SOROS FOUNDATION – LATVIA

CENTRE FOR PUBLIC POLICY PROVIDUS

Education in Latvia's Transition: The Challenge of Management

REPORT ON EDUCATION
IN LATVIA 2001/2002

Riga 2003

The Centre for Public Policy "Providus" has taken over the tradition of the Soros Foundation-Latvia (SFL) and is offering readers a new annual report on education in Latvia. The report discusses the changes in the Latvian education system over the last twelve years. Latvia has accumulated great experience in educational reform. Since January 2003 the Centre for Public Policy "Providus" has taken on education policy work while the Soros Foundation-Latvia is continuing the implementation of its bilingual education program "Open School" and the social studies program "Man in Society". This annual report on education is the result of joint efforts by the Centre for Public Policy "Providus" and the Soros Foundation-Latvia.
The individual articles reflect the views of individual authors and may not coincide with the views of "Providus" and the SFL.
The respective contributors bear responsibility for the content of their articles.

Education in Latvia's Transition: The Challenge of Management

REPORT ON EDUCATION
IN LATVIA 2001/2002

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CONTENTS

Introduction

The Centre for Public Policy "Providus" has taken over the tradition of the Soros Foundation-Latvia (SFL) and is offering readers a new annual report on education in Latvia. The report discusses the changes in the Latvian education system over the last twelve years. Latvia has accumulated great experience in reforming the education system. In the beginning the reform entailed the changes in the education content and the devising of new text-books. Today's challenge is to ensure sustainability of the positive developments and equal access to education for all citizens. the Soros Foundation-Latvia has taken an active role in facilitating changes in education. Over recent years the focus has been on education policy-making processes, issues related to decision-taking and citizen involvement in finding solutions to educational problems.

Since January 2003 the Centre for Public Policy "Providus" is dealing with the analysis of educational policy, while the Soros Foundation-Latvia is continuing the implementation of its bilingual education program "Open School" and the social studies program "Man in the Society". This annual report on education is the result of joint efforts by the Centre for Public Policy "Providus" and the Soros Foundation-Latvia.

This collection of articles discusses issues such as assessment of education, teacher training, financing of higher education and educational management. The report presents the perspective of the CPP "Providus" and the SFL on educational problems and their solutions in Latvia. The respective contributors bear responsibility for the content of their articles.

At first the report focuses on measuring the quality of education. In what ways could the Latvian education system be compared with that of the OECD and other countries? Do the government and society have sufficient information to be able to assess objectively the performance of schools? What should be required to enable adequate and accurate description of the actual quality of education offered by a school? These issues are closely related with the implementation of a centralized examination system in Latvia. Such a system has been successfully implemented in several countries, for example, Sweden, Denmark and Lithuania. However, during the implementation process Latvia has faced problems well known in other countries, as the higher education institutions are very different – some are private, others are state-owned, some implement just one study program, while others offer tens of programs. The higher education institutions offer education in specific study areas and fields of specialization for which the most appropriate students cannot be selected by means of centralized examinations. The prestige of study programs is very different – in some cases ten candidates compete for one study place, while in others, especially in technical disciplines, it is very difficult to attract students. The higher education institutions have identified the centralized examinations whose results they will take into account when selecting new students in 2004. In the

majority of cases they would consider student scores in mathematics, foreign language and Latvian. It must be remembered that school graduation exams serve different objectives than entry exams in tertiary institutions: the former certify graduation from a secondary school, while the latter serve the purpose of selecting the best candidates and testing their ability to meet various requirements of higher education institutions in different areas. One should be aware that it is difficult to devise an examination system that would meet both objectives.

Several European countries have a long experience of non-graded assessment system at the primary school level. In Latvia the non-graded assessment system, which has been implemented in lower primary school, has experienced serious problems. Analysis reveals that the cause of the problems is the lack of clear assessment criteria, failure of parents to understand the descriptive assessment of student achievements, and the fact that assessment is separated from the teaching/learning process. The establishment of a well-considered and criterion-referenced assessment might prevent these problems.

At present, while the local government administrative territorial reform is underway, the issue of provision of high quality education to every child and young person is gaining importance. Traditionally Latvia has had a large number of small rural schools where one teacher has on average 10 students. This presents difficulties for the local governments, which have to maintain these schools, because due to the declining birth-rates in some rural schools, the number of students has dropped to a critical level where the existence of these schools is threatened. There has been hardly any public discussion on the impact of the territorial reform on the school network and the management of resources allocated for education.

Following the regaining of independence, Latvia has been developing a democratic society, which also means more freedom for individuals. However, the new opportunities have created major economic and social problems. The tendency of stratification can be observed in the society. A large number of people suffer from poverty and unemployment, and the number of students who do not attend school is increasing. At present 10% of convicts are juvenile offenders. The most common types of crime are theft and robbery. Minors released from social correction institutions often fall back to criminal practices. The report analyzes the Latvian social correction infrastructure and concludes that it has not changed since the Soviet period and does not help to solve the problems of minors. It has been suggested that the modern social correction system in Latvia should provide access to education to minors released from corrective institutions, since they require particular attention to enable their social integration.

The collection of articles emphasizes that the issues related to teacher training and further education have not lost their importance. Annually a large number of young teachers receive their diplomas, and this supply could meet the demand of schools in Latvia. However, a great proportion of the graduates do not seek employment in their field of specialization. Schools are still experiencing the lack of English, informatics and natural sciences teachers, mostly in places outside Riga and other major cities. This indicates ineffectiveness of public expenditure. One of the reasons might be the fact that Latvian teachers are educated for narrowly defined areas of specialization based on outdated Soviet tradition. Due to the small number of university graduates entering schools, the implementation of the new content and teaching approaches is placed on the shoulders of teachers who have acquired their education some time ago and can learn new approaches only at teacher-training events. There are also several external factors, which hinder the development of an effective further education system and limit equal access to education for teachers. As a result, students are deprived of the right of equal access to education guaranteed by the Education Law.

Another important issue is the state-established financial support system for students. Due to the increasing number of students and the development of tuition-based education both in the public and private tertiary institutions, the government had to devise a student loan system. Students who study at state-

financed study slots receive scholarship and partial reimbursement of travel costs. Students at state-accredited tertiary institutions may apply for a state-guaranteed study loan from the resources of credit institutions to finance their tuition fee and living costs. Up to a limited amount and based on individual agreements, commercial banks also issue loans to students, and this service area is developing. In addition, open public foundations, legal entities and private individuals also offer loans and scholarships to students. Still, the situation prevails that not all young persons can receive financial resources within the state-established student loan system. The report analyses the existing student support system and concludes that state support to students is not granted based on their financial situation. Therefore, the persons who need it most do not get it. In addition to the existing criterion of academic achievement, also the criterion of financial situation of the student should be considered when deciding on granting financial support from the state. It can be predicted that failure to resolve this issue promptly will cause further social problems.

The government should identify the position of the university graduates in the labor market and the contribution of higher education in the development of national economy. Also, students are interested in finding an interesting and well-paid job after graduation. The report makes an attempt to determine whether the jobs the university graduates have taken a couple of months following graduation correspond with their qualifications and whether the acquired education has had a positive economic return both for the graduates themselves, as well as the society at large. It turns out that the return on investment in education in Latvia is positive and rather high compared to other countries. However, the analysis of labor-market participants who have acquired university education reveals that the transition to market economy has made an impact on employment trends in Latvia. Following the regaining of independence the demand for highly qualified professionals has grown, while in non-priority sectors, such as heavy industry, manufacturing and collective farming, it has decreased. At the same time the work experience in economics or public administration obtained during the Soviet period became irrelevant for the new labor market. It has been observed that young persons graduating from universities are more competitive in the labor market, because in addition to the knowledge about the selected field of specialization they have also acquired IT skills.

One of the most important issues to be resolved in Latvia is the ownership of property and taxation of tertiary institutions. The real estate used by state-founded universities still belongs to the state. Over the last ten years the number of students in Latvia has doubled, while public funding for education in terms of ratio of the GDP has remained very much the same. This contributes to a lack of infrastructure and human resources in provision of quality higher education. Unfortunately, the state has no financial resources available to implement structural changes in this area. Another option to ensure considerable improvements in higher education is indirect state involvement by way of defining the ownership rights and special taxation policy for tertiary institutions.

So far the education reforms implemented in Latvia have been fast and focused on abandoning of Soviet traditions and development of democratic society. Now the education system has to ensure competitiveness of graduates in the global market, but the resources to meet this objective are limited. To deal with the new challenges successfully and to ensure high quality of education, it is necessary to set up an effective and creative educational management system. We hope that this report will encourage the exchange of ideas among citizens, educational policy-makers and analysts to develop in Latvia an education system meeting modern requirements. We invite our readers to continue the discussion on issues covered by the report in the public policy portal www.politika.lv.

Riga, April 7, 2003

CHAPTER 1. MANAGEMENT OF INFORMATION

The Measurement of Education Quality

Jānis Eglītis (Association of School Leaders of Latvia)

Summary

It is possible to develop a total quality assurance system in Latvia which would enable the assessment of the quality of general education at all levels without any additional financing, by means of IT. To accomplish this task, the public administration system should be improved and structured and databases should be developed which would allow to identify the achievements of graduates in further education and the labor market.

Problem

During our everyday life we hear various judgments about the quality of the public education system in general and the quality of a particular school. Parents and students who have to choose a school often face a dilemma. The range of choices is rather wide – elitist schools, prestigious schools, schools with high requirements and strict assessments, schools with good results, and schools with low requirements and high grades for students. To what extent are these evaluations unbiased and justified? Do the state and society have sufficient information to assess the work of schools objectively? Do the ratings communicated through the media reflect the actual situation? What is necessary to characterize the actual quality of the education offered by a school adequately and accurately?

This report concludes that there is no uniform education quality assessment in Latvia which would enable objective evaluation of the effectiveness of the education system and its components or a comparison with the school systems in other countries. As a result, parents are confused about which school to choose for their children. Elected authorities and society at large are not sure what they receive in return for their tax payments for education, and educational policymakers have no clear ideas about the ways to improve the education system. This article includes a series of recommendations on possible solutions to each of these problems and the planning of the required reforms.

Introduction

Since the 1980ies such concepts as quality, quality assurance and total quality management have been frequently used in various institutions and organizations in Europe. The industrial world was the first to acknowledge that the success of the Japanese economy is largely attributed to the continuous attention paid to quality assurance and improvement. Gradually the quality concept also penetrated other sectors of the economy – service provision and education. Certainly, education has been focused on quality also in the past. However, its interpretation mostly was narrowly specific and limited itself to recording issued diplomas or certificates and the grades received on

exams. Modern analysis of education policy is characterized by a systematic, scientific and comprehensive evaluation of results. Measurement and evaluation are inherent elements of planning, reforms and school work, which enable the achievement of the maximum result. Measurement and evaluation should also be considered in the global economic context, as the results of education have a direct impact on the economic indicators, and the education system has to ensure that its product meets the expectations of the economy.

The concept of "quality" is manifold and often subjective, therefore it cannot be unambiguously and briefly defined. Several interpretations of this concept can be singled out:

1. Description of the characteristics or the essence (descriptive, qualitative);
2. Level of excellence or relative value (normative, quantitative);
3. Good or excellent (normative, quantitative);
4. Non-quantifiable characteristics or judgments, for example, compliance with the requirements of the customer (descriptive or normative).

Can a business model be applied in education? This is a common practice in institutions of higher education. However, a school, especially a secondary school, can also be analyzed as an enterprise, since the achievements of the school may also be assessed from an economic perspective. The purpose of this article is to find out to what extent such a system could be applied to the general education system in Latvia. To this purpose, at first the quality of education should be defined.

The concept of education quality is not only manifold, but also dynamic. The demographical, technological social changes and globalization taking place in the world set new requirements for educational administrators and managers. Essential changes have taken place in the area of evaluation of education, since the "producers" (professional administrators, managers and educators) are not the only valuators any more; in the new paradigm an essential factor in the improvement of the educational system is the

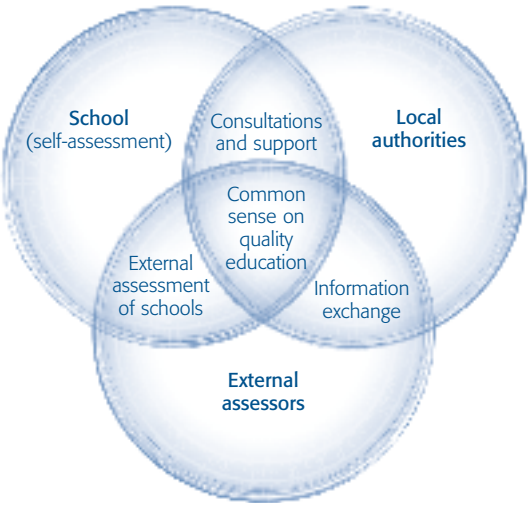

Figure 1. Quality assessment. Source: ISAP, 2002

opinion of "consumers" – students, parents, businessmen and the society (Kallen, 1996). Both valuations cohabit *de facto*.

The quality of education is also characterized by the ability of educational institutions to respond effectively to the new requirements of the "consumers" of education and to apply the most effective teaching methods, as well as the ability of the supervising institutions to ensure adequate quality assessment on a systematic and sufficient basis and the readiness of the "consumers" of education to co-operate (IRDAC, 1994).

This does not mean that the old quality aspects of education are to be abandoned. It is just that they are supplemented with new ones. This idea is summarized in Figure 1.

Successful analysis, planning and setting of new goals are not possible if there are no comparable quantitative indicators available corresponding to the level of performance. The results of the work performed by a teacher, a principal and a school should be comparable with the results of the work performed by other teachers, principals and schools over a longer period of time. "It is a pointless waste of time to require the schools to set any goals before they have adequate information of the current situation." (Fitz-Gibbon, 2000.)

The initial participant in the education process

In the quality assessment process the concept of "added educational value" is very important and has been much discussed, i.e., how the student's knowledge, skills and attitude have changed at school or at the respective level of education. This is a very important and controversial issue, because, if there is no definite point of reference, the results can be described only in absolute numbers, which gives only a relative description of the quality of education. In the initial assessment highly important are also certain specific conditions, for example – available financing that cannot be changed by the school but that can influence the end product. There are also methodological problems, for example, to what extent the attitudes or social skills of the first grade student can be defined and used as a point of reference? Notwithstanding all the contradictions, the added value can be identified by way of application of advanced mathematical statistics methods. In this respect successful development can be observed in the education system of France, where a system of national tests has been implemented from the first grade to the final grade of secondary school. A similar method is used also in the USA (Heck, 2000). Unfortunately, the current system of national tests in Latvia does not enable a comprehensive assessment of the effectiveness of each stage of school education and that of a particular school, as well as the growth of the individual in general.

Output

The quality of the output of the education system can be assessed from various aspects. Today it is not enough to look at the examination grades and cost. In the *a posteriori* or output assessment (Broadfoot, 1996), the link between the education and economy is very important. Therefore, the output evaluation process makes an increasing use of market economy terminology, although the direct task of the education system (in this case – general education) is not to prepare an adequately trained labor force. Of course, this approach is not unambiguous. It has some opponents declaring that the relation between the education and economy is not straightforward (Klees, 1989).

Often there is a contradiction between the requirements of the global economy (ability to learn fast, ability to perform untraditional manipulations, ability to work in a team, ability to work without any supervision) and the existing evaluation system that is mainly focused on teaching a certain study area. However, the following question arises: is it possible and necessary to measure various abilities and skills? Perhaps we should step back and use a smaller number of completely different, indirect indicators?

In literature the term "successful transition" can be found. In the context of life-long learning this means social, economic and cultural integration and not only the commencement of employment or further education, which is a static indicator. Stability in the area of further education is one of the indicators for successful transition from general education to the next level recommended by the OECD (OECD, 2000). Methodological problems arise in defining the starting point and the end of this transition. Such indicators are used in a few countries, but they are not generally recognized internationally and in most cases are attributed to the macro or national level.

In summary, taking into consideration the rapid development of technology, highly qualified workers are needed, and there formal education plays an essential role. However, social and interpersonal skills are also gaining importance.

Let us address several indicators that characterize the above aspects.

Entering the next-level educational institution (short-term result)

The percentage of students who continue their studies at the next level of education is a comparatively common indicator that can also be applied to the micro or school level. In the case of secondary education, the next level is entry to higher education institutions. In the international context this indicator cannot be assessed unambiguously, since the higher education systems differ from country to country

(public – private, based on a tuition fee – state financed), different conditions of access to higher education are applied and there is a difference in the breakdown of students between general secondary education and secondary vocational training. In the context of Latvia, the results are affected by regional differences and the low level of career counseling that finds its expression in the comparatively high dropout rate of students.

Completion of the next level of education (long-term result)

This indicator could provide more impartial information on the quality of education. However, for how long is the educational institution responsible for its student? Should the employment of the person after graduating an institution of higher education still be attributed to the results of the work of the secondary school or should it be considered the output of the institution of higher education only? Should an unemployed university graduate be regarded as a failure also of the respective secondary school? One of the possible periods of "responsibility" of the secondary school could be two to three years following the commencement of studies at the next level of education, i.e., the percentage of secondary school graduates who have successfully completed two full academic years at an institution of higher education.

Employment (long-term result) (OECD, 1999)

This indicator (used also in the OECD, 2000) is not so important in the secondary education, since its main task is the preparation of a student for studies in an institution of higher education. This indicator can also be easily analyzed on an international basis, as it draws on general statistics. Several factors could affect this indicator:

1. The social and economic situation in the country and its regions.
2. Further education and life-long learning have become more important during the recent years, as the demand for qualified labor is growing more rapidly (OECD, 2000a: 103).
3. Staff turnover that indicates both the effectiveness of the company in the area of personnel selection and the quality of staff.

To assess the above factors, specific research should be carried out.

Pay level

The fact that pay level and education are closely related concepts is confirmed by several studies (Rumberger, 1994). This interrelation becomes especially operative in a situation of rapidly developing technologies. The human capital theory, as well as experience, indicate that the result of higher education manifests itself not only directly – in a higher salary – but also indirectly – in the ability to keep a job, in various non-monetary bonuses, better working conditions, and opportunities for further education. Moreover, the state and municipalities receive larger tax revenues that, in their turn, enable the improvement of living standards. Therefore, the link between education and pay level is much more complicated. Of course, market specifics in the given country also play an important role. Although this indicator is used in international studies (Temple, 2000; Levin & Kelly, 1999), it is not accurate in the context of Latvia, both due to the inadequate remuneration system (for example, the salaries of physicians), as well as the factors related to the shadow economy. Furthermore, such analysis of the results of the work performed by specific schools would be rather complicated and expensive.

Client satisfaction (Pring, 1990; Kristofersena et al., 1998)

This indicator is more theoretical, as "satisfaction" is a subjective notion. The client could be a school graduate, as well as an employer or society. The author failed to find any reference in literature to any studies performed in this area. However, such studies can be organized on a similar basis as in the OECD (Clark, 1998). In this case different methods of sampling should be used, as it is not possible to establish a nation-wide comprehensive system for defining this indicator. Also at the regional or school level this could

be done only on a sample basis. Graduate satisfaction can be influenced by various factors, for example, the aims of the student. Some may be satisfied with the high requirements set by the school and the introduction of new teaching methods, others may give priority to higher grades or a social shelter as near to their place of residence as possible, somebody else might believe that the main task is to receive a secondary school certificate. It is possible that the expectations and aims of the "direct clients" – students – differ from those of their parents and society.

In Latvia there is statistical information available on the commencement of further education. However, this information might not be objective, since a part of the data are mostly gathered from the information provided by the graduates themselves or their relatives and may not reflect the actual situation at the moment of summarizing and publishing of the information. The summary of objective information on the graduates of institutions of higher education can be obtained by contacting the respective institution of higher education. No studies have been performed in Latvia on the relationship between pay and the level of education, although in several international studies in which Latvia has taken part, such information has been identified.

Prior to World War II there was little empirical information available on education, and it was often limited to the number of students to be taught and diplomas issued. The first purposeful reference to the system of indicators could go back to the establishment of OECD. However, the systems of indicators in the modern sense of the term emerged only after the introduction of computers in the 1960's in the USA (NAEP – *National Assessment of Educational Progress* and EEOS – *Equality of Educational Opportunity Survey*). There is no such system in Latvia, and it is crucial to integrate the existing information in a coordinated structure.

Quality assurance is a complex two-dimensional concept that comprises the following:

1. Evaluation: policy, algorithms and institutions publicly acknowledging the education quality level in the respective school. The evaluation may have a twofold function: control and development.
2. Provision of the resources required to meet the quality requirements set for the school. This is usually the competence of the founder of the school.

Evaluation is any process that leads to conclusions or recommendations concerning the quality of the school. Quality assurance has an internal dimension (self-evaluation) and an external dimension (executed by external experts or inspectors). To improve the quality, an external opinion by a group of competent experts should assist the schools in carrying out self-assessment fairly and critically. Moreover, the presence of external experts often brings new opportunities and ways for quality improvement which could have been left unnoticed from within (Kristofersena et al., 1998). The external dimension of evaluation becomes especially important in the context of publicity, as it makes the evaluation more important in the eyes of the society by way of providing external verification to the self-evaluation carried out by the school.

Quality in the general secondary education system

The concept of the quality of general secondary education is very broad. Besides the traditional functions of the secondary education, a growing number

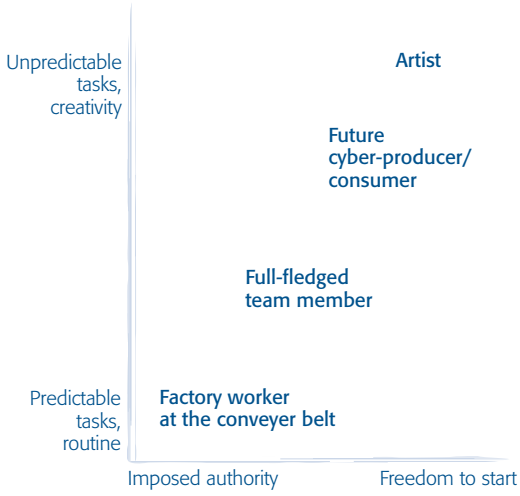

Figure 2. From teaching to learning and learning by action. Source: OECD, 2001c

Components of secondary education	How to measure?	Where to measure?
Acquisition of knowledge	Examinations, tests	At school
Application of knowledge in problem solving and ability to develop new knowledge	Examinations, tests	At school
	Follow – up studies	In the Labor market and further education
Personal skills (attitude, values, self-respect, communication, co-operation, leadership skills) and social skills (attendance, behavior in school and outside it, extra-curriculum activities, social activities)	Non-cognitive tests	At school
	Follow – up studies, tracer studies	In the Labor market and further education
Capacity for commitment	Follow – up studies	
	tracer studies	In the Labor market and further education
Psychomotoric energy	Specialized tests	At school

Table 1. Measuring the components of the quality of secondary education. Source: Eglītis, 1994

of new functions emerge which correspond to the paradigm of the society.

