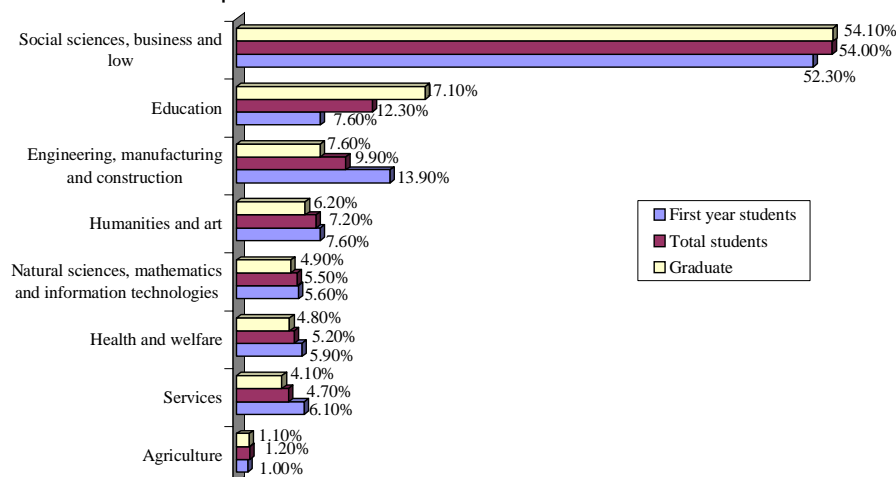


Figure 2. Students distribution by education specialisation groups in Latvia in 2005/2006 [1]

In recent years, students distribution by specialisation study groups and area has not essentially changed.

Currently, every second student in Latvia has undertaken studies of social sciences. Besides, it has to be mentioned that the share of students in social

sciences remains unchanged, at the same time the share of students pursuing studies of engineering sciences, despite the increase of state budget-financed study places, shows an insufficient growth. The biggest number of students, studying for a tuition fee, is in social sciences, and this number is still

increasing. The number of students undertaking their studies for a charge is also rapidly growing in the group of pedagogical education and education science specialisation group, where 81% of students pay for their studies. This is mainly due to the fact that most of the students in this group are practicing teachers, who have undertaken studies to advance their education. Currently, the number of tertiary education students in Latvia is the highest in Europe – 5.4% of the total number of the population. The data of the Ministry of Education and Science testify to the fact that in the last decade the number of students enrolled in tertiary educational establishments has increased (in 1993 there were 6.97 thousand students enrolled, but in 1998 – 22.67), the corresponding number for 2005 is 32.9 thousand students.

Despite the fact that the number of students is constantly growing, it has to be mentioned that part of students undertake their studies repeatedly to acquire a second diploma, but many resume their studies several times or prolong the study duration without any substantial reason. At the same time, the number of secondary school leavers undertaking studies in tertiary education establishments has been constant for already many years. This may raise concerns, since in 1-2 years, due to the demographic situation, the number of school graduates will gradually decline, reaching its lowest level after 10-12 years.

At the same time, employers are complaining that the knowledge and skills of graduates do not meet contemporary requirements, especially, in information technologies and other engineering sciences. Thus, for instance, Programme 2005 – 2008 envisages the following principal objectives with regard to upgrading of knowledge and skills:

- to consolidate cooperation between state governance institutions, educational establishments and employers for adjusting the supply of the education system in accordance with the requirements of the labour market;
- to enhance cost effectiveness at all stages and types of education;
- to improve the availability of education at all levels and to reduce the number of students which discontinue studies or fail to obtain professional qualification;
- to increase availability of life-long learning and to enhance motivation of the population in this area;
- to raise the overall level of technological skills and knowledge of natural sciences, to improve the system of professional orientation, and to ensure availability of professional orientation services for all inhabitants in terms of life-long learning [4].

The Programme highlights the necessity of implementing measures to attain the above objectives and specifies the measures for improving the availability of tertiary education and its compliance with the requirements posed by the labour market. This calls for an increased allocation of state budget-financed study places in natural, engineering and environmental sciences, as well as an increase of study loans granted to students and the scholarship fund of tertiary education establishments, establishment a set of normative measures for ensuring practical placement opportunities for students, procurement of up-to-date technologies for research institutes ensuring educational process and innovations, support of employers hosting practical placement, and establishment a system of cooperation agreements between employers and employees [4, 85-86].

After Latvia's entry in the European Union, Latvian science and education has access to financing from EU structural funds intended for education, elimination of alienation etc. (the European Social Fund), as well as upgrading of material and technical base of tertiary education establishments and research institutes (the European Regional Development Fund). For example, the co-financing from the ESF for 2004 – 2006 is 138.56 LVL from the ERDF for activities related with education and science, e.g., "Support to applied research in state research institutions" – 4.8 mln, "Renovation of professional education establishments and upgrading of training" – 2.3, "Provision of tertiary education establishments with up-to-date equipment and technologies" – 4.4 mln etc. [7]

Human resources is the key national wealth, therefore education is the driving force of economy. The problems with regard to tertiary education highlighted in the article are relevant, since they feature the current situation; their analysis allows finding the required solutions and promoting the development of the system of tertiary education and the development of national economy.

Literature

1. Augstākās izglītības gada pārskats 005. – www.izm.lv – 07.03.2006.
2. Delors J.O. Мированс ир зелтс. – UNESCO LNK, 2001. – 255 lpp.
3. E. Karnotis. Zināšanas kv resurss dzoves kvalitātes uzlabošanai. – www.lu.lv – 17.02.06.
4. EM Zirojums par Latvijas tautsaimniecības attostobu. – www.em.gov.lv – 05.03.06.
5. 2005 Statistical Yearbook of Latvia – R.: Central Statistical Bureau of Latvia. – 2005 – 302 p.
6. Zimmermann P. Grundwissen Socialisation. – Opladen, Verlag Leske, Budrich GmbH – 2000. – 216 S.
7. www.esfondi.lv – 15.03.2006.