"The society as an aggregate of individuals who interact within a system of free individual choice, competition and efficiency. The philosophy of the market economy and liberalism now is applicable also to education" (Kallen, 1996).

Although the emphasis is still on the cognitive aspect of education, the civic knowledge, democratic and personal skills which are not assessed in school have also become topical. According to the survey of employers (OECD, 2001a: 101), in staff selection the main focus is on the attitude and communication skills of the candidates, if their formal qualifications are similar. The studies performed in the United Kingdom show that from the viewpoint of employers the following skills are preferred to technical, IT or mathematical ones: social skills, ability to learn, ability to solve problems, skills to work in a team and workplace competencies. Other surveys reveal that employers highly value capacity for commitment and initiative, because newly recruited staff with such skills more quickly acquire the necessary specific skills. However, in professions requiring high qualification, high quality specialists are preferred. The labor market no longer means only the specific occupation or position, because the philosophy of life-long learning has become a part of the secondary education policy.

The General Education Standard of Latvia states the key aims of the general secondary education programs:

1. To provide the student with knowledge and skills enabling the student to prepare for the continuation of education;
2. To facilitate the development of the student as a mentally and physically developed personality, to raise the awareness of one's health as a precondition of the quality of life;
3. To facilitate a positively critical and socially active attitude of the student and develop the understanding of the rights and obligations of a citizen of Latvia;
4. To develop the student's skills to learn independently, to motivate the student for life-long learning and career.

These aims can be translated into the following components of education:

- acquisition and application (use in problem solving) of knowledge that can be evaluated by traditional methods, namely, tests and examinations,
- personal and social skills (Goulmens, 2001) that are not directly assessed in school,
- motivation which manifests itself in the life following graduation from school (Broadfoot, 1996).

Complex indicator	Expression
Successful school (Eglītis)	Achievements of graduates in the labor market and further education
Educationally effective (Birnbaum, Cuttance 1993) school	Increase in knowledge, skills and abilities, "added educational value"
Financially efficient school	Reasonable price in monetary terms
Psychologically effective school	Reasonable consumption of students psychomotoric energy
Sustainable school	Stability of the above factors for at least 3–5 years

Table 2. Complex (summarizing) indicators of the quality of secondary education

The components mentioned in the latest OECD studies are similar: basic skills, ability to work together with others, ability to digest events, ability to work at various levels in various sectors, communication skills, problem solving.

A rational use of a student's psychomotoric energy which mainly depends on the teacher and/or class teacher, is another important indicator of the quality of the education process (Kalodinskis, 1995). Often the students do not to succeed in further education or the labor market due to too extensive consumption or irrational use of this energy. Here it is necessary to understand the subtle distinction between the following:

1. High results (good grades) can be achieved over a short period of time by overspending (on account of the future) the resources of the student's natural psychomotoric energy.
2. An irrational environment (overstated behavioral requirements, stress, extreme behavior of the teacher, unfavorable microclimate) consumes resources ineffectively and/or does not enable the expression of the true abilities of the student and prevent all potential opportunities for the student to gain success.

Of course, at each level of education the ratio of the above components is different. Speaking of secondary education, some of these components may be measured while at school, the others indirectly, after graduation. As mentioned above, examination grades are no more a sufficient way to evaluate the quality of education.

The creative potential of the students and their ability to generate ideas, operate in non-standard situations, and act independently are all important issues. However, at present these issues are not given priority. Figure 2 shows the dimensions of the above aspect.

The quality of secondary education could be characterized by a summary of the quantitative measurements of all above components.

In the analysis of the quality of education the above components should be assessed differently at the international, "macro" or national, regional, local or school levels. This article does not discuss the assessment of an individual, although the opinion on the quality of education at a given school certainly is formed on the basis of the results of individual students.

Quality school

To what extent does the school affect the results of an individual and to what extent do these results depend on the individual him/herself? Studies (Cuttance, 1998) show that schools contribute 8–19% of the final result, and the teaching/learning process in the classroom – up to 55% of the final result. Therefore, about 60% of the final result depends on the school and about 40% – on the individual.

In the context of a high-quality school two more factors should be emphasized.

The financial aspect, because the efficiency and quality of education must be linked to the costs

Is a school that costs a lot and achieves good results better than a school in which the costs are lower, but so are the results? Should a school with a

Figure 3. Assessment of secondary school students at the end of secondary schooling in 1997. Source: Key data on education in Europe, 1999

tuition fee or which receives more funds from its founder be evaluated according to the same criteria as a school which does not receive any additional financing?

Time or sustainability dimension

Although sustainability usually is mentioned in relation to the environment or society, this concept, in a slightly different context, may also be used in education. For example, the sustainability indicator is a percentage of the secondary school graduates who return to work in the respective municipality after graduating an institution of higher education. (Hart, 1999). We can speak about sustainability both in terms of time (stable or upward-going results) and space (in respect of the number of indicators) (Bell, 1999: 13).

The following questions remain unanswered: What indicators characterize the quality of education within a school context? How many components out of the five mentioned in the table and at what level should they be present in a school in order for the school to be considered of good quality? Are any other indicators necessary? Is a school worse than other schools if it is able to demonstrate excellent results in one year, but in other years its results are lower than the average? Which indicators should be used to characterize the quality of a school? Should a school be considered a good school if according to a specific indicator it is excellent, but according to other indicators merely average? All these ideas are summarized in Table 2.

Table 2 highlights the following two aspects: personal development of students and the effectiveness of the institution. Therefore we can speak about the quality of education if the school is comparatively better in terms of all indicators mentioned in Table 2. A similar definition of excellence in education has been proposed by Fantini (1986: 44):

excellence = quality + equality + effectiveness (educational and financial) + accessibility (involvement).

However, the following question has not been answered: are other indicators also important, for example, the quality of documentation if a school meets the highest criteria stated in Table 2? This is an important question, because the current system of inspections pays little attention to the complex quality indicators in particular.

Quality assurance in general secondary education in Latvia

Following the restoration of independence in Latvia, quality assurance system had to be established completely anew, as the principles that had been applied in the former USSR were not applicable in the independent Latvia anymore. In Latvia there is a functioning quality assurance system which has several components covering all levels. Therefore, politicians and educational planners have the necessary information on quality of education. Is it sufficient? It should be admitted that the state ensures mainly one aspect of quality of education, namely, compliance with standards. What has been accomplished and what are the short-term objectives in this area?

State (state delegated) elements of quality assurance in education

After the restoration of independence the state has accomplished the following tasks:

1. **National standards have been implemented in all subject areas.**
2. **The State Education Inspectorate has been established.**

   The work of the State Education Inspectorate is regulated by Cabinet Regulation No. 419 On the State Education Inspectorate, of 21 December 1999. The State Education Inspectorate is a public institution operating under the supervision of the Ministry of Education and Science, and it controls compliance with the Education Law, the Law on General Education, the Law on Vocational Training, the Law on Higher Education and other legislation related to education in all education institutions irrespectively of their founder. The Inspectorate also organizes certification and accreditation processes.
3. **The programming principle has been introduced in general education.**

   As of 1997, the programming principle of schooling has been implemented in the public general education system. After the restoration of independence, the system of free choice of subjects was first introduced in secondary schools, which was not quite adequate to the level of the understanding of democratic traditions and standards in the society. As the return to the centralized model of the Soviet period was not acceptable, the only alternative was the programming principle in education; moreover, the latter was in line with the trends in EU member states.
4. **The accreditation of the education programs and institutions has been carried out.**

   The process of accreditation is regulated by Cabinet Regulation No. 400 On Procedure of the Accreditation of General and Professional Education Programs and Education Institutions, of 12 July 1999.
5. **The national education standards have been introduced.**

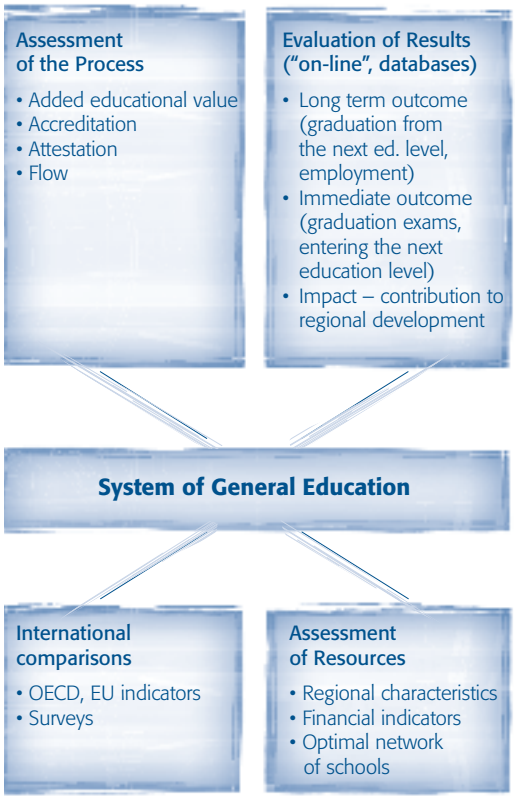

Figure 4. Total quality management system in education (national level)

The General Secondary Education Standard has been approved and is regulated by Cabinet Regulation No. 463 On the General Secondary Education Standard, of 5 December 2000.

6. **Certification of managers of institutions of general education and vocational training has been carried out.**

   The certification concerns managers of education institutions and is regulated by Cabinet Regulation No. 105 On Procedure of the Certification of Managers of Institutions of General Primary Education and General Secondary Education, of 15 March 2002.

   During the accreditation the professional qualifications and qualifications for the respective position of manager of an institution of general primary education or general secondary education (hereinafter – the principal) is evaluated and the grade of professional qualification of the principal is determined (Item 2 above).

However, it should be admitted that although certification is regulated, it is subjective both from the regional as well as the personal aspect.

7. **Participation in international research.**
   Since 1991 Latvia has been taking part in comparative studies by the International Educational Achievement Association (IEA) and the OECD which in our country are successfully organized by the University of Latvia. Of course, it is a bold venture to participate in studies together with the most developed countries of the world. However, this is a way to arrive at an assessment of the actual advantages and shortcomings of our educational system and to introduce the necessary adjustments.
8. **The system of centralized examinations and national tests has been established.**
   Centralized examinations are an essential element of the assessment of the quality of general education. The examination procedure is regulated in Paragraph 3 of Section 46 of the Law on Higher Education: "The content and procedure of the centralized examinations shall be developed by the Ministry of Education and Science, agreed to with the Council of Higher Education and approved by the Cabinet of the Republic of Latvia". The Cabinet Regulation No. 104 On Content and Procedure of Centralized Examinations, of 12 March 1999 states the following:

- For the purpose of this Regulation a centralized examination (hereinafter – examination) is a national-level test upon the completion of the secondary education level, developed according to a special methodology (Point 2).
- The aim of the examination is to test the knowledge and skills of students in accordance with the requirements of the national secondary education standard and the respective subject standard (Item 3 above).
- The examination comprises testing of the knowledge, skills and creativity of the students, and is structured into several parts depending on the specifics of the respective subject (Item 5 above).

The system of centralized examinations allows to obtain objective and reliable data on the knowledge, skills and abilities of students. Currently the centralized examinations are taken only by graduates of institutions of secondary education and part of the graduates of vocational schools.

The above Cabinet Regulation provides the opportunity to take exams for all interested individuals: the graduates from the institutions of secondary education in the respective academic year, other individuals that have not taken the centralized examinations, external students, individuals involved in secondary vocational training programs, individuals who would like to improve their results, and individuals that have taken the centralized examinations more than five years ago.

It should be noted that in the majority of European countries the graduation exams of general secondary education are organized similarly to those in Latvia (see Figure 3). The differences lie in the details of the issuance of the Certificate of Secondary Education (qualification), as there are countries in which this certificate is not issued if the student has not successfully passed the graduation exams.

Other elements of quality assurance in education

1. **Evaluation of academic competitions in different subject areas**

The system of academic competitions has been functioning in the country already for many years and is maintained by the Ministry of Education and Science. However, this is only the third year when, thanks to the efforts of J. Endele, the Principal of the Cēsis "Friendly Appeal" State Gymnasium, the results of these competitions have been summarized and published in the form of statistically justified and understandable criteria. This summary could be applied to the aspect of "quality as excellence". However, the issue concerning the ranking of schools based on the above results is rather disputable.

2. Micro-level initiatives

All the above indicators may be used in the assessment of the quality of school education and

certainly this is done both at the level of municipalities, as well as individual schools. However, such assessment mainly depends on the competence and capability of the respective principal. The system of self-evaluation of an education institution developed by the World Bank is an excellent aid for the principal of the respective institution (ECAC, 2002). However, this relates to the micro level, which is not discussed in this article.

Solutions

The majority of the existing quality control mechanisms either provide statistical information at the national level that often is not comparable internationally, or more qualitative but often subjective information at a school level. In both cases it is important to carry out a comparable quantitative analysis of the work of the school. What measures should be taken in this area?

The Saeima (the Latvian Parliament) has approved Educational Development Concept for years 2002–2005. One of the goals stated in the Concept is "to increase the quality of education at all levels and of all types of education in accordance with the needs of social and economic development". The Concept stipulates the development of an integrated system for the assessment of quality of education, the key element of which is the development of the methodology of self-evaluation and external evaluation of education institutions. This complies with the statements of the OECD experts' report on the analysis of the education policy in Latvia. To assess the effectiveness of the education system in Latvia, it is compared with the education systems of other countries. Therefore, Latvia should become fully involved in the analysis of the data gathered by the OECD, thus receiving the measurements of education indicators obtained by way of application of internationally accepted methodology.

However, as mentioned above, these measures are related to only two aspects of the quality of education, and also, these data will fail to provide any opportunity for a comprehensive analysis of the quality of education.

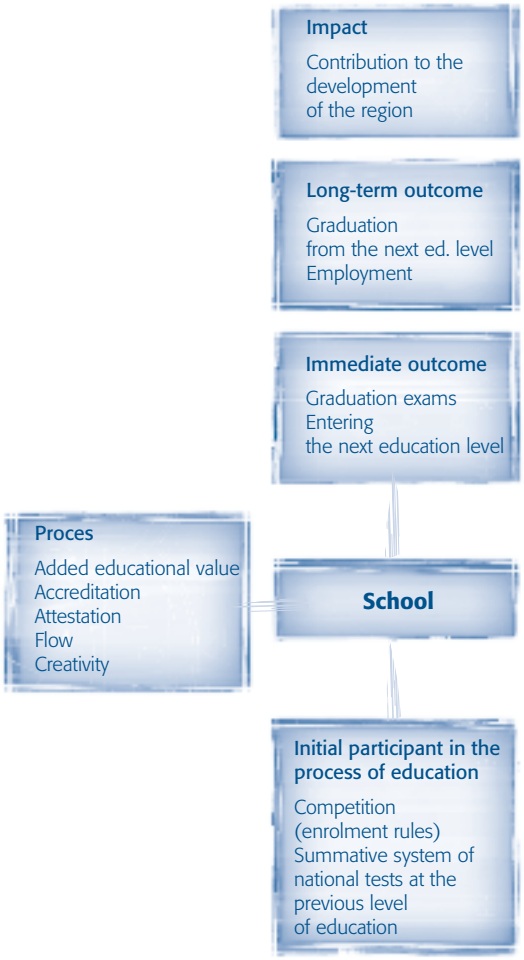

Figure 5. Total quality management system in education (school level)

Development of a nation-wide system of quality assessment

The existing data should be integrated into a state-administered system and new data should be added, thus enabling the assessment of all aspects of the education system. Such a system is described in Figure 4.

International comparisons

To assess the effectiveness of the education system in Latvia, it should be compared with the effectiveness of the education systems of other countries on a regular basis. The work of public institutions should be improved to ensure the involvement of Latvia in the framework of the OECD as soon as pos-

sible, thus receiving the measurements of education indicators obtained according to internationally accepted methodology. The participation in international research should be continued, thus enabling the comparison of more specific aspects of the education system.

Process evaluation

Currently, the methodology of self-evaluation and external evaluation of the education institutions is being developed within the framework of a project of the Ministry of Education and Science financed by the World Bank. In 2004, the accreditation of educational institutions and attestation of principals of educational institutions could be commenced in accordance with the new regulations.

A system of national tests is being developed covering all stages of general education. This system should be developed so as to enable assessment of the added educational value demonstrated by students, given their initial level at the commencement of schooling at the respective level of education. Thus, the issue of identifying the added educational value (effective school) would be solved both at the micro and the macro level.

Evaluation of results

Tasks related to the improvement of the centralized examination system (compliance with standards)

The Centre for Curriculum Development and Examinations (hereinafter – CCDE) subordinated to the Ministry of Education and Science, should continue the introduction of centralized examinations in all subject areas of interest to institutions of higher education. This means gradual development of standards also in the subject areas taught 1–2 lessons per week (for example, politology, psychology). Commendable is the initiative of the CCDE to abolish the current system of two types of examinations – one for the basic course and the other for the profile course.

Expected benefits

The improvement of the centralized examination system in Latvia will:

- facilitate Latvia's integration into Europe, as this would provide students with an opportunity to receive an objective and internationally comparable assessment of their knowledge, skills and abilities, which would enable them to compete with candidates for the next level of education not only in Latvia, but also in the EU member states,
- provide objective information on the achievements of students and teachers, an opportunity to assess the effectiveness of both the education system in general and individual educational institutions in particular,
- facilitate the development of the gymnasium network,
- facilitate fair competition and the development of the education system, as this would stimulate the introduction of new teaching methods and techniques in schools.

Expected problems

- It should be assessed whether reform of the standards of the subject areas taught at secondary school level is necessary the way it has been planned by the Ministry of Education and Science, namely, the abolishment of profile courses, instead allowing the schools to select freely subject areas for in-depth studies.
- It should be assessed whether a pupil at an institution of secondary education should be considered graduated regardless of the grades on the certificate, based on the results of the centralized examinations. Aren't the concepts of "quality" and "qualifications" ignored today when secondary school graduates may take final examinations regardless of the grades received during the year and receive the diploma and certificate of the centralized examinations only for taking part in the centralized examinations (unfortunately, it is a common practice nowadays)?

Uniform examination

Enrolment in institutions of higher education, based on the results of centralized examinations (uniform examination) could also be an element of the educational quality assurance system. The uniform

examination is regulated in Paragraph 3 of Section 46 of the Law on Higher Education: "Enrolment in the study program shall take place in accordance with the competition procedure, based on the results of the centralized examinations." This provision will come into force as of 2004.

The following two implementation models are possible:

- Spontaneous candidate applications to the study programs of the institutions of higher education.

This is what is happening at present. The mechanism is simple – following the appeals period, candidates come to the institutions of higher education with their ECEC certificates, and the further process is within the competence of the institutions of higher education. This system raises many objections.

- Management of the centralized uniform examination.

An institution should be established which would ensure student application for the uniform examination, carry out the selection process based on a competition, inform the candidates on the qualifying in the chosen study program, as well as inform the institutions of higher education on the results of the competition. This is a radical and untraditional scenario, although not so innovative anymore, as a similar system already operates in European countries (Denmark, Norway). In this case, the results of the centralized examinations will be the only selection criterion, and the choice of examinations in schools will be more purposeful and justified. Therefore, the results of the examinations also will be more objective.

In Denmark, the central enrolment system has been operating since 1986 and ensures annual enrolment in institutions of higher education to about 55 thousand candidates, rejecting about five thousand. Certainly there are several essential differences that make the functioning of this system in Denmark more optimal in comparison with Latvia. In Denmark the higher education is financed by the state; the sector of private higher education is very small. In Denmark there is a rather small number of overlapping higher education study programs and a very small number of additional tests set by the institutions of higher education, and the requirements of the institutions of higher education are available to the public and are relatively stable. In general, this makes the process of selection of the study programs easier and more purposeful for the students and simplifies the management of the central enrolment process. On the other hand, the advantage for Latvia could be a successful use of the results of the centralized examination as a selection criterion, as well as the fact that a comparatively large part of the candidates are secondary school graduates of the same year.

The uniform examination system, in one way or another, operates in many countries, for example, Norway, Lithuania, and Estonia.

Development of the information system on secondary school graduates – students of institutions of higher education

In Latvia, this type of statistics is not compiled at the school level due to two reasons: this issue is not topical on the national level and the databases of the institutions of higher education do not meet the technical and ideological criteria. Given the IT potential and the work already performed by institutions of higher education in the sphere of development of databases and computerization, this is a feasible task. Certainly, issues concerning personal data protection should be considered. The system would summarize data and provide all secondary schools with information on the enrolment, dropout and graduation of their former students. The summary without any specific personal data could be sent both to the founders of the respective institutions and municipal officials.

Information system on secondary school graduates – the unemployed

The activity algorithm is similar as in the case of institutions of higher education, the difference being that the data could be aggregated by the State Employment Service. These data will also be used in the assessment of the work of the institutions of primary education.

Development of a quality assessment system at the school level

When a nationwide system of quality assessment is developed as discussed above, it will not be difficult to provide also the micro or school level with information that would enable the assessment of the quality of the work of school from various aspects. In this case the reference point or the student's results at the previous level of education is very important.

The public ranking of schools according to the above factors is a controversial issue, although the results can be objectively justified and interpreted if there is a reliable point of reference. A general scheme of quality assurance at the school level is provided in Figure 5.

There can be the following indicators of the impact of the school:

1. The satisfaction of people and institutions that are not direct clients of the school. This concerns the activities of the school that are not related to the primary process but to those that could be oriented to a wider social context (the accessibitily of resources and knowledge).
2. The share of school leavers in the development of a region:
   - the number of school leavers that return to the region after completing next stage of education,
   - the number of work places created by school leavers.

These indicators are especially important for the sustainability and social cohesion of the region.

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Centralized and Standardized Examinations

Ilvija Vule, **Līga Krastiņa** and **Brigita Zepa** (Baltic Institute of Social Sciences)

Problem

In Latvia the number of students has increased during recent years. In comparison to other countries, there are also many schoolchildren who study in secondary schools. To advance fair and adequate comparable assessment in education, the introduction of centralized examinations was launched in the mid-90ies. However, during the process of introducing centralized examinations, experts in Latvia have faced similar problems which other countries have experienced: can one test serve two important functions of overall assessment of secondary education and at the same time be a selection criterion for admission to higher education institutions? How can a new system of centralized and standardized examinations be effectively implemented? And how can the agency, which designs and administers the examinations, be effectively financed and managed?

Background

Introduction of centralized examinations[1] started in the mid-90ies. The first centralized examination was developed to test English as one of the secondary school core courses tested. In the late 90ies, higher education institutions started to use the results of centralized examinations as the basis for admission of students. According to the amendments in the Law on Higher Education Institutions adopted in the year 2000, the system of centralized examinations should be introduced in the country. The new regulations will apply to both public and private higher education institutions and to academic and professional study programs (Augstskolu likums, 1995, 46.3) as of the year 2004. Currently there are eleven centralized examinations available, and by the year 2005 a total of fifteen centralized examinations are planned to be available.

To qualify for graduation from secondary education, in Latvia, schoolchildren should take final examinations. Some of the final examinations are not run as centralized examinations. This refers to both general secondary schools and vocational schools. To graduate from secondary school[2], schoolchildren should take five examinations: two examinations specified by the Ministry of Education, an examination specified by the school, and two examinations chosen by the student. This year, schoolchildren graduating from voca-

[1] A centralized examination is a centralized test for all schoolchildren in the country, and it is graded according to fixed uniform assessment criteria.

[2] In this paper, secondary schools are defined as general education institutions that are either under the authority of local governments, or state gymnasiums that are under the authority of the Ministry of Education and Science.

tional schools have also taken centralized examinations for the first time, and the Ministry of Education has specified all five examinations.

Centralized examinations are developed and administered by the Centre for Curriculum Development and Examination (CCDE) which is a public institution subordinated to the Ministry of Education and Science. The Centre is financed from the state budget. Centralized examinations take place at the end of studies in Grade 12 in June. Test results are announced on July 15 when the CCDE issues certificates on centralized examinations. The test results are classified according to six performance levels[3].

Higher education institutions have determined which examination results will be considered for admission in year 2004, in most cases mathematics, foreign languages and the Latvian language. According to the Law on Higher Education Institutions, a higher education institution has the right to define additional requirements for applicants, which are in line with the specific study program. At present, the Latvian Academy of Arts, the Latvian Police Academy and the Banking Institution of Higher Education (AIP, 2002) have approved special entrance requirements.

International experience

Centralized examinations upon graduating from secondary school and the use of centralized examination results in further education are a regular practice in many countries. However, in most countries (such as the United Kingdom, the USA, Australia, Canada and Sweden) the centralized tests for graduation are separated from the tests designed to determine entry into post-secondary education. Latvia has applied much of the experience from Scotland. Certain similarities can be drawn with centralized examinations in Slovenia that serves as a successful example for the countries in Eastern Europe (Bakker & Wolf, 2001). In some aspects the systems of centralized examinations in Latvia and Lithuania can also be compared.

Scotland

In relation to the introduction of centralized examinations in Latvia, it is often pointed out that much of the experience from Scotland has been applied: the theoretical approach developed at Lancaster University and the practice at the Scottish Qualification Authority (BSZI, 2002). However, there are several essential differences:

- First, the Scottish Qualification Authority is a non-governmental and independent organization (Times, 2001), with 80% of income from payment for the service provided. In Latvia the Centre for Curriculum Development and Examination (CCDE) is a public institution subordinated to the Ministry of Education and Science, and the Centre is nearly fully financed from the state budget (ISEC, 2002a).
- Second, in Latvia all candidates who take tests receive certificates, but in Scotland it is also possible to fail the test (BSZI, 2002).
- Third, in Scotland schoolchildren study not more than six subjects in the secondary school, and they take centralized tests in all subjects; in Latvia schoolchildren study many more subjects in the secondary school, and they have to take at least five final tests (Eurydice, 2001).
- Fourth, the scope of activity of the Scottish Qualification Authority involves only testing, while the CCDE has two more functions: curriculum development and professional development of teachers.
- Fifth, the socio-economic indicators in Latvia and Scotland differ: in Scotland, there are twice as many inhabitants and the GDP per capita is approximately six times higher[4] (CSP, 2002).

Slovenia

Slovenia is an appropriate comparison to Latvia. Centralized examinations were introduced in the mid-90ies in both countries. The number of schoolchildren

[3] "A", "B", "C", "D", "E", "F", where "A" shows the best result, but "F" – the worst result.

[4] See the cost estimate of centralized examinations in Latvia in the tables.

in secondary schools is similar: approximately fifteen thousand. In both countries there are five mandatory final tests, all managed from a central location and standardized. In both countries, assessment is based on normative criteria[5]. Both in Slovenia and Latvia centralized examinations take place in the beginning of June, and the test results are announced on July 15. In both countries higher education institutions can specify additional entry requirements.

However, there are also a number of differences:

- First, in Slovenia centralized examinations are taken by schoolchildren graduating from general secondary schools, and schoolchildren graduating from vocational schools have an option not to take centralized examinations.
- Second, the National Examination Centre in Slovenia – like in Scotland – is an independent institution, and schoolchildren pay fees for taking centralized examinations.
- Third, centralized examination results are mandatory admissions requirements only at academic higher education institutions, but professional higher education institutions do not have such admission requirements.
- Fourth, in Slovenia applicants to higher education apply to a centralized institution, but in Latvia applicants apply directly to higher education institutions.

It is worth mentioning that in Slovenia, universities proposed introduction of centralized examinations (Gabrszek, 2001), whereas in Latvia, according to the representatives of CCDE, a certain resignation from higher education institutions was observed.

Lithuania

In Lithuania and Latvia there are more differences than similarities as to final examinations in secondary schools. In the neighboring country, there are two types of final tests, and only centralized examinations qualify as admissions criteria. Schoolchildren can choose which type of final tests they prefer to take. Centralized tests are run in May and June in regional centres that, as a rule, are placed on university premises. If schoolchildren do not pass the centralized tests, they have an opportunity to take the second type of tests, which are semi-centralized and easier. Though these tests are developed by the National Examination Centre, grading of tests takes place at school. Unlike centralized examinations, these final tests are graded on a ten-point scale, and, therefore, the test results of two types of examinations are not comparable.

In Latvia and Lithuania schoolchildren graduating from the secondary school take five final tests, however, in Lithuania only one subject – the Lithuanian language – is mandatory for all schoolchildren, and they are free to choose the other final tests (NEC, 2002).

Government regulations

The introduction of centralized examinations in Latvia is controlled by a number of government regulations: the Education Law, the Law On Higher Education Institutions, a number of Cabinet Regulations, Ministry of Education and Science Regulations and decisions made by the Council of Higher Education.

Admission to study programs in higher education institutions is regulated by Section 46 in the Law on Higher Education Institutions, where it is stated that as of the year 2004, admission to study programs will be based on the results of centralized examinations "which are developed and administered by the Ministry of Education and Science." In the same Section it is stated that "in agreement with the Council of Higher Education, a higher education institution has the right to define additional requirements for applicants regarding specific background education, suitability and training or other requirements."

The most controversial is the provision in Section 46 of the Law on Higher Education Institutions stating that admission and registration in higher education

[5] According to the normative criteria approach, assessment is compared to other test takers, as opposed to the criterion referenced approach in which each test taker's result is compared with an externally validated criterion. Most tests of certification (including those for graduation from secondary school) are based on criterion-referenced examinations.

institutions should begin **no later** than two weeks after the end of the academic year at secondary schools (Augstskolu likums, 1995). There are several obstacles causing problems:

- First, centralized examinations take place in June when the academic year is over.
- Second, as of the year 2004, in order to apply to higher education institutions, the applicants should know their centralized examination results.
- Third, by the year 2004 the work load of the CCDE will increase, and it is already the case now that the CCDE can hardly manage to process all centralized examinations in the end of June and the beginning of July.

Higher education institutions prefer to start the admissions process as early as possible to attract the best candidates. It contradicts the Ministry of Education and Science Regulation on Admission to Higher Education Institutions, where it is stated that "higher education institutions can begin the admission process no earlier than one month after the academic year in Grade 12 is over" (IZM, 1997). According to an expert, currently higher education institutions are not able to administer a legally correct admission process.

The Regulation on the Content and Process of Centralized Examinations has also been adopted and will enter into force as of September 1, 2003. According to the Regulation, examinations shall be organized by the CCDE and "education boards of local governments in cooperation with education institutions"; it is also stated that schools should send in applications to the CCDE for centralized examinations by December 15. The Regulation also states that "examinations shall be organized in core subjects in line with the general education standard." (MK 104, 2002.)

Objective assessment: the goal of national education policy

One of the objectives of centralized examinations is to promote objective assessment. It involves several aspects: first, identical tests in all schools, second, comparable and transparent admission criteria at higher education institutions, and third, all tests graded according to the same criteria.

Schools differ in terms of the resources available and the level of quality provided. Up until recently it had been a common practice to have very different evaluations of similar levels of achievement of students in different schools. These differences have been due to the fact that the methods of assessing students have been neither standardized, nor centralized. With the new tests, the chance of having varying assessments of similar performance is reduced for three reasons:

- First, all schoolchildren take centralized examinations under identical conditions: simultaneously all schoolchildren take tests independently without external assistance.
- Second, the content of centralized tests is identical for all schoolchildren graduating from secondary school, and the content is not known prior to the test session.
- Third, test assessment is standardized, and all tests are graded according to the same criteria.

In case schoolchildren have claims against grades received in centralized examinations, during the week after the CCDE certificate is received they can appeal to the CCDE by submitting an application (IZM, 2001a). There were a couple of cases when the result of the centralized test was changed.

According to government regulations (IZM, 1997), entrance examinations at higher education institutions should correspond to the level of secondary education. However, it is difficult to investigate. Currently, admission requirements at higher education institutions are generally regulated by the Senate decisions that define specific admission criteria. Admission requirements tend to vary: a few higher education institutions already now take into account the results of centralized examinations. However, in the majority of cases applicants should take entrance examinations developed by higher education institutions, and in some higher education institutions grade point average in the certificate on secondary education serves as the governing admissions criterion.

The admissions process based on centralized examination results will become more transparent; some higher education institutions have already

announced which centralized test results will be considered in the year 2004. These requirements are published on the homepage of the Ministry of Education and Science (IZM, 2002b).

A transparent admission process is important as currently the registration deadlines for applicants at higher education institutions vary. For a few study programs the registration deadline is on March 1, and for other programs it lasts till September 20. In transition to centralized examinations, on the one hand, higher education institutions will have to take into account the time when applicants receive certificates on centralized test results; on the other hand, higher education institutions are interested in starting the admission process as early as possible in order to select the best students.

Within the new system, schoolchildren will have an advantage not to take the same examination twice – to graduate from the secondary school and to enter a higher education institution, which is a common practice now.

Centralized examinations are graded according to specific criteria, and the analysis of results shows that a small number of schoolchildren receive the highest (A) and the lowest (F) grade. The majority shows average achievement. Currently test results show the best achievement in those parts of examinations where knowledge and skills are tested and the lowest achievement for the parts where more sophisticated skills of synthesis and analysis are required. Generally, centralized test results on the national scale correspond to "the normal distribution" (ISEC, 2002b).

Final secondary school tests

One of the main objectives of centralized examinations is the assessment of knowledge acquired by a student and the certification that the knowledge is sufficient (i.e., that it meets certain minimum criteria) for a student to be considered a secondary school graduate. Therefore, it is important that the assessment criteria are specified in regulatory documents: Regulation on the State Standard of General Secondary Education, Regulation on the State Standard of Professional Education and Vocational Training, as well as standards for core subjects.

The standard of general education

According to the standard of secondary education, in Latvia four different programs of general education are provided: general education, humanities and social sciences, natural sciences and mathematics, and professional education. Each program consists of core mandatory courses[6], which take approximately half of the study time, and the optional courses, which are also specified in the standard of each program. Schools can provide teaching in several programs simultaneously. The general education program and humanities and social sciences program are the most popular. Currently in Latvia there are 994 general education programs that have been licensed at the Department of General Education of the Ministry of Education and Science in the summer of 2002.

Less than a third of schoolchildren study in professional secondary education programs. For the present, the majority of vocational schools are not fully subordinated to the Ministry of Education and Science, because they are financed by line ministries. The curriculum of professional education consists of two parts: theoretical courses and practice. Theoretical courses are close to mandatory core courses in secondary schools. However, there are less hours planned than in general secondary education.

Standardized examinations managed centrally is an illustration of a more general shift in education policy from relying on input to measure quality to relying on output to measure quality. This year both the schoolchildren graduating from general and professional secondary schools have taken centralized examinations, and the level of preparation for final tests has differed. According to an expert for the CCDE, it is very difficult to develop a test to assess knowledge of schoolchild-

[6] Mandatory courses include the Latvian language and literature, the first foreign language, the second foreign language, mathematics, history, physical education, basic economics and business, and applied IT.

ren in both vocational schools and secondary schools (BSZI, 2002: 45). The results of the year 2002 centralized examination in mathematics illustrate the situation: schoolchildren from professional and evening schools have received the lowest assessment. Moreover, next year centralized tests for schoolchildren in vocational schools wishing to receive a certificate for secondary education will be mandatory. Schoolchildren in vocational schools will be disadvantaged, because they will have to take five final tests specified by the Ministry, tests designed for general and not for vocational education.

Standards for core subjects

The standard of general education specifies for which subjects (both mandatory and optional courses) centralized examinations[7] should be introduced. According to an expert from the Ministry of Education and Science, a centralized examination can be introduced for a course with at least 105 teaching hours in half a year. Assessment criteria for centralized examinations are included in the standards of core subjects, which were developed in the beginning of the 90ies. The CCDE has developed new draft standards, which are currently being tested.

It has been recognized that some of the developed subject standards are inefficient. Natural sciences course is one illustration – no higher education institution has yet assigned the results in natural sciences test as an admissions criterion. Many schoolchildren study natural sciences, but this year only 149 have taken an examination (not centralized). The standards for core courses are fairly short (four pages for the standard in history) and consist of goals and objectives, content, criteria to master the course, and forms of testing. The teacher is asked to apply the standard by developing the course program at each particular school.

Entrance examinations at higher education institutions

Currently higher education institutions provide 200 undergraduate study programs[8] (IZM, 2002a) – the University of Latvia alone provides more than 40 undergraduate study programs. Similar to secondary education, the higher education study programs should be licensed by the Department of Higher Education of the Ministry of Education and Science. However, the procedure is rather formal. With the involvement of foreign experts, accreditation controls quality assurance in higher education in Latvia.

	Budgeted according to the law	Actual expenditure
Expenditure (total)[9]:	143,461	141,457
salaries	96,645	59,620
Business trips	1,776	1,517
Daily allowance	25,183	60,466
Capital investments	19,857	19,854

Table 1. The CCDE expenditure in the year 2001 covered by financing from the state budget[10] (LVL, cost estimates are made before Teacher Training Centre was merged with the Centre for Curriculum Development and Examination (CCDE)). Source: ISEC, 2002a, pp. 16–18

[7] By September 1, 2005 centralized examinations are planned in the Latvian language and literature, the Latvian language and literature (in minority schools), English, French, German, Russian, history, basic economics and business, geography, mathematics, physics, chemistry, biology, natural sciences and the history of culture.

[8] As of the year 2004, admissions based on centralized examination results will apply to all undergraduate study programs: bachelor study programs, professional study programs that correspond to the bachelor education standard, professional higher education study programs, and college study programs.

[9] This amount does not include 19,015 LVL that CCDE received as donations and gifts from private persons and gifts. These donations had been spent on purchasing equipment.

[10] Actual expenditure of the Ministry of Education and Science in 2001 were **81,936,547 LVL**. Source: IZM, 2001b.

Every year the Senate of the higher education institution approves admission requirements, which specify selection criteria for each study program. A few higher education institutions have already set a uniform testing procedure. Currently all candidates applying to the University of Latvia are required to take a test in the Latvian language developed by the local faculty. Similarly, candidates applying to the Riga Technical University are required to take a test in mathematics.

However, overall uniform testing for admission at higher education institutions has not yet been introduced. In accordance with the Law on Higher Education Institutions, in the year 2004 admission to all undergraduate study programs in higher education institutions should be based on the results of a centralized examination. In the majority of study programs at large universities (Riga Technical University and the University of Latvia) student selection in the year 2003 will be based on centralized examination results (LU, 2002). In particular, for study programs of social sciences it is planned to compare the results the candidates shown in entrance examinations to the results of centralized examinations.

It is already commonly accepted that certain higher education institutions such as the Latvian Academy of Arts, the Latvian Music Academy and also the Stockholm School of Economics in Riga will have special entrance requirements. A few of them have already approved the admissions requirements at the Council of Higher Education. With reference to the Stockholm School of Economics in Riga, it has been noted that a special Section in the Law on Higher Education Institutions will be developed, because this school has external financing from abroad. It is one of the most prestigious higher education institutions, therefore the admission procedure has two major components: a written entrance test and individual interviews with top candidates.

To assist in preparation for entrance examinations a number of higher education institutions used to provide preparatory courses. It was also an additional source of income for higher education institutions. Currently the University of Latvia is ready to provide candidates with preparatory courses for taking centralized examinations (LU, 2002) in the year 2003. The preparatory courses will be especially useful for those who have finished secondary education earlier and thus do not have certificates of centralized examination results.

For the year 2004, overall for each study program a number of centralized examination results have been set as selection criteria. It means that, first, the status of centralized examinations will increase, second, schoolchildren will have to take more centralized tests, and third, it will restrict candidates from applying to very diverse study programs.

The centralized examination in history

History as one of the core courses serves as a good example of introducing centralized examinations. The following aspects have to be considered:

- A new education standard for the history course has been developed (adopted in 1998), while for other core courses documents on standardization are in progress.
- The Association of History Teachers (AHT) is very active, and the representatives of the AHT have participated in different international professional exchange programs. As a result, they have had an opportunity to acquire new knowledge and experience to apply the right methodology in developing the standard for the course and the centralized examination.
- In 2002 the Department of History and Philosophy at the University of Latvia organized admission to the undergraduate study program in history based on the centralized examination results. It should be noted that the weight of components in the total grade was changed, and, additionally, applicants were to take the Latvian language test as a regular University of Latvia entrance test.
- History experts from the University of Latvia have been constantly involved in developing the centralized examination; a few lecturers participate in fully developing one of the centralized test sections.

- A successful outcome of the centralized test in history is also determined by the status of the history course, which is a mandatory course at general secondary schools.

However, there are also a few problems. According to an expert (BSZI, 2002: 53), it would be correct to formulate test questions with reference to each component in the standard, but in Latvia it is just the opposite: first, a test question is defined, and only then the relationship with the standard is considered. This approach generates more uniform tests, but it runs the risk of developing a test that is separated from the curriculum, i.e., a test with low validity.

The basic format and the structure of the centralized examination in history has remained unchanged for several years. It consists of three components: 40% for testing knowledge, 40% for testing skills, and 20% for essay writing. The weight of the third component of the centralized examination was increased for admission to the undergraduate study program in history.

Centre for Curriculum Development and Examination (CCDE)

The CCDE is a public institution subordinated to the Ministry of Education and Science. The main functions of CCDE include curriculum development, education quality analysis and control as well as professional development for teachers. The centre is financed from the state budget.

The administrative routine on centralized examinations starts at the end of October and in the beginning of November, when the CCDE receives applications from schoolchildren for taking final tests. Next, lists with the number of test-takers are prepared and sent to schools for confirmation. Then, lists with names of test-takers are prepared and double-checked. The CCDE has an especially heavy workload in May, June and July. Certificates are given out on July 15, and three weeks prior there is a very intense period of grading tests with 1000 professionals involved. A comparatively large part of the centre's budget is spent on grading tests. In October, examination experts from education boards and the CCDE analyze the results of the previous year.

The development of each centralized examination (including the examination in history) takes nearly two years. First, the CCDE ask teachers to develop tasks, a test section or the complete test (it varies for different courses). The CCDE experts review the material, taking out redundancies. Next, at a few schools pilot tests are taken by schoolchildren who will not take the

Courses	Examination costs per student[11]	The number of test takers[12]	Total expenses
English	2.80	14,022	39,261.60
German	3.05	2,977	9,079.85
State language	2.84	7,501	21,302.84
History	2.44	4,057	9,899.08
Mathematics	1.88	6,687	12,571.56
Biology	1.64	2,498	4,796.16
Geography	1.80	10,863	19,553.40
Physics	3.43	408	1,399.44
Chemistry	3.25	463	1,504.75
Total			119,368.68

Table 2. Secondary school expenditure for centralized examinations in the year 2000 (LVL)

[11] Cost estimates are made based on data provided by CCDE.

[12] Source: ISEC, 2002b.

given test a centralized examination, because this procedure has one year gap. For test approbation, schools are chosen carefully, and for financial reasons and confidentiality the CCDE has established close cooperation with schools in Riga. Then, based on pilot test results, the final version of the centralized examination is developed.

Some point out that the institution, which provides centralized examinations should be efficient, reliable, and autonomous (Heyneman & Ransom, 1990: 185). Currently the CCDE faces problems with autonomy, because it is fully financed from the state budget, and the Centre is subordinated to the Ministry of Education and Science. As a result, there is lack of flexibility in attracting financing, and, therefore, the budgeted and actual expenditures at the CCDE differ, and the Ministry can control centralized examinations. For example, two new centralized tests are planned for the next year (in the history of culture and basic economics). However, by mid-December it is not known whether financing will be provided for the new project. The current financing system with nearly all financial resources being provided from the state budget is too bureaucratic to secure efficient operation of such a flexible institution as the CCDE.

Conclusions

To qualify for secondary education centralized examinations are a common international testing practice. Since the mid-90ies, centralized examinations are being introduced also in Latvia. The importance of centralized examinations will increase in the year 2004, when the admissions to higher education study programs will be based on results of centralized tests. Centralized testing has two main objectives: first, the overall assessment of the level of knowledge students have acquired in secondary education, second, selection for admission to studies at higher education institutions.

International experience shows that across the country one final test cannot fully meet both objectives. In the case of **Slovenia** centralized examinations are mandatory only for graduating from general secondary schools and for admission to academic higher education institutions, i.e., universities. Moreover, for certain study programs there is an option to set additional entrance examinations. In **Scotland,** like in Latvia, to qualify for graduation from secondary education schoolchildren take five centralized examinations. However, in both countries there are essential differences. In Latvia not all secondary education final tests are centralized as they are in Scotland. Second, for admissions purposes, higher education institutions in Scotland have a better range of centralized test results to choose from, because centralized examinations are taken in all courses. In **Lithuania** there are two schemes for schoolchildren to take final secondary school tests. Only centralized examinations qualify for admission to studies at higher education institutions. At the same time, schoolchildren who will not continue studies take easier final tests and receive positive achievement assessment.

In Latvia centralized examinations are analyzed, based on the distribution analysis and also according to specific criteria. The main function of the normative approach is to select schoolchildren who have the best knowledge of the subject, so that they can continue studies at higher education institutions. The goal of the criteria-based assessment is to reflect on the level of knowledge acquired in secondary education. There are several problem areas: first, a uniform examination may be taken by schoolchildren who may have studied according to different education standards (such as in the US), second, the norm referenced tests are influenced by results from different years. Average scores may be higher in some years than in other years.

International experience shows that admission to higher education institutions based on centralized examination results poses specific challenges due to the differentiated nature in the higher education sector, where some institutions require higher minimum scores and some emphasize skills and subject areas more than others. It is natural that the level of performance and the balance of performance subject by subject may differ between entrance to medical school, law school, sociology, music, and literature departments. Latvia faces the same problem: first,

higher education institutions are very different: there are public and private institutions. Some institutions provide one study program and others provide forty study programs. Second, higher education institutions provide specific study programs that do not allow student selection based only on centralized examination results. Third, the publicity for study programs differs; in social sciences ten candidates compete for a study place, but in some engineering study programs it is hardly possible to select a full study group.

In agreement with an expert's opinion (Heyneman, 1987: 262), centralized examination has not only technical but also a number of political aspects; it is not only a form of knowledge testing, but it is also a tool for development of national education policy. A number of decisive factors are influential: whether centralized examinations are organized by a public or private institution, whether centralized examinations are provided for schoolchildren at all schools or part of schools, and whether the results of centralized tests are the only criterion or one of several admission criteria in higher education institution.

Recommendations

- Amendments should be made to Section 46 Paragraph 3 of the Law on Higher Education Institutions, stating that admission to higher education institutions should start no earlier than after the centralized examination results are received.
- Experts from higher education institutions should be involved in the methodology development for centralized examinations to keep options open in case there is a need to change the weight of one of the test sections for the total examination grade when admission is based on centralized test results.
- Keep an option to run a preliminary selection based on centralized test results, and for the final selection allow higher education institutions to use additional tools of assessment.
- In due time, inform secondary school students on which centralized examination results will be required for admission to particular study programs.
- It should be specified that both in professional and general secondary education, the Ministry of Education and Science should set centralized examinations only in two courses, and other centralized examinations can be chosen by schoolchildren (or the school).
- Tests should run approbation at schools, which according to essential parameters (for example, the location) are similar to all schools in Latvia, ensuring a representative testing sample.
- The administration of centralized and standardized examinations for secondary school graduation should be partly financed from the local government budget. The financing should be proportional to the number of schoolchildren taking centralized tests in the education board of local government.
- Financing for admission examinations to post-secondary education should be based in part on the fees from those who wish to sit for the examinations.

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Non-Graded Assessments in Primary Education

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Summary

Since the restoration of independence in 1991, the educational policy in Latvia has encouraged radical changes in the curriculum that meet the new economic and social needs of the society. The Latvian policy reforms have also included a new system of student assessment for primary school students based on humanistic principles and the long-term experience in Europe and elsewhere.

However, as normal as the system of non-graded assessment may be in other parts of the world, the system in Latvia has experienced serious problems. The public has a very subjective view of it. Opinion polls and questionnaires of teachers and parents indicate dissatisfaction. In the opinion of many people, the new system does not facilitate student motivation. It is subjective and works formally and ineffectively, and, because its assessment criteria are not clear, it does not ensure a reliable and understandable picture of students' knowledge and skills. Even though the previous system of graded assessment pointed out only mistakes and therefore did not encourage student confidence, still 85% of the students – respondents would want to return to the system of grades. The change implementation process did not proceed effectively due to the contradiction between the goals and objectives of the national educational policy and the inertia of teaching practice in schools, therefore a thorough analysis of the previous experience is required.

This research looks at the non-grading assessment system in primary school as an integral part of the modern educational system. It reveals the causes of several problems and offers recommendations for their improvement. The analysis indicates that the cause of the ineffective assessment system is not in the fact that grades are not used, but in the implementation of the system. There are no standardized assessment criteria and parents do not understand the reports on learning achievements. Moreover, the assessment is isolated from the study process. If the implementation of the current assessment system is not improved, these problems will persist.

This research analyses the factors that play an important role in providing the opportunity to ensure a high quality assessment system. This would meet today's demands: the assessment would be reliable and clear to the students, teachers and parents. The research also puts forward the criteria to be used to assess students' achievements and recommends solutions to ease the transition from Grade 4 to Grade 5.

Introduction

A non-grading assessment system was introduced in 1992 with two distinct advantages:

1) it is based on the main principles of humanistic pedagogy. In a non-grading system the learning process is aimed at identifying and meeting students' individual abilities and needs and encouraging motivation and development of learning environment appropriate to student abilities, which has been proven by the long experience with this system in the USA, Sweden and Switzerland;
2) it can better incorporate the complex variety of learning achievements necessary to understand performance in the early years, including knowledge, skills, attitudes, while taking into account student learning style, attitude and the dynamics of individual development.

Teachers who have acquired the methods and forms of humanistic pedagogy understand, support and implement a non-grading assessment system.[1] In a survey carried out during the conference of Riga city primary school teachers in the autumn of 2002, 25% of the respondents stated their satisfaction with the current assessment system. Teachers' opinions have also been reported in the mass media (Vilciņa, 2001; Čakāne, 2001; Limanoviča, 2001).

Inefficiency of the non-grading system in many schools can be explained by two reasons. The first is the lack of experience in communicating students' learning achievements to their parents. The second is the fact that in Latvia there are still no educational research institutions and the universities have not paid attention to assessment issues. This lack of research has made it difficult to pinpoint problems and to find the necessary solutions. However, already in 1996 the Ministry of Education and Science (MES) understood that the assessment system and methods in education need gradual but essential changes (OECD, 2000).

Thus, since the introduction of the non-grading assessment system, both financial resources and considerable work have been invested in the following activities:

- awareness-raising seminars,
- conferences of primary school teachers of Latvia and the Baltic countries,
- teacher in-service training courses,
- raising of public awareness of the non-grading assessment system through the mass media,
- experience exchange and study tours for teachers within Latvia and to neighboring countries,
- pedagogical experiments/pilots in educational institutions,
- development of regulatory documents on the assessment system.

Definition and Description of Assessment

In the educational system, assessment is a procedure which helps to identify the compliance of the student's knowledge, skills and abilities with the level of content acquisition set by the curriculum, i.e., the requirements of the educational Standards. Assessment is an information-collection process by using observation, testing, interviewing, etc., in order to understand the strengths and weaknesses of students' learning.

The assessment result may be stated in the form of a mark/grade, level, criterion evaluation or in a descriptive form. The objective of the assessment is to obtain learning-related information from different works of students in different stages during the study process and in different ways. In order to reach the objective of students' assessment, the study process and assessment should be coherent. It means that the type of assessment should be agreed with both the student and the teacher.

"We should constantly remind ourselves that the final objective of assessment is to provide the learners with the opportunity to assess themselves." (Costa, 1989: 2.) There are considerable differences between the grading and descriptive assessment systems: the

[1] These include programs such as *Step-by-Step*, *Reading and Writing for the Development of Critical Thinking*.

descriptive assessment system is based on a humanistic approach and takes into account the student's way of learning and attitudes towards the learning process and the dynamics of learning, while the grading system reflects only the knowledge of a student (Hopkins, 1989: 303).

Assessment is a process that summarizes, interprets and synthesizes information to draw conclusions/judgments about the learners and provides feedback to the learners about their progress, strengths and weaknesses, to judge the effectiveness of teaching and to provide information for the needs of educational policy (Geidžs & Berliners, 1999: 502).

In Latvia, on the basis of this definition the information within is being collected by the assessment system, but there are certain problems encountered in relation to the forms of presentation of this information, because it is not simple, clear and reliable. Thus, the feedback to the students is incomplete, because it does not reveal students' strengths and weaknesses, which, in turn, makes it difficult to draw an objective, comprehensive opinion (Geidžs & Berliners, 1999: 502) on the effectiveness of learning. The internationally recognized criteria-based assessment system that measures individual's abilities against a certain standard or objective based on the content of learning and where the standards or criteria are set in advance by people who have a good knowledge of the respective area, is not complete in Latvia, because it provides incomplete information and does not identify individual's competence in relation to the specific content, knowledge or performance standards (Geidžs & Berliners, 1999: 508).

Problems with the current non-grading system

This research reveals five causes of the problems in the existing assessment system:

- in Grades 2, 3 and 4 the assessment criteria have not been clearly defined;
- the transition from a grading to non-grading system has not been adequately explained to students and their parents;
- in primary schools students do not receive grades, and this is why they do not accept the non-grading assessment system, because the assessment process is not clear to them;
- the discrepancy between the tests developed by the MES and the assessment of the daily study process in the classroom;
- most of the teachers are not prepared for the criteria-based assessment.

The student's role in a non-grading system

The non-grading system is not sufficiently simple, precise and reliable, and the students are not personally involved in the assessment of the learning process. The assessment ignores the opinion of the student as an active participant of both the learning and the assessment process. The lack of student participation is the reason why quite often in creative writing, students express the opinion of their teachers, although a student and a teacher should be considered as equal partners in the study process. The absence of precisely defined assessment criteria causes uncertainty among the teachers and the students.

The assessment methodology is one-sided, as it is based only on identifying the drawbacks of students' knowledge and skills, and no multiple assessment techniques are applied, such as observation, teacher-and-learner-performed assessment, etc., that could increase the reliability and objectivity of assessment.

Teachers' opinion on the non-grading assessment system

In order to analyze the reasons for the ineffectiveness of the non-grading assessment system, during the period from 2000 till 2002, 450 primary school teachers were included in a survey and 85% of them expressed the opinion that the assessment criteria in the national tests/examinations do not match the criteria set for students' report cards (*liecības*), which complicates maintaining of mandatory documentation, as the assessment is isolated from the study process and aimed only at the end result, and this becomes the reason for non-objective assessment of

students' papers. Difficulties for teachers are also caused by the following factors:

- the lack of a set of general tools for assessing student's cooperation, decision-making skills, attitudes, because these very essential skills are assessed by teachers individually, therefore the assessment is not objective and does not meet the fundamental principles of democracy;
- the information obtained from the assessment is not being analyzed and used to improve the students' learning achievements and skills, because the present assessment does not envisage setting of further objectives to encourage higher achievements.

Students in Grades 1 to 3 (partially also in Grade 4) do not receive grades or marks; the teachers prepare written or oral statements describing student's achievements. At the end of Grade 3, students have to take national tests in general knowledge, the language of instruction and – for students in ethnic minority schools – also in the Latvian language. The dissatisfaction of teachers emerges in relation to the ways of recording students' learning achievements in the mandatory documents. At present, the entries describing the assessment criteria in the statements of performance do not match with those used in the class registers. The data from the survey carried out in November/December 2001 show the following:

- out of 129 teachers, 90% are not satisfied, because the assessment criteria of teachers' professionalism are often related only to the recording of students' knowledge, not taking into account the aspects of students' communicative skills, attitudes and abilities. School administrations do not have well-grounded criteria for assessing teachers' performance within the non-grading assessment system;
- due to the lack of educational quality tools, the school administrations are not interested in analyzing the problems of the non-grading assessment system and to contribute to its improvement;
- the current assessment system does not respect all of the didactic principles. For instance, the systematic and pragmatic approach, unity of the educator and preceptor systems, which cannot be easily incorporated into an integrated assessment system.

Name of the country	Type of assessment
United Kingdom	Descriptive – according to levels
Austria	1–5 point scale (1 – the highest mark)
Denmark	Non-grading from Grade 1 to Grade 7
France	Descriptive – three levels
Greece	Grade 1 and 2 – descriptive assessment, Grade 3 and 4 – additional assessment with grades
Italy	Descriptive
Iceland	Free choice: either descriptive or grading
Ireland	Descriptive
Luxemburg	System of scores
the Netherlands	10 point scale
Norway	Descriptive
Portugal	Descriptive
Finland	Descriptive
Spain	Descriptive
Germany	In Grades 1 and 2 – descriptive assessment, later – a defined grade system
Sweden	Descriptive assessment from Grade 1 to Grade 7

Table 1. Overview of types of assessment in European countries

Parents' opinion on the nongrading assessment system

Parents have not understood or have not accepted the current assessment system. Out of 500 parents included in the survey, only 24% were satisfied. The most serious problem for the parents is the lack of daily assessment of students' achievements. Although the assessment should serve the communication between the students, teachers and parents, it must be clear to all interested parties. At the moment, however, the assessment does not reflect all the factors of the learning process (attitudes, students' creativity, critical thinking, responsibility, etc.).

Parents wish to feel safe and sure about the level of knowledge and skills of their children. That is why the assessment criteria must be clear. Parents' dissatisfaction is caused by the fact that there is no continuity in criteria-setting from grade to grade, the specifics of each subject area are not respected in setting the criteria, and there is no uniform concept for identification of the dynamics of students' learning achievements.

Teachers' professionalism

The quality of the educational system is based on three cornerstones: the quality of input, the quality of process and students' achievements. Until now, courses have been organized on students' self-assessment, the development of test items, and organization of lessons within the non-grading assessment system, but the themes of these courses are not interrelated and do not create a common picture of the assessment from the national-policy perspective. Sometimes during workshops MES civil servants give contradictory information that contributes to the subjective approach of the teachers to students' assessment.

Oral reproduction of the content, tests, and examination assessment criteria are still based on factual knowledge, without taking into account the student's role in the study process. Teachers do not feel convinced that the non-grading system is better than the previous one, because no long-term research has been carried out which would prove the opposite. The results of several surveys indicate that teachers felt safe and confident within the previous assessment system, because the grade system was familiar to them, while the new one causes uncertainty, as it was approved in the absence of research data.

The methodology for curriculum development and student assessment should be included in the teacher education programs to ensure that all the new teachers have an advanced understanding about the curriculum and "assessment of education" in modern education (Weber, 1999: 33).

Experience of the European Union countries

In the majority of industrialized countries a non-grading assessment is used at the primary education level. This is the case, for instance, in the United Kingdom, Denmark, France, Italy, Norway, Ireland, Sweden and Spain. In Greece and Germany, in Grades 1 and 2 the assessment is given in descriptive form, but in Grades 3 and 4 a grading assessment is used in addition to the descriptive one. In Cyprus (Eurydice, 1999: 123) and Poland, at the end of each school year students receive a certificate of their learning achievements.

Slovakia, being a post-communist country, is quite similar to Latvia as in terms of development. In both countries the non-grading system was introduced almost at the same time – in Latvia in 1992, in Slovakia in 1988. In Latvia the non-grading system was introduced **simultaneously** in Grades 1 to 3, but in Slovakia the introduction process took place **gradually**: at first the system was strengthened at Grade 1 level and only after seven years of thorough testing and analysis it was generally recognized and introduced also in Grades 2, 3 and 4 (Eurydice, 1997: 139).

An overview of the types of assessment used in European countries is shown in Table 1.

Out of the 17 countries, only 17.6% have introduced the grading assessment system in the early stage of primary school: Austria, Luxemburg and the Netherlands, and a partial non-grading system operates in Greece, Iceland and Germany. Consequently, as follows from Table 1, a non-grading assessment is used in 64.8% of the countries listed in the table.

During the first independence period of Latvia, schools applied a grading system for assessment of students. In the 1920s and 1930s the former Riga Primary School No. 47 (at 45 Tērbatas Street) followed the Vienna school methods, focused around the Individual Psychology Association of Vienna. This school advocated teaching and education methods, which treated students as unique individuals and required regular meetings with students' parents (Lapiņš, 1932: 269–274). Statements of student performance were not just small pieces of paper with grades, but thick books. Each book included a detailed overview of the student's achievements, pointing out success and listing objectives for further activities. The best pieces of student's works were attached – best drawings, essays, etc. When receiving the statement of performance, the parents could have a detailed insight to the development of their child, understand further actions and set specific tasks for the education of their child.

When Latvia was a part of the USSR, the assessment within the educational system was carried out according to a 5-grade scale like it was done before during the first period of independence of Latvia. However, adaptation to the quite authoritarian educational policy of the Soviet Union implied that no creative and progressive ideas concerning the assessment system were taken into account for fifty years.

Following the restoration of independence, a non-grading system was introduced in this country already in the beginning of the nineties, and since then the

Criteria	Grading assessment system	Non-grading assessment system
Assessment taking into account the abilities of each student	Not respected	Yes
Student's motivation for the learning process	Emphasis on the end result, students are not motivated	Emphasis on the process and self-education
Assessment methods	Teacher-made assessment, little variation in the method	Self assessment, involvement of peers in the assessment, observation, research, diverse methods
Nature of assessment	Emphasis on mistakes, assessment separated from the process	Emphasis on achievements, assessment is a part of teaching/learning process
Psychological aspect	Fear, discomfort	Students feel emotionally safe and involved
Systematic approach	Irregular	Often, regular, systematic
Reliability	Subjective	Objective
Information to parents	About the end result	About the progress of the study process, setting joint tasks
Responsibility for evaluation	Teacher	Shared responsibility: teacher, student, parents
Students' role in the assessment	Competition	Cooperation
Objective of assessment	Knowledge	Knowledge, skills, attitudes
Dynamics of student's individual development	Not respected	Yes
Form of assessment	Simple but formal	Simple, precise, understandable, reliable
Setting of assessment criteria	Subjective, different within one country	Unified, precise, defined criteria, appropriate to the age groups
Integrity of assessment	Knowledge about separate subject areas	Cross-subject link, respecting the application of practical skills

Table 2. Comparison between the grading and non-grading assessment systems

teachers have been looking for solutions as to how to motivate the students to learn on a daily basis, how to reflect their learning achievements and how to present the information to the parents. The survey data presented at the conference of primary school teachers "On Recording Students' Achievements in Documentation" in 2000/2001 indicate that 35% of parents appreciate that a student is not labeled a loser from the very first days at school, that there is no stress and competition during the study process and learning at school is a humane process (Vilciņa, 2001: 59).

Comparison between the grading and non-grading assessment systems

During the research, when studying and analyzing the effectiveness of non-grading assessment systems within the context of different European countries, various assessment indicators have been compared between an authoritarian and democratic school on the basis of the experience of these countries. Having summarized the experience, the work group compared several parameters of the grading and non-grading systems and arrived at the conclusion that the assessment parameters in the non-grading system are in compliance with the fundamental principles of humanistic pedagogy by way of helping the students to develop themselves, to participate in the learning process which is meaningful to them, encouraging self-initiative and increasing students' responsibility for achieving success.

The work group presents a table showing a comparison between the grading and non-grading assessment systems (see Table 2).

In practice, the mark becomes a source of either joy or sorrow for a child, and in the teacher's hands it becomes either a punishment or a reward, whereas in the non-grading system the assessment facilitates success, and for the teacher it is a meaningful part of improving the teaching-learning process.

Thus, the non-grading system ensures effectiveness of the study process; therefore, it should be retained and developed.

In educating students in accordance with the requirements of the twenty-first century, which envisage that the student is an active partner in the education process, the state should provide an effective, safe, clear, simple and reliable student-achievement-assessment system, which would reflect students' knowledge, dynamics of development, attitudes, creativity, cooperation and problem-solving skills, and responsibility with a focus on student's self-assessment as an essential part of the assessment (Goodwin, 1997: 51).

Recommendations for the provision of effective assessment system in primary education:

1. The Teacher In-service Training Division of the Curriculum and Examination Centre at the MES should plan and deliver state-funded teacher training courses that would help to achieve a common understanding of the non-grading system in the whole country.
2. The requirements set in the Standards and the curricula should be differentiated for each grade and each subject area. These should be published in separate brochures, thus ensuring a unified countrywide assessment system and making easier the development of common assessment criteria.
3. Detailed criteria should be proposed to parents in the beginning of a school year. These criteria will help the parents:
   1) to get information about the knowledge areas to be acquired in the respective grade;
   2) to understand the aspects of assessment;
   3) to become involved in the assessment process;
   4) to understand student's learning achievements.

   Students should be involved in the assessment. When carrying out self-assessment, students will be given the opportunity to take responsibility and become involved in the assessment of their own learning achievements.
4. Teachers should collect a portfolio of students' work, (tests, creative assignments, home assignments, etc.) that would give a clear picture of the dynamics of students' achievements.

5. The following assessment system should be developed:
   - Grade 1 – to carry out diagnostic assessment; to emphasize the importance of studying student's personality in regular meetings with the parents; to find out their learning style, intellect, temperament, interests, abilities, general health condition, social circumstances, communication skills, social skills, preparedness for school, etc.;
   - Grades 2 and 3 – the parents should be given brief descriptive information about each criterion of assessment in each area;
   - Grades 4 and 5 – assessment of learning achievements would help to ensure the transition from non-grading assessment system to a system of grades where a brief evaluative comment by the teacher would accompany the assessment with grades.

   Neither in these, nor other grades in the primary school, visual art, sports and music should be assessed with a scale of grades but rather according to established and briefly defined criteria, because these subject areas embrace creative self-expression of students.
6. At the beginning of each school year parents should be informed about the national requirements and assessment criteria applicable to the respective grade by way of emphasizing the study areas.
7. During the school year:
   - regular individual discussions should be held with parents during which the parents would be informed about students' achievements and problems and familiarize themselves with the students' portfolio and further learning objectives and tasks;
   - monthly information should be provided to the parents about the dynamics of students' learning achievements in the form of making records in students' journals.
8. The Centre for Curriculum Development and Examination should devise tests that are relevant for the non-grading assessment system.
9. In-service training:
   - In each region teacher trainers should be trained on the issues of non-grading assessment system, targets of assessment, basic principles, and techniques, so that following the training they could provide systematic consultations for the teachers in their region;
   - The current primary school teacher in-service training program should be extended by way of including practical training on the non-grading assessment system;
   - Teachers should be provided with model assessments of students' learning achievements appropriate for each grade, while respecting the principles of systematic approach and continuity.

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CHAPTER 2. EDUCATIONAL ADMINISTRATION

The Educational Dimension of Regional Education Reform

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Introduction

For more than 10 years Latvia has been in the process of developing a democratic society. Independence has provided an opportunity to become acquainted with the world's experience – achievements in democracy, history, education, culture, sports and other spheres. However, the uncertain situation of a large part of the Latvian population aggravates the effectiveness of this transition.

Among the many reforms under discussion are those at the local level. Their aim is to establish new administrative boundaries of local municipalities. But with these administrative changes, how is it possible to ensure a high quality education for every child and adolescent? It is important that Latvia as a candidate to the European Union (EU) achieve a level of knowledge and mastering of new information technologies that would correspond to the level of the European Union, as it is the development of human resources and technologies that could ensure the same living standards in Latvia as in the existing EU member states.

In the OECD countries it is the level of education that largely influenced the overall growth in the 1990-ies, when rapid economic development took place due to the entrance of new technologies in the market and working places. This found its direct expression in the growth of productivity, lower costs, immediate response to the requirements of consumers and new products.

As stated by the Vice-President of the World Bank, Johannes Linn (Linn, 2002),

"Ireland and Finland offer a good example of how countries with an appropriate use of knowledge have been able to change their destiny. The emphasis on education and information technologies made by Ireland was decisive in the transformation of its former agrarian economy into the leading software exporter in Europe. Finland, in its turn, within ten years managed to transform itself from a laborious timber and paper export economy to a research-based economy the leading company of which is Nokia, one of the biggest mobile phone producers in the world. The application of knowledge in Ireland and Finland has played an important role in the destinies of these countries. Their experience provides a good lesson also for other Central European countries that at present are in the "waiting-room" for the EU. Many of them, including Latvia, "fall behind the member states in the aspects of significant parameters of education quality — tertiary education, distribution of computer tech-

nologies, presence of internet home pages, resources available for research and development".

Problem

This article focuses on how rural schools and municipalities of small towns and civil parishes can realize their priorities of administrative territorial reform.

Demographic situation

Levels and types of education institutions are determined by the number of local residents in a municipality. Expected changes in the network of education institutions will be especially significant. The existing network of education institutions was created several decades ago under the system of socialism, within a superpower with apparently unlimited resources and for the needs, opportunities and ideology of the state. At present, this causes problems for municipalities that have to maintain the 552 preschools, 1,066 general schools, 121 vocational schools and 34 higher education institutions. Among the most problematic is the large number of small rural schools where the average student/teacher ratio is 8.4. On average there are 10 students per teacher's workload (calculated for the year 1994/1995). The number of these rural schools is on the decline. In 1930 there were 2,103 comprehensive schools in Latvia, in 1960 – 1,648 schools, and in 1997 – only 1,026.

More significant has been the fall in the number of students. The Central Statistics Office of Latvia (CSP) admits that due to the adverse demographic situation and negative migration balance, the population continues to decrease (BNS, 2002). Although the rate of decrease has slowed, in the period 1991 through 2001 the population has decreased by 321 thousand people due to natural movement and migration. At the beginning of 2002, 2.3 million people lived in Latvia, 12% less than 1989.

In the recently published Demographic Yearbook of Latvia 2002, it says that in 1991 the natural

Year	Births	Deaths	Natural increase of population	Natural increase of population in %
1980	35,534	32,100	3,434	1.3
1985	39,751	34,166	5,585	2.2
1990	37,918	34,812	3,106	1.2
1991	34,633	34,749	–116	–0.1
1992	31,569	35,420	–3,851	–1.5
1993	26,759	39,197	–12,438	–4.9
1994	24,256	41,757	–17,501	–6.9
1995	21,595	38,931	–17,336	–6.9
1996	19,782	34,320	–14,538	–5.9
1997	18,830	33,533	–14,703	–6.0
1998	18,410	34,200	–15,790	–6.5
1999	19,396	32,844	–13,448	–5.5

Table 1. Birth Rate, Death Rate and the Natural Increase of Population. Source: CSP, 2000

	2003	2004	2005	2006	2007	2008	2009	2010
Grades 1–9	275,500	254,340	233,750	215,230	200,800	188,900	182,170	177,900
Grades 1–6	177,400	161,200	149,000	141,500	136,900			

Table 2. Estimated number of 1–9 graders at the beginning of the school year

increase of population turned negative and has remained such ever since. In 2001, the number of deaths exceeded the number of births by 13.3 thousand and the natural increase was minus 5.7. In 2001, the population in Latvia decreased by 0.8% (in 1995 – by 1.2%), including a decrease due to natural movement – by 0.6% and migration – by 0.2%.

Given the number of births, it is possible to estimate the number of students for the next six years by the time when those born in 2001 will start school. On assumption that during the next three years there will be approximately the same number of births as typical of the last three years, the forecast for the period up to 2010 could be as follows: if in the fall of 2002 approximately 196,500 students were 1–6 graders, in the year 2007 there will be only 136,900 students, i.e., by 30% less, and by the year 2010 the number of primary school students will fall by 40%.

Due to the declining demographic curve alone, out of 27 schools functioning in Dobele district, in the academic year 2001/2002 two schools will be closed by 2008 and approximately12 schools will be conducting combined classes. The reorganization and closing of schools is taking place all over Latvia. During the last three years, the number of institutions of general education has decreased by 29 and the number of students – by 9,440 (IZM, 2002b).

The question is: given the demographic and administrative changes, how can the quality of education be assured in rural areas?

Competition between rural and city/town schools

Parents and children have experienced the dramatic effects of this transformation. Due to the demographic decline, the consequences of the administrative territorial reform (amalgamation of municipalities), and a variety of new study programs offered by advanced schools, young people are looking for contemporary study opportunities. As a result, while politicians are still discussing the required changes (education reform, amalgamation of municipalities and the establishment of regions), the parents and young people take action – they choose the best schools notwithstanding a longer and more expensive way to school, the urban environment alien to the children coming from the countryside and other inconveniences. The academic year 2002/2003 in the Dobele City Gymnasium (grades 7–12) began with 43% students from other municipalities. On average, in the town 35% of students come from 74 other municipalities. Similar processes can be observed also in other small towns. For example, in Tukums 22% of students are children from other municipalities. The Councils of cities which are district centres have to expand the practice of signing contracts for services provided by education institutions, and the situation leads to the conclusion that the vicinity of a school and the perception of it as the cultural centre of the respective municipality is not enough for the rural municipalities to motivate the parents to send their children to the local education institution.

It should be mentioned that Dobele municipality has not carried out any measures to attract children from other municipalities. There are no specially routed school buses or accommodation facilities. The Dobele City Council traditionally performs activities facilitating the enhancement of the professional qualification of educators and improvement of the physical and education environment of the education institutions. However, the road system of the district and the services of the public transport have not been significantly improved to ease getting to school for the children. On the contrary, in some places, the bus schedules and routes fail to provide the students with a daily opportunity to get from the outskirts of the dis-

	1997	1998	1999	2000	2001	2002
In pre-school institutions	9.3%	8.0%	13.8%	18.0%	18.6%	22.4%
In comprehensive schools	24.5%	28.7%	33.0%	32.4%	32.2%	35.5%

Table 3. Students from Other Municipalities in the Institutions of Education in Dobele (% out of the total number of students of the respective level of education). Source: Information of the Dobele City Council

trict to the town, not to mention the discontinuation of the railway Riga – Liepaja. During the past years, employment in the town has not increased.

The increased number of children in Dobele at the pre-school age is related to the closing of institutions of pre-school education in the neighboring rural municipalities. The social conditions lead to a situation where the mothers want to return to work after maternity leave sooner than before – when the child is only 1 or 2 years old. Since the parents from rural municipalities find possibilities to take their children to and from a pre-school institution in the town every day already at an early age of their children, there is no hope that at the age of 6 or 7 these children will go to their local school. The majority of parents cannot be persuaded that in a small class (a class with a small number of students) a child could achieve better results than in a relatively bigger class in a town school. While not rejecting the effective methods of teaching in small groups and the significance of an individual approach to each student, educators at big schools generally admit that to facilitate high results in the education process, the optimal number of the students in a class should be 24–26. Furthermore, the material and technical situation, equipment and quality of teaching in schools also play their role. As Nagle suggests (Nagle, 2001),

"The competition for the most talented children from the most influential families was won by the schools of the biggest cities/towns. They teach the children the most essential things – to learn, to show oneself, to win! Moreover, the interviewed experts by common assent acknowledge a range of advantages characteristic to the schools of the biggest cities/towns of Latvia in respect of providing a higher quality of education. Analysis of the results of the International Civic Education Studies, in which Latvian adolescents also took part, explicitly demonstrate the significance of the family education level and urban environment. The bigger the town in which the parents of the students live and the higher the education level of the family members, the better the knowledge of the students. Even if a mother and father are not graduates of institutions of higher education, the museums, theatres, cinemas, libraries, internet cafes and wide range of friends and acquaintances is an advantage for children living in cities".

This is confirmed by Jānis Eglītis, Principal of Preiļi State Secondary School, in the study on the results of the centralized examinations for 2002.

Municipal education policy

General education will remain one of the priorities of both small and large municipalities. Pursuant to the order of the Secretariat to the Minister of Special Assignment for Public Reforms in June, 2002, *SKDS* carried out a survey among Latvian residents to find out their opinions on performance of municipalities and the administrative territorial reform (SKDS, 2002). Respondents were asked to evaluate to what extent they were satisfied with the work of the municipalities in education, social care, public information, and the working style of the municipal Councils.

More than a half of the respondents were not satisfied with the work of municipalities. However, the respondents expressed less critical comments when evaluating the quality of education. The authors noted that, as the level of education among respondents increased, they were more concerned about the ability of municipalities to provide education. Overall, people in cities and towns are were more demanding in

Field	Satisfied (all respondents)	Satisfied (in rural areas)
Education	40.7%	47.4%
Social care	29.4%	37.5%
Informing people about the work of municipalities	29.8%	39.3%
Working style of municipalities	24.2%	33.7%

Table 4. Performance of Municipalities. Source: SKDS, 2002

respect to the quality of services than people living in rural areas. According to regions, people in Kurzeme were most dissatisfied with the quality of education.

"Would you like your children to stay and work in the territory of your local municipality after graduation?" The answers to this question outline the current trends and point to the necessity to speed up reform. The respondents who had school-age children in their families answered this question. Only 16% of the people living in rural areas answered positively and 47% expressed their willingness not to move away if they had an appropriate job. However, 28% clearly stated: "No, they have no future if they remain there…" In Latgale the survey results were more dramatic, as only 6.5% of the respondents wanted their children to stay in the countryside, but 31.9% of respondents hoped for their children to leave their native place.

The main conclusions from the *SKDS* survey are as follows:

- The work of local municipalities received quite a negative evaluation; very few people were satisfied with the work of local municipalities in the areas of education and social care. Only every fifth respondent was satisfied with how effectively local municipalities had used allocated budget resources.
- There is a real threat that the population in rural areas will decline to the point of being dysfunctional. Only 16% of the respondents from the countryside were confident that their children would remain in the local municipality. Twice as many respondents had a clear-cut opinion that their children should leave the local municipality, because they would have no future perspective, if they remained there. If adding those respondents who could not give definite answers, $^{2}/_{3}$ of all respondents were aware that their children might move away.
- The outcome of the survey show that speeding up or delaying reform is closely linked to the existence or non-existence of the Latvian countryside.

"Despite the fact that the opportunities of many rural schools to provide competitive education are very questionable, in many places they are kept alive at any cost. Only last year [in 2000 – author], out of 504 primary schools in Latvia, in 161 the number of students was less than 100. According to A. Tabuns, the explanation is very simple — in small communities the persons employed in schools are almost the only tax payers and therefore their work forms the basis for the financial existence of the municipal Council." (Nagle, 2001.)

Financing of education

Despite the fact that education was announced as one of the state priorities and financing for education is gradually increasing, more than half of the people in Latvia are not satisfied with the quality of general and vocational education. In 1999, 15.1% out of all the state consolidated total budget expenditures (1,732,637 thousand LVL) were spent on education. It was the second largest share of financing following the financing for social insurance and security (35.9%) (ISAP, 2002). The World Bank experts admit

	Number of population (thousands)					Of total number (%)				
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999
Total unemployed persons	**83.2**	**90.8**	**84.9**	**111.4**	**109.5**	**100**	**100**	**100**	**100**	**100**
Of which with education:										
higher	4.9	5.5	5.2	7.6	7.8	5.9	6.0	6.1	6.8	7.1
secondary specialized	17.5	19.4	18.4	23.8	23.4	21.1	21.3	21.7	21.4	21.4
vocational	10.3	13.2	13.9	18.5	19.4	12.3	14.6	16.3	16.6	17.7
secondary general	28.4	30.3	25.6	34.8	33.8	34.1	33.4	30.2	31.3	30.9
primary and unfinished primary	22.1	22.4	21.8	26.6	25.1	26.6	24.7	25.7	23.9	22.9

Table 5. **Unemployed Persons by Education Background (at end of the year).** Source: CSP, 2000

that the poor quality of education is not directly the result of a lack of financing. The share of expenditures for education in the gross domestic product has been increasing from 4.0% in 1993 to 6.0% in 1998 (average in Western countries is 6%). In 1995, the expenditures for education from the state and local government budgets were 158.4 million LVL. 72% were used for salaries and social taxes, 26% were used for the maintenance of educational institutions: for communications, expenditures for regular and capital renovations, expenditures for heating, lighting, purchasing fuel, etc. Only 2% out of the total expenditures for education were used to improve the process of education. In Western countries the proportion between those three positions of expenditures is on the average 80, 10 and 10 per cent, respectively. If Latvia had a similar expenditure proportion, an additional 25.3 million LVL could be used for improving the quality of education annually. Therefore, by spending on education as much as in the European countries, the quality of education in Latvia would not increase but, contrary to the expected, dangerously fluctuate or even decrease.

The difference between the outcome of the education system and the labor market, which most probably is one of the main reasons of dissatisfaction with educational issues among the population, was discussed in the United Nations publication *Latvia: Human Development Report*, published in 1997 (UNDP, 1997: 95). Nevertheless, the "production" of the unemployed still continues in the institutions both of vocational and secondary education.

Good, popular schools provide not only an opportunity for the children to receive a sought-after education, but also a certain financial stability for the respective municipality. In 2002, the income of the Dobele municipality from the inter-municipality settlements on the services provided by education institutions is projected to amount to 137,000 LVL, about 5% of its total annual budget or 8.6% of the education expenditure. However, the amount of the inter-municipality settlements per student as stated by the Cabinet is smaller than the actual amount required for the maintenance and development of education institutions. Today it could be admitted that the teaching of the students from other municipalities is beneficial only if the maintenance costs of education institutions approximate the annual limit in the amount of 126 LVL for institutions of general education, 346 LVL for pre-school institutions, 105 LVL for evening and extramural education institutions (MK 250, 1999). These figures could be approximated mostly by schools that manage to use energy resources (heating, power, etc.) effectively and where no major investments should be made for capital repairs and remuneration of support staff. Moreover, the premises of these institutions should be sufficiently utilized (loaded). The application of these criteria will become more problematic for many rural schools – both the schools built in Soviet times with no consideration as to space efficiency and those located in castles and former estates.

The mayor of any municipality will admit that education is one of the priorities. However, it is not possible to allocate sufficient resources for the development of the education institutions if the roof leaks, the walls are crooked or the floor is rotten. Of course, the safety of students will be top priority and this will be at the expense of resources for new computers, Internet, laboratories, books, teacher education, etc., and, finally, there is no document that states what exactly the municipalities should provide for each student of the primary or secondary school for the above 126 LVL. The parents are still confused regarding the donations, support funds and similar measures requested by the teachers and facilitated by the municipalities, as the Education Law stipulates an education free of charge both in primary and secondary schools.

The municipalities finance the schools with bigger or smaller co-financing from the state budget. Already today the municipalities allocate 40–60% of their total budget to the municipal education institutions. However, most schools in Latvia cannot be considered modern education institutions in comparison with those in the developed countries. We cannot reasonably expect that in the nearest future the municipal expenditures for education could increase, therefore

we should seek possibilities for more effective use of existing resources.

The World Bank experts refer to inefficient use of resources in education as regards uneconomical use of energy supply and control, as well as unproductive use of facilities and human resources. If compared to countries with highly developed education systems in Western Europe and North America, the average area in square meters per student at school is nearly twice as big in Latvia. In Latvia the expenditures on heating and lighting are more than two times higher as in Western countries with a similar environment.

School	Students	LVL
1. Auce Secondary School	934	204.60
2. Augstkalne Secondary School	247	245.25
3. Bēne Secondary School	314	247.84
4. Dobele City Gymnasium I	506	222.30
5. Dobele Secondary School No. 1	1,038	181.07
6. Dobele Secondary School	453	212.63
7. Annenieki Primary School	144	300.33
8. Auri Primary School	97	327.08
9. A.Brigadere Primary School	303	216.67
10. Bēne Primary School	79	377.76
11. Bērze Primary School	119	375.49
12. Biksti Primary School	151	218.34
13. Bukaiši Primary School	158	253.73
14. Dobele Christian Primary School	228	199.60
15. Gardene Primary School	151	227.66
16. Īle Primary School	90	298.44
17. Krimūna Primary School	151	283.24
18. Lejasstrazdi Primary School	121	402.13
19. Lielauce Primary School	98	347.32
20. Mežinieki Primary School	152	245.63
21. Naudīte Primary School	146	265.97
22. Penkule Primary School	147	261.60
23. Tērvete Primary School	202	210.50
24. Ukri Primary School	52	438.86
25. Zebrene Primary School	95	301.17
26. Dobele Lower Primary School	212	186.26
27. Evening Secondary School	295	160.64

Table 6. Target Subsidies to the Schools of Dobele District in 2001 (per child). Source: Information of the Education Department of Dobele district

The state target subsidies for teacher salaries are also not allocated evenly. The situation is worth considering even within one district. In schools with a big number of students per class, there are less state funds used in teacher salaries for the education of one child. In Dobele Secondary School No. 1, where the average number of children per class is 26, the state financing for the teacher salaries in 2002 was **191.50** LVL and the municipal financing **40.30** LVL. In Dobele Gymnasium I (average number of students per class – 29), state financing is **219.50** LVL and the municipal financing **55.20** LVL (with special support for the payment for lessons). The comparison of the amount of the target subsidies per student allocated to the schools of the Dobele district in 2001 is provided in Table 6.

The above table vividly demonstrates that the schools with smaller number of students receive more state financing for teacher salaries. Of course, these figures might vary, but not as much as 2.4 times (between the Ukri Primary School and Dobele Secondary School No. 1). Are these comparatively high expenses for salaries together with the considerable municipal financing adequate for the significance of the small schools? Can we speak about an effective school in this respect? At the same time, what would the few teachers do in a municipality if they stayed without work, and what would become of the school building if there would be no school any more? Would some of the school-age children not remain without education at all if the nearby school is closed? To postpone the possibility of the closing of schools at least for some time, given that the number of newborn children in the municipality is decreasing and part of the children go to the city/town schools, the schools have started to form combined classes. Thereby the total number of state-financed lessons also decreases, along with the required number of teachers in such schools. The city/town schools offer jobs for those teachers from rural areas who are able to make their way to the respective school, or they provide these

teachers better living conditions in the respective city/ town.

In the last five years, the number of teachers in the rural schools has been decreasing. Today, the Dobele district needs 10% less teachers than in 1996.

To receive a salary at least for one workload in the amount of 130 LVL (gross), the experienced teachers with higher education that have remained in rural schools often have to teach several subjects, which is normal in rural areas throughout the world. Unless it is a part of teacher training, it may mitigate the quality of teacher effectiveness. The situation becomes more complicated if combined classes are to be taught. The preparation for such lessons is more time-consuming, it requires special teaching methods, and not all teachers would willingly agree to such terms. The combined classes are a relatively new phenomenon in the major part of primary schools in Latvia. In the best case, most parents have only heard about them. Most of the teachers have never studied to work with combined classes and have not done so for a longer period of time. Starting work with such a class, there could be a situation where the teacher does not have sufficient materials and pre-printed exercise books to facilitate individual work. The teacher could also run short of new methods in complex situations. In teachers' colleges there are no special courses both for students and working teachers. At present, this area of education is within the competency of the teachers themselves. Therefore, it is difficult to say whether the approved standard of basic education can be completely mastered in such classes, not even speaking of the opportunity to develop students' creativity or to direct them towards any kind of research. We have observed that parents do not believe that their children will receive good education if attending combined classes or trust in that the school will continue to exist in the nearest future. As a result, the schools are reorganized and closed. During the last three years the number of general education institutions has decreased by 29 schools and the number of students by 9,440 (IZM, 2002b).

In turn, the municipalities of district centres with a large network of education institutions and a considerable number of teachers can expect stable income from the state subsidized personal income tax, demand for vacancies for teachers and stability in the general level of education of the population. For example, in 2002, the teachers in Dobele (less than 5% of the number of the able-bodied population) bring about 92,000 LVL to the municipal budget, which is about 6.2% of the total income tax of the town. Stable jobs and salaries are also ensured for the support staff of education institutions. The salaries of the people working in the education institutions are spent on paying for the services provided by the municipality (rent, utilities, health care, etc.), as well as for purchasing various goods. Accordingly, these salaries return to the municipality in the form of various taxes and income. However, the Cabinet Regulations On Minimum Costs of Implementation of General Primary and Secondary Education Programs per Student (annually) (MK 399, 2001), as well as other legislation state the procedure for calculation of teachers' salaries, and the municipality is not able to considerably influence this process. The Town/City Councils of the district centres and in some places also the Councils of rural municipalities decide on the allocation of a municipal bonus (additional payment) to the salary of the managers of the education institutions or to the teachers of certain subjects that are difficult to find by offering the salary calculated in accordance with the state-determined procedure. In addition to the state allocated funds, the municipalities may assign special funds for teachers' salaries, for example, for division of classes in groups, extra-curricular work, remuneration for the work of a social educator. However, this amount does not have a material impact on the salary received by each teacher.

Within the existing system of remuneration, the number of students in a class or the work with combined classes have no considerable impact on salary. It does not matter if in a rural school class there are 8 students and in a district centre school 34 students. The salaries of the respective teachers are similar. However, in big schools a teacher has an opportunity to work more than one workload, correct more exercise-books, work with a bigger class, etc., hence, to

receive a bigger salary. The urban environment with larger cultural opportunities and better living conditions might be more attractive to teachers.

Education quality – supply not meeting demand

As the development of Latvia might be mostly based on the activities of well-educated people rather than on a rapid growth of industry and agriculture, the education system should provide quality, accessible education for everybody. The basis for the above is highly qualified teachers – teachers who are well familiar with traditional methods and are also open to the introduction of various innovations in school, who can actually work democratically rather than only speak of the meaning of democracy, who want and are able to master the world experience and pass it over to children. The parents expect that a modern education institution should have modern physics, biology and foreign language, as well as other subject rooms; that there are modern sports facilities with gymnasium, stadium and swimming-pool in the school; that the school has well-equipped premises for various extra-curricular activities (for example, theatre, ball-room dancing, technical innovations), a good canteen and café, a modern library – information centre, computers with the Internet access for all students, and wide co-operation network both in Latvia and all over the world; that the school provides an opportunity to participate in school life for everybody. The parents expect that children with special needs would be able to learn in such a school. Such school would be accessible already for pre-school children; the local population would also be able to use it for their further education and leisure time organization. A good school would definitely develop and implement education programs based on the needs of children and taking into consideration the directions of the development of the country.

Rural school principals admit that parents are often satisfied with the primary classes in the nearby school. However, starting from grades 5, 6 or 7, they want to send their children to the city/town schools. They believe that in the new schools there will be more qualified teachers of foreign languages, physics, chemistry and mathematics; that there will be good education provided in information sciences, and the internet, gymnasium; and that other opportunities will also be available. Many schoolchildren from rural areas still spend a considerable part of the day on their way to and from school. To get to a school that is five to six kilometers far away and back home, 1.5–2 hours a day might be necessary. If the school had its own bus, in this time the student could go a distance of even 80–100 kilometers, not speaking of the secondary school at a distance of, for example, 30 kilometers.

State education management

The report *Analysis of the State Education Policy in Latvia* prepared by OECD experts in 2000 (OECD, 2001), notes "There is no efficient regional management structure in Latvia, which, to a great extent, impacts the possibilities to decrease serious social and economic differences among the regions in Latvia". According to the OECD task group, several gradual *changes* have taken place in the education in Latvia, but very few reforms on strategic issues. During the visit, experts repeatedly stressed issues related to fragmentation, lack of coherence, too-deep specialization and lack of reporting within the whole system. Despite the legislative stipulations, reform cannot be based only on projects and innovations in education. If it is not embedded in the existing real life of Latvia and if it does not relate to the common future vision of Latvia, the reform will remain on the level of a legislative abstraction, and in the worst case, it will create an unacceptable and irritating competition for survival among schools. There is a common understanding that there is also a need for a national vision. The lack of such vision limits strategic thinking, planning and political leadership. The formulation of the vision would result in the long-sought unification to succeed with the reform efforts. The vision would strengthen the loyalty of the society to the government and sustain national unity for joining the EU.

In terms of decentralization in education, experts believe that increased local control is needed, though

it will not provide the Ministry with efficient solution on the accountability of the municipalities on the quality of the education provided. Decentralization without the reporting system may work in two opposite directions.

Along with the demographic crisis, the oncoming administrative territorial reform also increases the tension in the situation in education. So far the potential reforms in the network of the education institutions have not been discussed almost at all, the formation of a *novads* (new territorial units established as the result of amalgamation of municipalities) takes place very slowly and the population shows little interest in it.

Within the framework of the project *Public Administration Reform in Latvia* under the EU economic assistance program for Central and East European countries (Phare), recommendations in the sphere of administrative territorial reform have been provided (Phare, 2002). Speaking of the national integration criteria, it was noted that the Law on Administrative Territorial Reform does not provide specific criteria for the establishment of new municipalities. Meanwhile, experts believe that the number of national criteria should not be too big. The criteria should be clearly formulated, objective and easy understandable. One of the criteria recommended by the experts is as follows – the municipality must have a sufficient population to have a secondary school in its territory.

Phare experts recommend decreasing the number of local municipalities to reach the minimum population in the range of 8,000–10,000 people per municipality. The main services – secondary school, general planning, management function – are centralized in the centre of the biggest municipality. All basic services – kindergartens, care for the elderly, etc., will be provided locally. The following additional principles have been stated: the population should be sufficient to maintain a secondary school; the distance to the local municipality centre should not exceed 15 km, etc.

Apart from the municipalities, several agencies are involved in development planning, for example, the Administration of Local Self-Government Affairs, the Latvian Union of Local Self-Governments (LPS) as a non-governmental organization, the company *Pašvaldību audits Ltd.* (*Municipal Audit*) and other authorities. Notwithstanding the fact that from time to time the media offer information on the administrative territorial reform, the majority of the population still cannot formulate their opinion on this issue.

Portal DELFI's conference with Jānis Krūmiņš, Minister of Special Assignment for Public Reforms, (Krūmiņš, 2001) demonstrated that much has to be done in the area of informing the public on the administrative territorial reform, as DELFI visitors consider many issues explained by the Minister – similarly to those discussed many times before – not adequately discussed, but decided among a narrow range of officials. According to BNS news, in the first half of 2002, only one *novads* (district) was established – Vārkava *novads* (district) in Preiļi district.

According to the information provided by the Administration of Local Self-Government Affairs, at the beginning of 2002 there were 552 municipalities in Latvia. 15% of the population live within 71% of municipalities. The average population in a municipality is less than 2000.

The situation causes fragmentation of financial resources and increases the irrational use of the already scarce resources even further.

- Inter-municipality settlements amount to 5.9 million LVL.
- 447 municipalities (81%) receive subsidies from the Local Government Financial Equalization Fund.
- Only 208 municipalities (36%) have prepared financial statements for the year 2000 according to legislation.
- Budget income, excluding target subsidies, in 33 municipalities does not exceed 50 thousand LVL.
- In 24 municipalities, the expenditures of municipal authorities and institutions are the same or even higher than their own revenues from taxes.

The future administrative reforms and redistribution of the institutional responsibilities can affect a number of adolescents in Latvia, and especially those attending vocational schools (48,625 students in

2001/2002), schools for students with special needs (10,169 students in 2000/2001), and 4,500 students in 18 boarding schools. In planning for district (*novads*) development, 199 schools with optional student quarters, where currently about 4,800 students are studying, should also be considered.

The Education Law states that once in four years the Cabinet should develop and submit to Saeima for adoption the education development program for the next four years. The Ministry of Education and Science implements the integrated national policy and development strategy in education. In 2002, the Ministry of Education and Science produced the draft education development concept, which until the mid of the year was still not adopted by the Saeima.

The Concept of Education Development for 2002–2005 prepared by the Ministry of Education and Science, the main education policy maker, states that the concept presents a framework for the third phase of the education development for 2002–2005. However, the concept does not mention any oncoming changes either in the school network or during the administrative territorial and regional reform. In the period of the next four years the following tasks should be performed: cooperation with municipalities in rational planning of the school system, an efficient class set of students with maximum slots filled, and providing transportation for rural schools.

Recommendations

Given the above, we conclude that the education system in Latvia is about to face serious changes. The reorganization of the financing of administration and education is stipulated by the administrative territorial reform. The changes are dictated both by the development of democracy and the ominous demographic situation.

The network of education institutions should become effective and meet the modern requirements.

1. Politicians should not delay the implementation of administrative change on grounds of public conservatism and resistance to change. The Ministry of Education and Science in co-operation with the agencies responsible for the implementation of the administrative territorial reform and municipalities should implement effective information strategy based on wide involvement of the public, comprehensive and profound analysis of the situation in education and summary of the reform experience both in Latvia and abroad.
2. To ensure high quality education management, the government should establish a system for training the managers of the education institutions, politicians, and state and municipal officials in the sphere of education for performing their respective functions.
3. We together with local municipalities have to consider the possibility to establish the institution that would design and implement the strategy for education development to foster the social and economic growth of the region.
4. The education policy makers should have a much more consistent and responsible attitude towards the content, terms and resources of the planned reforms. While developing standards, development program and laws, we should remember the factors ensuring their implementation – human resources, time and such factors as methodological materials for the work with the combined classes and the further education of teachers. Furthermore, all innovations should be explained to the parents to ensure that their requirements match those of the school and the children do not feel confused, misunderstood and sometimes also abandoned in this complex environment.
5. Implementing the administrative territorial reform, the system of the bilateral financing of the education institutions should be reviewed, since such system does not facilitate an effective use of funds. The responsibility for the network of the education institutions and teachers remuneration should lie with one authority.
6. The reform of teachers' salaries should be continued by increasing the salaries at least up to the average salary level in the country, to ensure a situation where new teachers would want to work at school. This could be achieved by increasing the

teacher/student ratio and approximating it with the level of the OECD countries.

7. Upon establishing bigger municipalities and thus indirectly "centralizing" state funds, an opportunity should be provided to the municipality to make more comprehensive decisions on the use of its budget and it should be fully responsible for the provision of qualitative education services to the population.
8. In-service and pre-service teacher training should be matched to the implementation requirements of educational programs. Sufficient state and local municipality funding should be allocated for the in-service teacher training programs.
9. To ensure the accessibility of education, the infrastructure should be developed all over Latvia. Following the progress of new technologies, the development of Internet connection and use should be facilitated, especially in the countryside. The rural road development program demands the most attention, as it offers an opportunity to get to any populated place in Latvia in any season. The maintenance of the access roads of farmsteads should be ensured, as well as the provision of stable telecommunications for prices compliant with the income level of the population and power supply, and the accessibility of health-care to ensure the safety of the population at any place of residence.

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The Social Correction System

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Summary

As part of the Soviet Union, juvenile delinquency in Latvia was limited because the level of social control was so complete. But independence and democracy are associated with personal freedom. But along with this new set of choices have come major new economic and social challenges. Today a high percentage of the Latvian population suffers from unemployment and poverty. There are many new family and personal problems and stresses. These have taken their toll on children and youth. Today, ten per cent of those who are sentenced by courts are minors. The most common crimes are theft, rowdyism and robbery. When released from reform schools, one out of three commit a new crime.

This paper studies the problem of children and youth who suffer from pedagogical and social deficiencies and, because of interruptions in schooling, are significantly behind their age cohort. The paper concludes that, based on the Soviet experience, Latvia's infrastructure available to serve this increasing population is totally inadequate. It analyzes the problem and its sources, and makes recommendations to solve them. Among its recommendations is the suggestion that a modern system of social correction needs to include two new things: correction classes in normal educational institutions to prevent crimes before they happen, and increasing educational opportunities for those who are released from reform schools and who need special attention for a successful re-integration into society. The paper explores ways in which these improvements can be made in a feasible and affordable manner.

Introduction

For the last couple of years the problem of juvenile delinquency has become more severe, and in it can soon be qualified as child delinquency, because, according to statistics, young adults accused of juvenile delinquency are of younger age year by year, though they have not reached 14 years of age, yet.

In the beginning of the 90-ies all special reform schools in Latvia were closed down. Unfortunately, the closure of reform schools and the dismissal of the Juvenile Delinquency Commission were not followed by endeavors from authorities and governmental institutions to renew or to establish a new legal and pedagogical impact system, which would correspond to the experience of the civilized world and which would allow to decrease and prevent juvenile delinquency at the stage when it still has not grown to punishable crimes or other social pathologies.

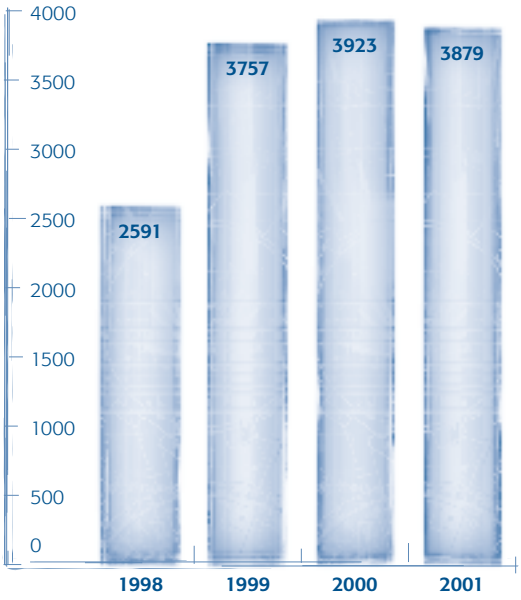

Figure 1. Juvenile Delinquency. Source: CSP, 2001

At present there are three social correction schools under supervision of the Ministry of Education and Science. On September 1st, 1996 the reform school (RS) "Strautini" was opened in Alūksne district for boys from age 11 to 15. On July 1998 the reform school "Naukseni" was opened in Valmiera district for girls from age 11 to 16. On 25 December, 2001 the reform school "Pilcene" was opened in the Rēzekne district, for boys from age 15 to 18. Students are sent to those schools according to decision of the court and by the directive from the Ministry of Education and Science.

Since the social correction schools were established until January 1st, 2001, 256 students have resided at and left those schools: 236 from RS "Strautini" and 20 from RS "Naukšēni". 22 schoolchildren out of 256 received certificates for completing the primary education. Others had to continue their studies in general schools from Grade 5 to Grade 9. After making enquiries on further education of those schoolchildren and their fortune, we stated that 1/3 or 85 students were not continuing their education.

Problem

In Latvia there is no social and pedagogical correction system for providing education to schoolchildren with different social and pedagogical problems.

The characteristics and trends of juvenile delinquency

According to statistics on the crime rate, a young adult commits every **seventh** crime and every **tenth** sentenced individual is a young adult.

Young adults have entered nearly all delinquency rates. However, some types of delinquency have become especially "popular" among young adults, and they are theft, rowdyism, and robbery.

Juvenile delinquency has been instigated by a number of specific conditions – adverse tendencies characterized by low income in families, incomplete activities of special institutions, and a direct impact of the delinquent environment on young adults, bringing them into juvenile delinquency. Based on expert studies in the field, it can be concluded that generally young adults who do not study or work get involved in juvenile delinquency.

	1998		1999		2000		2001	
	Cases	% of total	Cases	% of total	Cases	% of total	Cases	% of total
Homicide	10	4.2	10	4.7	14	6.4		0.25
Assault	9	2.1	16	3.7	15	3.5		1.4
Sexual assault	9	10.8	11	10.9	13	9.7		–
Robbery	69	11.3	232	8.9	219	6.9		6.12
Theft	3,312	15.4	2,713	11.0	2,725	9.5		68.5
Rowdyism	281	22.8	202	17.1	215	16.5		4.9

Table 1. The structure of juvenile delinquency rate 1998–2001. Source: The State Police, 2002

	1998	1999	2000	2001
Total delinquency commited by:	3,030	2,712	3,134	3,987
Schoolchildren	939	1,297	1,649	–
Individuals neither studying nor working	1,539	1,147	1,130	1,947
% of total neither studying nor working	51	42	36	

Table 2. Juvenile delinquency according to their status. Source: The State Police, 2002

Comparing the statistical data on the period for the last three years and the first six months in 2002 shows that juvenile delinquency has a tendency to decrease. During the first six months of this year, young adults were registered in 1,731 delinquencies, i.e., 252 cases less than in the first half of 2001. However, the data show only those cases in which the offenders have been identified. It should be noted that currently only 40% of juvenile delinquency cases are resolved.[1]

According to the Penal Law in Latvia, young adults are exempt from criminal punishment in cases when the criminal offence is not of an extremely dangerous character, and it is possible to apply correction methods instead of criminal punishment.

As a result, it can be concluded that young adults who have not reached 14 years of age cannot be called to account for a criminal offence, and a number of potential criminals whose offense is targeted at somebody's property or life stay without punishment by the time they become of age. Making a reprimand is too little for such juvenile offenders.

Official statistics reports show that juvenile delinquency is growing. However, the real amount of juvenile delinquency is much higher because the majority of thefts are not reported. In a number of cases, the victims who have suffered from juvenile offenders are of the same age (classmates, friends, acquaintances, young adults attending discotheques, etc.), and they conceal and do not share with anyone about what has happened.

In the majority of cases young adults:

- do not trust the police, because they think the police are not able to defend them;
- are afraid of the offenders' revenge;
- there are very few cases when the offenders are caught and punished (young adults know that).

The incomplete legislation in Latvia affects delinquent children and young adults as they approach the criminal environment. Due to these imperfections, young adults develop a sense of non-liability and impunity, encouraging further delinquent behavior, which causes more serious offences with more severe

Age	16 years	15 years	14 years	13 years	12 years	Total
Proper grade	Grade 9–10	Grade 8–9	Grade 8–7	Grade 7–6	Grade 5	
Actual grade	Grade 1 – 1 Grade 4 – 2 Grade 6 – 4 Grade 8 – 2 Grade 9 – 3	Grade 4 – 1 Grade 5 – 2 Grade 6 – 6 Grade 7 – 4 Grade 8 – 3 Grade 9 – 2	Grade 1 – 1 Grade 4 – 2 Grade 5 – 7 Grade 6 – 8 Grade 7 – 6 Grade 8 – 2	Grade 3 – 1 Grade 6 – 1 Grade 7 – 3	Grade 5 – 1	
Total	12	18	26	5	1	62
Not corresponding to the age of a grade	9	13	18	1	–	41 (66.1%)

Table 3. Correspondence of schoolchildren's age to the grade in 2001/2002. Source: Reform school "Strautiņi", 2002

[1] Vilks, A. Urgent Financial Support Needed To Decrease Juvenile Delinquency. *Neatkarīgā Rīta Avīze*, August 6, 2002.

punishment (which, in fact, is dealing with consequences instead of causes).

If young adults were stopped in their decline at the right time, learning about the reasons why the first offence, not a criminal one, yet, was made, there would be better opportunities to decrease delinquency.

According to the statistics, the number of serious criminal offences committed by young adults increases. Characterizing the tendencies of juvenile delinquency, A. Lieljuksis, the ex-Chief of the State Police, states that "..as a rule, juvenile delinquency is characterized by a total lack of motivation and serious cruelty.."

The characteristics of schoolchildren at social correction schools

Juvenile delinquents are sent to reform schools (RS) in accordance with court rulings and decisions of the Ministry of Education and Science.

Assigning juvenile delinquents to reform schools is a coercive measure.

Summarizing data on 1999–2002, we can draw the conclusion that the children assigned to reform schools fall into the following groups.

They are children with pedagogical and social deficiencies who have long-term interruptions in studies and therefore their age differs from other classmates. In six years, nine 14 to 16 years old illiterates entered the school. When compared to the last three years the correspondence of schoolchildren's ages to the age schoolchildren should have in a certain grade, we noted that 66% of schoolchildren are of an age, which does not correspond to the age schoolchildren should normally have in a certain grade. The majority of schoolchildren who have age differences study in Grade 7 to 9.

Division of schoolchildren according to the place of residence (academic year 2001/2002) – 40% come from rural areas and 60% from cities/towns.

The majority of schoolchildren from cities/towns are children speaking Russian. Only 10% of schoolchildren from rural areas are non-Latvians.

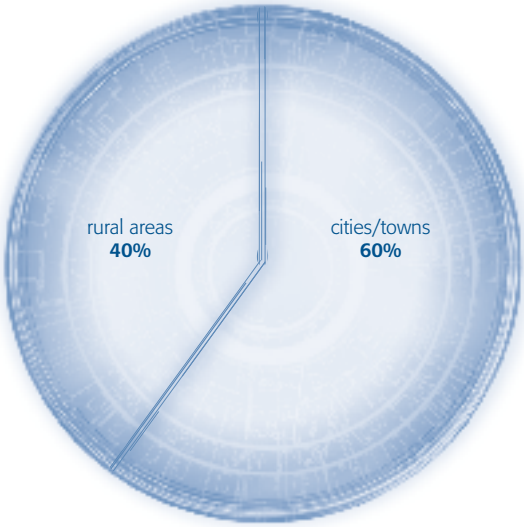

Figure 2. Schoolchildren according to the place of residence in 2002/2003. Source: Reform school "Strautiņi", 2002

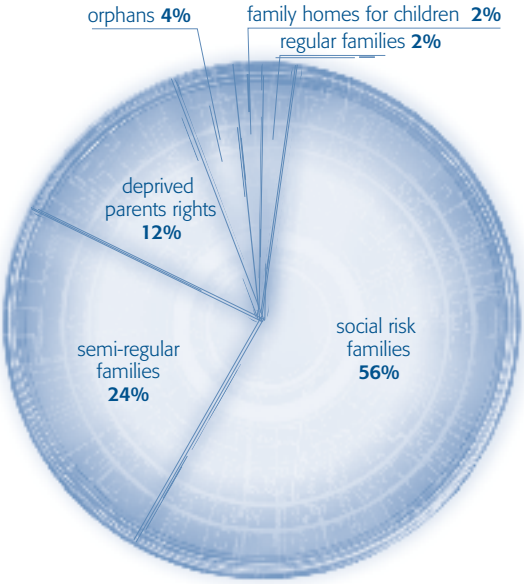

Figure 3. Schoolchildren according to the family status in 2002/2003. Source: Reform school "Strautiņi", 2002

At present a public opinion is being developed on reform schools being overloaded and lacking capacity to provide enough places. As a result, it has been recommended to open new reform schools to improve the criminal environment. However, the real situation differs, as the number of schoolchildren in reform schools decreases every year.

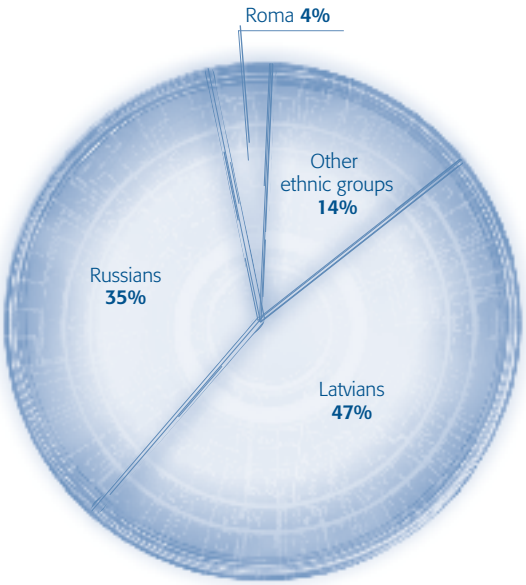

Figure 4. Schoolchildren according to family status in 2002/2003. Source: Reform school "Strautiņi", 2002

Also, the number of schoolchildren at RS "Naukšēni" is not more than 23.

What are the reasons?

External factors:

1. **Introducing alternative punishments.** Alternative punishments are accommodated to adolescents – they have to do some community work for a fixed number of hours, depending on the seriousness of the offence.

2. **Courts in Latvia overloaded with work.** The Juvenile Delinquency Inspection pass over all the investigation material to the court. However, it takes quite a long time and sometimes it takes up to a year for the court to resolve a case. During this period of time, the young adult has made a new and even more serious offence for which the punishment is also more serious – the AIN in Cēsis or prison.

3. It has been already mentioned – **young adults can be called to account for criminal offence only when they are 14 years of age**, and for minor offences they are not punished.

Internal factors:

1. In reform schools the group of schoolchildren is diverse – schoolchildren shirking school, undisciplined children, criminal offenders (both having made an offence towards property or life); they can exchange peculiar experiences, and, instead of improving and becoming useful members of the society, at reform schools young adults acquire new ways and methods they can apply in committing new offences when they return to regular life from reform schools.

2. While a child is listed at the reform school, neither psychological, nor any other assistance is given to the family. As a result, the child does not receive any information about his/her family for a long time, and in turn, the family is not prepared to receive the child at home after reform school. When the time at reform school is over, the children return to the same environment they were separated from. The environment (in most cases it is of social risk) has not changed, and

Diagnosis	Year 1999		Year 2000		Year 2001	
	quantity	percentage	quantity	percentage	quantity	percentage
1. Infected by tuberculosis	23	26%	17	22%	12	17%
2. Neurasthenia, neurosis	39	45%	28	36%	35	49%
3. Enuresis	19	22%	7	9%	8	11%
4. Skin diseases	23	26%	14	18%	8	11%
5. Furunculosis	34	39%	21	27%	21	29%
6. Epileptic attacks	–	–	2	3%	1	1.4%
7. Toxicomania	18	21%	25	32%	11	15%
8. Drug addiction	3	3%	8	10%	6	8.3%
9. F-91.2 (behavior disorders)	32	37%	50	65%	34	47.2%
10. Mentally retarded	7	8%	11	14.3%	10	13%

Table 4. Schoolchildren with health problems. Source: Reform school "Strautiņi"

it does not take too long when the "reformed" youngster reverts to the criminal environment.

A survey conducted at the reform school "Strautiņi" showed that thefts made by schoolchildren were correlated with distorted social behavior such as unwillingness to study, shirking school, roaming, and conflicts at school and home. The most-often-mentioned reason for shirking school was unwillingness to study (60%); one third of respondents stated that they had conflicts with teachers, and every fifth respondent mentioned that he was teased either because of bad study performance, or because of his clothing. 22% of boys said that they were not able to fit into another school mainly in boarding schools. Research on motivation for students to study detected that 60% of students had no motivation to study. Another basic reason for roaming was conflicts in the family: emotional conflicts because of quarrels between the parents, alcoholism, or because of the stepfather. Many of them have suffered from violence. Practically all students had underdeveloped social skills. Delinquent behavior was a form of reaction to an abnormal situation that happened in an adolescent life.

Research reveals that the majority of juvenile delinquency cases are committed by boys (90%–93%). Therefore, the social phenomena described by the term "juvenile delinquency" in fact is crime committed by men.

Adolescent girls are involved in thefts. Legal offences done by them often are associated with the lifestyle of adolescent groups with asocial characteristics: roaming, provocations of conflict situations.

Reform schools work according to the same basic study program as general schools and already for the second year there is a social correction education program.

When a student enters a reform school, he/she is taken under supervision and nursing by an experienced educator and psychologist who carryies out complete diagnostics for each child and develops an individual social and pedagogical correction program for every student. Step by step the motivation to study and interests in studies are raised among students; adolescents are taught to read, write and to study the

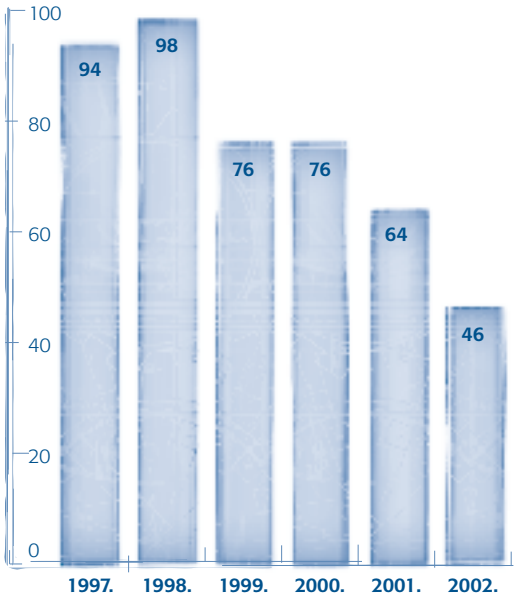

Figure 5. Number of students at the reform school "Strautiņi". Source: Reform school "Strautiņi", 2002

primary education program, which they have not completed because of not attending school. Boys and girls are taught to trust adults. All try to solve their problems. Adolescents receive medical aid necessary for treating alcoholism, drug addiction, toxicomania and other diseases. Provision of rich and balanced nutrition at this period of age is also very essential for the physical development of an adolescent. However, after leaving the reform school and returning to the previous environment, adolescents feel quite a hostile attitude from their ex-classmates. The type of learning offered by general schools is different from the study process at reform schools. An adolescent starts to feel discomfort, threat and the trust to own success is lost, which results in leaving school and studies forever. As a result, 30% of all adolescents return back to the streets and later find themselves in prison.

Approximately one third of students from reform schools return to the dock. After leaving reform schools, adolescents remain under the supervision of the Juvenile Delinquency Inspection only for a half of a year. If during this time adolescents are not receiving the necessary help in solving their social problems and they have not been offered relevant educational institutions, adolescents interrupt their

studies and continue the same way of life they started before.

At reform schools schoolchildren develop a variety of professional working skills (for example, locksmith, plumber, ceramist, gardener, etc.), which give them direction for choosing a future profession. In the academic year 2000/2001, there were only two vocational schools admitting schoolchildren with a seventh-grade education and, in addition to general education, giving an opportunity to learn a profession.

According to information submitted by educational institutions, in the academic year 1999/2000, only 11 districts of Latvia had schools with pedagogical correction classes, and the majority of those schools were located either in regional centres or in Riga. The number of correction classes increased during the academic year 2001/2002. At present, schools in 20 administrative districts of Latvia have pedagogical correction classes.

The task for a pedagogical correction class is to provide pedagogically social conditions for obtaining the mandatory basic education and ensuring every student the most appropriate kind of pedagogical and/or social aid, which would give the best results for a student in his/her study process and development.

Which are the factors impeding the pedagogical correction process at schools?

- Insufficient financing from the government and local authorities for obtaining study materials, for organizing extramural work, and for maintaining the classrooms;
- Irresponsibility from parents in solving social issues and issues related to education of children;
- Inappropriate professional qualifications of educators and inappropriate qualification for teaching in pedagogical correction classes;
- Insufficient help on a regular basis and in time from a social educator, social worker from the local authority, psychologist in education and speech therapist working with students and their parents;
- Deputy principals and educators have insufficient experience working with pedagogical correction education programs;
- Insufficient information and exchange of experience between educational institutions;
- Lack of experience for working in combined classes.

It is important to mention that some adults are not able to adapt to the new social order. They are not able to overcome the consumer complex, and they are not ready to live independently in the constantly changing environment where individuals must take full responsibility for their success and failure.

Escape from reality in a form of depression, apathy or idleness, and arguments against the government show an attitude transferred from parents to children. A growing number of individuals in need of social aid have emerged as a result of such "upbringing", and today they intensively reproduce (the birth-rate in risk families has a trend to increase, while in regular families the birth-rate decreases).

Improvement of the educational process at school is one solution. Implementation of the Pedagogical Correction Education Program has started; it has been adopted by the Ministry of Education and Science on May 3, 2000 based on Instruction No. 295. Successful introduction of the program in schools depends not only on school management, but mainly on the local authorities and their possibilities and interest in taking part in financing the pedagogical correction education program (providing schoolchildren with textbooks, compilations of games for personal development and exercises, exercise-books and, if necessary, providing students with clothing and foot-wear, free lunches and for purchasing audio and video technology for the school).

Educational Opportunities

The majority of schoolchildren who are assigned to reform schools and pedagogical correction classes come from risk groups, i.e., risk families, single-parent families, socially disadvantaged families or from families where one of the parents or both have been sentenced. Approximately 3% of adolescents are illiterate, and they cannot even write their names.

According to the statistics in Latvia, only 0.3% of adults are illiterate. According to the world education survey, among 20 European countries, Latvia ranks

second after Estonia with 0.2% adult illiterates. In other European countries this indicator is worse, for example, in Greece 3.3% of adults are illiterate.

In Latvia functional illiteracy is growing, and it impedes on an individual's social involvement in society, therefore we cannot be too satisfied with the low illiteracy indicator.

Illiteracy has resulted from an imperfect education system, because educational opportunities should be provided to all social groups. Since 1990 the most serious concern has been the growing number of schoolchildren not attending schools.

The analysis of the UNICEF mission report shows that the total of schoolchildren aged 7–15 not attending schools ranges between 5–7%. It includes 15% boys who at the age of seven do not start school, and approximately 7% boys who leave school before finishing Grade 9. 25% of young adults aged 16–18 do not attend any educational institution.

With an incomplete census in Latvia and based on the data gathered by different non-governmental organizations and the Ministry of Education and Science, 12–26 thousand children and young adults are assumed not to attend school.

School is instrumental in a way the state can influence the quality development of children. The Education Law states that children up to 15 years of age have a mandatory period of schooling, after which the school has the rights to discontinue educating young adults if they are not capable or do not want to continue studies. In sum, if schoolchildren leave school after they are 15 years of age, the state discontinues holding any obligations towards them. There are different institutions and civil servants in charge of the further course of development of young adults, one of them being the orphan court and the county court.

The school has legal rights to discontinue schooling of 15 year-old schoolchildren on the condition that the orphan court has secured employment. However, information on the procedure of signing a job agreement with minors is not available. It is not easy to find jobs for minors, because they do not have professional knowledge and skills, and employers are unwilling to employ unskilled workers, moreover, ones under age. Further, if a job placement is secured, employment is not always smooth, since it depends to a large extent on the communication and competence of civil servants in charge of minors. State institutions very often pay attention to young adults only when they are in conflict with the law.

Evening schools play a major role in educating young adults, where schooling is provided for both young adults with primary education and for the ones who have finished at least seven years at school, thus not allowing them to become isolated from society.

The network of evening schools in Latvia is sufficiently developed across the country. However, there is only one evening school in the district centre, and commuting creates problems. Therefore, evening schools offer a variety of flexible learning schemes for young adults to choose from: they can choose to study at school for the whole day once a week, they can take test sessions or attend school every evening. Flexible study schemes are an advantage for young adults to combine schooling and work.

Vocational schools are another opportunity for further education. However, if young adults do not have financial resources for living, or they do not have enough knowledge, then they are deprived of this opportunity. Vocational schools do not allow combining work and schooling, because daily school attendance is mandatory, and a certificate of primary education is necessary to enter a vocational school.

In addition, there is one more problem group of schoolchildren, i.e., children with special needs, and in Latvia there is a great number of children and young adults belonging to this group.

The group of children with special needs includes not only physically or mentally retarded children, but also children with learning, behavioral and socializing problems, i.e., they are physically and mentally normal children who, however, need special assistance in learning at school.

In Latvia educational policy on people with special needs to a large extent is based on a traditional collective approach, and accordingly, the state has the major responsibility in educating children with special

needs. The following features can characterize this approach:

1. Priority is given to care provided by institutional and financial support from society and not from the family.
2. With the exception of mentally and physically retarded children, other groups of children with special needs receive very little support.

According to international standards, the number of children assigned to specialized institutions (orphanages, boarding schools) is very high. However, there are several groups of children who are not provided with special educational support. They are children with widely spread learning difficulties such as dyslexia, disability of concentration or psychological disturbance such as lack of development success, affective hindrance and other syndromes discovered over the last years and included in the special needs classification, for example, the classification used by the World Health Organization.

Taking into account the above mentioned facts and the problems listed in relation to the incomplete continuity system in education in Latvia, it can be concluded that the number of young adults who for different reasons (social conditions, being not competitive in the labor market, the conditions young adults have when returning from reform schools to the old "risk" environment, etc.) will be able neither to learn a profession to earn for living, nor they will able to finish primary education, and a number of them will not have an opportunity to learn to write and do calculus. What is the future of young adults from these groups? Shall we consider it a breach of law when one of them shoplifts a loaf of bread? As a result, if this is considered a young adult's first breach of law, and he is under 16 years of age, then he is assigned to a reform school, but if he breaches the law again, then he is put in prison. A rhetorical question arises, what does the state consider to be more expensive: to keep a young adult in imprisonment or create learning opportunities for a young adult to earn for living. According to calculations made, in reform schools yearly schooling costs 3,115 LVL per child, and yearly imprisonment costs 1,540 LVL per individual. At present calculations have not been made on the costs of opening one or several correction classes in every district centre school, but we assume that these costs will definitely be lower.

The available database on the number of children and young adults not attending school or included in the risk group who might stop attending school is imperfect, because the numbers are given within a broad range of 4–26 thousand children, therefore it is difficult to forecast the expected number of schoolchildren to be assigned to social and pedagogical correction classes, yet it implies that the number of potential schoolchildren cannot be small.

We cannot say that the state does not take responsibility for young adults or look for solutions to growing problems. However, the process is too slow, and it is unclear which solution is the best. In Latvia several institutions are responsible for children and young adults from risk groups:

Responsible institutions

We cannot claim that there is no institution in this country to take care of young adults or to look for solutions to unresolved problems. However, this process is

Ministry	Institution
Ministry of Education and Science	State Children Rights Protection Centre
	Social correction/reform schools
	Social advisors at schools
	Social and pedagogical correction classes at schools
Ministry of the Interior	Juvenile Delinquency Inspection
	Compulsory correction institutions

Table 5. State institutions in charge of juvenile delinquency are subordinated to different ministries

very slow, and it is unclear which solution is the best. In Latvia there are a number of different institutions taking care of problem children and the risk group of young adults.

The Law on Protection of the Rights of the Children specifies the responsibilities of the Cabinet, the ministries and other institutions in relation to children's rights. In the Law there is a section specifying the tasks of ministries in relation to juvenile delinquency.

Responsibilities of institutions from the Law on Protection of the Rights of Children

The Ministry of Education and Science provides access to education and assures quality and guarantees involvement in society for children with special needs and children who have suffered from violence or other illegal action, from drug abuse, toxic overdose or intoxication with alcohol or negative impact of social environment.

The Ministry of the Interior augments and implements juvenile delinquency prevention programs and child-protection programs against crime and provides professional training for the police to work with juvenile delinquents and juvenile victims and their families who have suffered from illegal actions.

The Ministry of Justice organizes professional training for judges on children rights. Follow-up cases on children's rights and children protection to be brought to court in the first priority order.

The Prosecutor's General Office organizes professional training for public prosecutors on children's rights; during the process of investigation, it guarantees compliance with children's rights.

Local government works on delinquency prevention in cooperation with parents, educational institutions, the police, non-governmental organizations and other institutions.

Orphan Court and County Court identify families not capable of providing children with sufficient education and personal development; in cooperation with medical care, educational, social care and police institutions, they issue decisions on support to identified families.

The Ministry of the Interior, Ministry of Education and Science, Ministry of Welfare, Ministry of Justice, Minister of Special Assignment for State Reform Issues, and local governments conduct a regular statistical survey on children's rights protection, cases of children being assigned to compulsory correction or medical treatment, juvenile criminal cases and submit the survey results to the Central Statistics Office.

The Central Statistics Office processes all the gathered information once a year and submits a report to the State Children Rights Protection Centre.

The orphan court (the county court) is a local government institution supervised by the Ministry of Welfare (guardianship and trusteeship), district (city) court and the respective municipal Council.

In Latvia there are two levels of self-government – local and district governments. In respect to the number of institutions in charge of juvenile delinquency, if the district government is situated in the same city, the respective municipal (city) government is in a better position.

Orphan courts and county courts offer the majority of solutions to problem situations. For example, in working with young adults and taking preventive action, the following suggestions have been made:

Local government (rural municipality city)	District city government
Social assistance service/expert	Juvenile Inspector Service
Orphan Court	Children rights protection inspector
Social advisor	
Civil servant in charge of forced labor	
Juvenile inspector	

Table 6. Local government institutions in charge of juvenile delinquency

1. The responsibility of the Ministry of Education and Science is to develop a simplified curriculum by combining general studies with vocational training for children with minor learning difficulties (in fact, they are the same social and pedagogical correction classes).
2. A strong co-operation network should be formed: the school – the police – the social advisor.
3. Teaching and learning at home should be reconsidered because it is of poor quality. Children do not feel engaged, and as a result they join the risk group.
4. Communication with parents and children from risk families should be enhanced to convince them to attend school.
5. In each district boarding schools/social correction schools should be opened to cater to roaming children and children who do not study or are in conflict with law.

On 31 October 2002 the Saeima adopted a new Law on the Application of Educational and Correctional Coercive Measures to Children, which shall take effect as of 1 January 2004.

This Law envisages positive ways for the improvement and upgrading of social correctional activities as educational coercive means, for example:

- to make oneself responsible for the participation in social correctional or social assistance programs;
- to make oneself responsible for visiting a psychologist, doctor or other specialist for consultation (Section 10);
- in case of placing a child in an educational establishment of social correction, treatment for dependency on alcohol, drugs or psycho-tropic substances shall be provided (Section 14).

The reduction of time for determining punishment for juvenile delinquency is another positive change.

A decision on the application of educational and correctional coercive measures to children can be passed also by the Administrative Commission/Board at the child's permanent place of residence.

Experience from other countries

Children from risk families and children shirking school and roaming form a risk group of children and young adults who do not attend school and are not interested in learning or working; they are not able to find their identity in society and a niche for survival. Problems typical of this risk group are found not only in Latvia and the Baltic states, but also all over the world. For several decades solutions have been searched for, and in many countries special schooling schemes have been functioning quite successfully.

For example, in the US there are accelerated schools, which is one of the most successful solutions Americans have found during the education crisis. Accelerated schools are to solve the problem of one third of backward schoolchildren in primary and secondary education.

As a rule, in knowledge acquired, backward or risk schoolchildren lag behind regular schoolchildren on the average by two years; more than half leave school without a certificate or not finishing the school year. The majority of risk schoolchildren come from ethnic minorities from poor regions; they do not speak English, and many of them come from single-parent families.

The underlying conviction of accelerated schools regards all schoolchildren of the same age being able to achieve the same results by the time they finish school. It means that in comparison to succeeding schoolchildren, backward schoolchildren should receive accelerated schooling. It is achieved by providing backward schoolchildren with better schools: teachers with special professional education, a psychologist's support, a specially developed curriculum.

Backward schoolchildren should not be considered as children with a low speed of perception and learning; on the contrary, they should have ambitious objectives to be reached in a certain period of time. Children, parents and teachers should be aware of potential mistakes and learn how to correct mistakes and achieve the best possible results. All partners involved in the study process (children, parents and teachers) should cooperate to achieve common aims and look for more efficient ways to accomplish the task.

Approximately five months must pass with a number of meetings and tutorials for teachers, parents and children until this study process shows results.

Accelerated schools are supported by a group of universities, for example, Stanford University, and accelerated schools are included in the general school network. In the US, hundreds of similar projects have been developed to promote research and publicity on the subject, thus stimulating further development.

In a number of European countries schools follow the same or a similar scheme in order to give opportunities to young adults who have been or will be excluded from the regular education system, so that they can continue studies at schools with a better teaching and learning environment and better support activities, and thus raise their self-confidence. The mission of "the second opportunity schools" is to improve teaching by employing the best teachers, and, if necessary, paying them higher salaries than in regular schools, and to accommodate the teaching and learning speed to children's needs; by organizing training sessions in companies and establishments, schoolchildren become interested. As a result they are given a new impetus.

Another interesting scheme ,"Alyat Hanoar", was introduced in Israel, specializing in educating young adults who in their adolescence have experienced severe family problems, social or cultural problems, impeding on their regular personal development.

To achieve psychological, cultural and social reintegration of young adults, they live in "a youth village" or a network of villages, which is the "cornerstone" of this scheme. In youth villages there are not only young adults 14–18 years of age, but also teachers, support staff ("mothers" and "fathers", teachers, instructors, psychologists – advisors, social workers, etc.) and technical support staff; in villages many of them live together with their families. It is essential that the support staff not only provide opportunities to have good education, but also serve as an example of good behavior and attitude, and schoolchildren have a real example to which they can compare their behavior, and have support and cooperation partners.

"Alyat Hanoar's" mission is to develop independent individuals in mutual relationships among schoolchildren and between schoolchildren and the staff; consolidate and develop personalities; to supplement the curriculum developed by the Ministry of Education; to broaden the perspective by courses, seminars, study trips, and events in sports, arts, music, etc.; to teach schoolchildren civilized mutual relationships and real life routines; and also teach one to earn for a living by applying knowledge and skills.

Recommendations

An effective social and pedagogical correction system should comply with the following questions:

1. How to deal with risk group children in general education schools?
2. How to organize work in social correction schools?
3. How to provide continuous education after the fixed period at reform school is over?

- **Risk group children in regular (general education) schools.** They are "roaming children", and children with behavioral and educational problems. Preventive activities are the most influential, as they aim at averting youngsters from delinquency at an early stage; likewise, such activities would develop negative attitude towards offence and understanding of risk taking against the legal framework and the individual responsibility for the actions taken and offence made.

How to apply this methodology to real life situations?

1. In each school there is a need for a social advisor who works on solving the problems of risk-group children or considers coordination of combined solutions; a social advisor registers all risk group children at school, regularly meets class teachers and checks whether the risk group children attend school. The social advisor works with risk group children (looks for an individualized approach for each child, tries to earn trust with each risk child, closely cooperates with the school's or other psychologist, follows the situation in the family, and in case there is a need, reports on unfavorable changes to the responsible institutions) (the county court, the juvenile service inspector, etc.). The social advisor makes an attempt to involve risk children into extra-curricular activities and different interest groups.

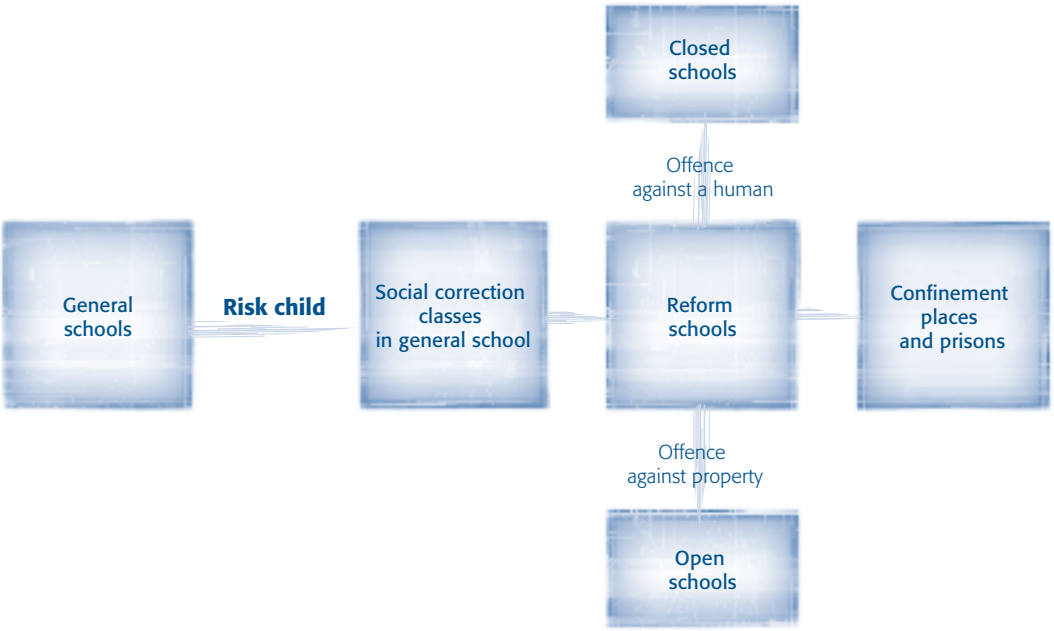

Figure 6. Recommendations for the introduction of an effective social and pedagogical correction system

2. Increase parents' obligations for raising children by introducing legal regulations against parents who do not fulfill their tasks; also, there is a need for an expert or a regional social aid centre to work with social risk families in cooperation with different institutions and provide psychological support and assist in looking for solutions in difficult situations.
3. Increase the role of the class tutor in order to provide adequate education and medical care, without isolating children from their families and regular environment.
4. To assist risk children in the process of integration in the regular class, the schools in Latvia can introduce "participatory education", which focuses on involving each individual in the process of group work and class activities, taking into consideration their individual tempo, psychological, physiological and psychological characteristics.
5. To serve as a linking stage between the general school and reform school, in each school there should be a class with a smaller number of schoolchildren to serve as pedagogical correction classes with the focus on smoothing and correcting functions.
6. The development of interest groups so that each child could have opportunities of spending leisure time usefully according to their interests. It is recommended to provide interest group activities for free in order to have these activities available also to low income families (to a large extent to risk family children). Clubs, camps, and other activities organized by non-governmental organizations and asylums provided by local governments can be of assistance. The Riga North District Children Asylum for children of 3–15 years of age serves as a good example.
7. The decision on assigning children to social and pedagogical correction classes can be made by the county court in cooperation with the teachers from the respective school.
8. Instead of regarding risk children as juvenile offenders or potential offenders to be dealt with by the Juvenile Service inspector or the State or Municipal Police, an approach based on social activities should be promoted – children should be provided with information where to receive social and psychological aid, where to apply for assistance in case of family problems, health problems, drug problems, further education problems, etc.

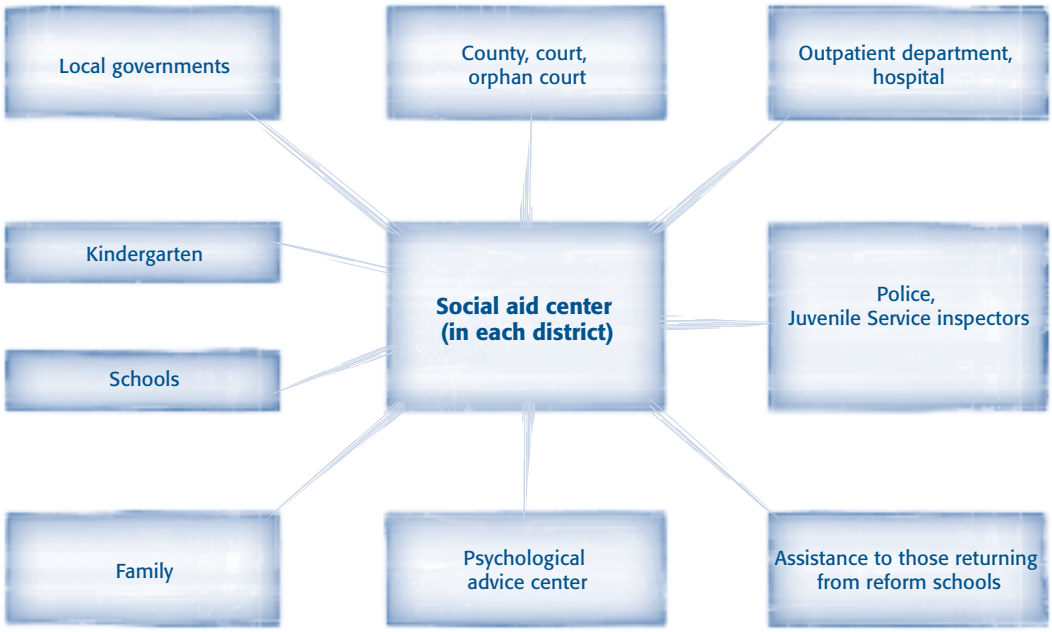

Figure 7. Recommendations for the introduction of an effective social and pedagogical correction system

- **The organization of teaching, learning and social correction in reform schools**

Schoolchildren at reform schools should be differentiated according to the type of delinquency.

Offence against a person

Special types of closed reform schools with enforced regimes and security should be established for juvenile offenders who have committed an offence against a person. The Ministry of Education and Science should control the closed reform schools, because major activities should focus on correcting behavior and educating juvenile offenders. In such institutions a major role should be given to a psychologist and a psychotherapist in order to minimize the emotional stress of youngsters, to decrease their dependence on toxic and drug habits, and to lessen impetuosity and aggressiveness.

Offence against property

The reform schools can follow the established routine for juvenile offenders who have committed an offence against property. The essential task is to separate juvenile offenders in order to prevent negative exchange of experience.

1. Reform schools should develop a rehabilitation program for those youngsters who will soon leave the reform school. The rehabilitation program should be coordinated with the municipality or district probation service expert and/or the social aid centre expert who will be following the future development and activities of the youngster; the expert should assist the youngster to cope with difficult situations and to provide support both to the youngster and the family.
2. The probation service expert or any other expert prepared for the task (a social worker from the social aid centre) should work with the family during the time the youngster attends the reform school. The expert together with the family should look for a school or work placement for the youngster, which s/he could attend when leaving the reform school.

To provide young adults with education opportunities after reform schools, the following activities should take place:

1. The responsibility of the orphan court should be increased to secure young adults with opportunities to work and study at evening schools or other educational institutions. Cooperation between the orphan court and the probation service is likely to be developed.

2. Vocational training network should be developed. Correction classes should be formed in vocational schools for schoolchildren as of Grade 7 to acquire a profession, following a modified curriculum. At present there are only two vocational schools offering such a curriculum.
3. Foster families should be developed as an institution in Latvia to provide "roaming children" and orphans an opportunity to live and develop in a socially safe environment.
4. All reform schools and vocational schools are recommended to enter a unified educational system. It would reinforce the cooperative efforts of educational and reform institutions, and as a result, it would increase the educators' responsibility for the output.
5. Higher education institutions in Latvia should provide professional programs for teachers and social workers to work in social and learning correction classes/reform schools, and special training should be provided for "parents" in foster families.
6. Families should receive more support. In social rehabilitation centres parent support programs should be introduced in order to assist parents in understanding their children and learning how to deal with psychological and physiological problems their children face.
7. The social correction system should provide mandatory treatment from alcohol, drug, and toxic habits.

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CHAPTER 3. TEACHER TRAINING

Pre-Service Training in Higher Education

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In the academic year 2001/2002, 77 professional teacher-training programs were accredited in higher education institutions of Latvia. The number of new teachers who receive their diplomas meets the quantitative needs of Latvian schools. But at the University of Latvia 58% of those in full time study who receive a teaching diploma do not enter the teaching profession. There is a shortage of English, informatics, and science teachers, and these shortages are particularly acute outside Riga. The result is significant inefficiency in public education expenditures.

This paper will explore the reasons for this anomaly. It will analyze the nature of teacher training in Latvia which is based on outdated traditions of overspecialization stemming from the Soviet era. The paper will explain the problems related to pre-service training of teachers in Latvia and their options to work at school and recommend solutions to these problems.

Introduction

Today a quarter of the world's population is involved in supporting the schoolwork and the use of the services provided by schools. Schools are the key component of the education system. They are the point where the recipient of education (student) and the provider of education (teacher) find themselves in the closest contact. Schoolwork is the key characteristic of the state education system.

Unlike other service areas, where the customer actively determines the service quality, in schools the responsibility for the quality of education actually lies only with the teacher. The teacher has to form the student's perception of education and its quality and make all the possible efforts to ensure that the education is not only accessible to the student, but that the student also obtains it. The organizers and principals of the education system (from school principals to the members of the government) have to provide opportunities and circumstances for effective and qualitative activities of teachers on an overall basis.

In this general scheme the teachers play a critical role. This means that the effectiveness and return on the activities of the education system primarily depend on the level and relevance of the qualification of teachers. This, in turn, can be achieved only when there is an effective system of training, assessment and selection of teachers to meet modern requirements.

Background

The global nature of the problem

The development of global trends in business, economics, culture and values bear a material impact on the content and structure of the education system in all countries. Education is no longer evaluated only according to the interests and perspective of one country or one nation. Today it is evaluated according

to the global standard. In order for education to be assessed as qualitative, it is increasingly expected to be based on global values, which enables analyzing and assessing any field of human activities in a global context. The narrowing down of the education's horizons to a local (regional, national) scale is still possible. However, this will become impossible in the nearest future, which is testified to by the acknowledgement of the entering of the global civilization into its third phase of development – into the wave of information (Toffler & Toffler, 1994: 112).

On the scale of a separate (national) country this finds its expression as a swift turn towards an open society with a high accessibility of information, which has caused a necessity for each member of the society to be able to find her/his way in it, to understand the objectives and tasks of their life and activities. Due to the accessibility of information and advertising, the intriguing and intrusive way of its presentation, the ability to find and assess information should already be formed in children and further developed in adolescents, providing also the necessary assistance to adults.

School and teacher issues

Notwithstanding the ample and diverse information and the easy access to it on a global scale, the sources of the information have not achieved the reliability level and persuasion ability that is still being enjoyed by school, the undeniable privilege of which, among others, is the capability of providing an official confirmation of the acquired education, (diploma, certificate, license).

The rights to issue the above confirmation are granted by the state or other authorities to the educational establishment only if it has adequate resources and adequately trained and qualified teachers. Today the above mentioned compliance criteria are sufficiently developed on an international scale, which ensures a theoretical opportunity to apply for an internationally acknowledged education certificate in any country and region.

Notwithstanding certain globalization (initially – regionalization) trends, staffing with qualified teachers is basically a regional, national or local problem, in which the local (national, regional, ethnic or otherwise differentiated) teacher resource base is more significant than the possibility to acquire it as a market commodity.

Teacher resource issue

Provision of the education system with staff resources is one of the most essential problems to be solved by the government and other authorities, because, as mentioned above, teachers are the key performance indicator of schools and the guarantee of quality of schooling.

The development of the teacher resource-base differs at the levels of primary, elementary and secondary school and institutions of higher education. The primary and elementary school teachers are not only providers of education but also educators and tutors who are to take over and continue the work commenced in families. They have to be more family-oriented and base their work on local traditions (certainly, by adjusting the schooling to the children's mother tongue) and local lifestyle. Therefore, the teaching staff should be provided from among the local population or the people who are profoundly familiar with the local traditions and lifestyle.

At the secondary education level, the teachers' work should be based more on international and global aspects, and they should assist their students in changing their values and orientation towards a more global aspect. The teachers at this level should have a sufficiently broad perspective and the experience obtained in other regions or countries. Teamwork of teachers with various experience levels is advisable, where their specific experience is supplemented by that of the others. One of the key requirements of the school at this level is to develop tolerance in students, which can be achieved only by the teacher's personal example. Therefore, teacher staffing at the secondary education level can be provided on a wider basis extending beyond the narrow national framework. This is especially important in regions with diverse ethnic or other groups (e.g., groups of emigrants or other

refugees, enterprises with foreign guest workers, international cultural sites and business facilities, sites of other kind of activities, military bases for international peace-keeping forces, etc.).

Selection of applicants for acquisition of teacher qualifications should be organized in accordance with the above characteristics. These specifics should be taken into consideration both in the teacher training at the institutions of higher education and vocational schools at other levels. The licensing and certification of teachers organized by state authorities should become the key guarantee of compliance with the above considerations. Successful functioning of this system shall be guaranteed by the state authorities (for employment in the institutions of higher education specialized secondary schools) or municipalities (for employment in general secondary schools and in primary and elementary schools), which shall regulate, organize and manage the recruitment of staff to vacant positions. This system should be applicable to all schools within the national or municipal territory irrespective of their founder, owner or principal. The only exception could be organizations and enterprises providing interest education on the condition that they have been licensed and registered in accordance with the procedure stipulated by state authorities.

Regional issues

The above problems are topical in any country. Considerable experience has already been gained in solving these issues. However, sufficient co-ordination among countries has not been achieved, the lack of which is clearly evidenced by the increasing migration not only of adults, but also of adolescents and even children for education purposes. If the countries that have already developed their national education system and gained sufficiently high international acknowledgment of such system (Latvia was among such countries in the 1920's and 1930's) can increasingly concentrate on sustaining of their national education system with a comparatively little focus on the problems of global nature (this kind of orientation was also characteristic of the former USSR), this type of attitude cannot be afforded by countries that are developing their education system anew with the explicit purpose of integrating it into a broader international system (e.g., the EU, UNESCO). This is the key problem that these countries have to address not only in the future, but already today. This can be especially clearly observed in the former Soviet block countries, particularly, in the former USSR republics, where the level of schools and teachers, as well as the situation in the education system in general are considered incompliant with modern requirements.

Issues in the Latvian context

We ourselves often refer to the following specific trait of Latvia (after the foundation of the Latvian nation-state) and Latvians (before that): we are a small nation with our own language and culture; we are located on the crossroads of other countries and nations and therefore suffer from the regimes, languages and cultures forced on us. The history of our region highlights the specific problems of Latvians.

The development of the Latvian national (national state's) education system began along with the formation of the independent (national) Latvian state as one of the guarantees of its existence. This means that it was basically focused on national values and serving national interests. A vivid documental testimony of this focus is the resolution of the Latvian Teachers' Conference (Tartu, 13 June 1917) On Latvian University, which states:

"Taking into consideration, I) that along with the foundation of the Latvian Teachers' Seminar and secondary schools there is a need for academically educated seminar and secondary school teachers who are able to teach in the Latvian language, 2) that due to the establishment of the Latvian self-government, there is a need for academically educated officials in public administration and economy, 3) that along with the opening of new types of primary schools in Latvia, the primary school teachers will have to acquire higher pedagogical education, 4) that to meet the religious needs of the Latvian parishes there is a need for theologians and that, taking into consideration the crisis of the Theology Department at the Tērbata University, this

would be hardly possible in the future – the Latvian Teachers' Congress acknowledges the need to establish the Latvian University".

This was a foundation stone for establishing of Latvian (not Latvia) University, one of the main tasks of which was teacher training (including its own educators) for work in Latvian schools (i.e., mono-linguistic language schools). Later when the establishment of schools with other languages of instruction was allowed, such schools operated on the basis of private initiative and did not constitute an integrated element of the state education system. Teacher training for work in the specific conditions of these schools was not among the state functions. Thus, for instance, Pauls Valdens refused to work at the Latvia University, as he did not agree that all teaching should be provided only in the Latvian language, although he knew Latvian very well. Vasilijs Sinaiskis agreed to work at the Latvia University, although he did not know Latvian at that time. However, he soon learned it.

Upon the incorporation of Latvia into the USSR, the mastering and use of the Russian language became mandatory in the entire education system. The use of the Latvian language was allowed, however, only in the status of the second language. The mastering of other languages was welcomed, but not mandatory. The Latvian State University, which was one of the main institutions preparing teachers, had to prepare teachers for work in the whole USSR, which was ensured by making the Russian language mandatory.

At present Latvia has begun to develop its education system by way of adopting many of the ideas and principles that have already been achieved in the first period of its independence. The development is mainly focused on local problems and local solutions. The process is characterized by the dissociation of the members of society by their national features, areas of professional fields, differences in views, physical or mental abilities, age and gender.

Notwithstanding the acknowledgement of the specific history and geographic situation, Latvia still can learn much from the experience of the Western European and North American countries in solving similar problems. This is especially important in connection with the forthcoming accession to the EU and Latvia's further integration in the world.

This requires academically and professionally sound analysis of the teacher training at the institutions of higher education in Latvia to provide recommendations for the state and municipal authorities, as well as to draw society's (taxpayers') attention to the nature of this problem and the justification for the selected solutions. At the same time this analysis should outline the way for Latvia towards its integration into the EU and the community of other countries and nations of the world.

Pre-service teacher training in Latvia: choice between two models

The structure of teacher education in different countries can be characterized by two main models – the integrated and the consecutive (Busch, 2002). The comparative advantages and disadvantages of the above widely used models have been analyzed and discussed for many decades. Today this discussion both in the European countries and in other places all over the world has come into the spotlight again. For example, it took place in the 27th Conference of the Association for Teacher Education in Europe (ATEE) in 2002 in Warsaw. One of the stimuli for the discussion on the quality of education and the reforms of education, especially teacher education, is the analysis and discussion of the results of the OECD PISA research in many countries of the world. See, for example, the report of the Chancellor of Germany to the Parliament (Schröder, 2002).

The integrated model means that within its framework the academic (subject-related), pedagogic, psychological, professional internship and other components of the learning process are combined. *The consecutive model* at first comprises the obtaining of the bachelor's degree in a certain field of science, social science or the humanities and only after that – during the next step of the learning process (it could also be studies for a master's degree) – the choice to become a teacher is made and the knowledge and skills necessary for a teacher (pedagogy, teaching

methods, internship at school, etc.) are acquired. Thus, in the case of the consecutive model, the studies for the bachelor's degree (e.g., in physics, history, the English philology, etc.) basically have a very limited relation to the profession of a teacher. This system no more corresponds to the tasks of the teacher in the present and future society.

The task of teaching has changed. Today the task of the teacher no longer lies in providing students with certain knowledge in a given subject-area and testing how accurately they have mastered it. Today the aim of the teacher is to develop the students' ability to learn, "to teach learning" at school and later on during the rest of life, to acquire the competencies required for their professional activities. The subject-area to a certain extent is of secondary importance in relation to the pedagogic activities of the teacher. Each subject-area is, in fact, the means of implementation of psychological and pedagogical aims. The readiness of teachers to attain such aims is much more adequately ensured by a qualitative integrated teacher education program rather than the consecutive model. The integrated model in no case means that the new teachers lack the necessary knowledge in their subject-area (or areas). The difference lies in the goal of one or another model.

The advantage of the integrated model is the common goal for the entire 4–5-year long learning process – to provide an opportunity to master the competences of a modern teacher. This goal ensures a unity of the scientific basis of the respective subject-area (areas), teaching methods, pedagogical and psychological studies, repeated internship at school beginning with the first years, as well as other study components.

In the consecutive model there is no integrated goal of the teacher education process. Such goal appears only in the 1–2 years long post-graduate study phase. In the first phase, 3–4 years long studies for obtaining the bachelor's degree – the goal is to master the basics of the respective scientific area without linking it to the professional activities of a teacher, since only a small part of the bachelors in the respective field will choose the profession of a teacher. It is also believed that the consecutive model is appropriate for the education of secondary school teachers whose task is to teach the basics of one or another scientific area to the secondary schools students who will be highly motivated to learn and in whose education there will be much fewer pedagogical problems. However, we cannot agree with the latter statement, as no attention is paid to comprehensive development of the personality of the student.

Thus, a qualitatively developed and introduced integrated model of the teacher education can provide us with a new teacher who is much better equipped to meet modern requirements. Among the disadvantages of the integrated model we can mentioned higher costs, as it could even be argued that within the framework of this model the training of a teacher of each specific subject area (or several subject areas) lasts for 4 to 5 years, while in the consecutive model only for 1 to 2 years (post-graduate studies). The studies at the bachelor level in different areas are provided irrespective of the teacher education model chosen at the given university, pedagogical institute, in the country in general, etc.

This leads to the fundamentally incorrect perception that the integrated teacher education programs unnecessary "overlap" with the respective bachelor programs and that all that the teacher education needs is a small (even 1 year long) "pedagogical superstructure" in addition to the bachelor programs. However, such concept exists mainly in the universities in which the above bachelor programs are regarded as one of the "basic activities" of the university, while teacher education is not considered a basic activity. If teacher education is provided in a specific institution of higher education, the integrated teacher education programs do not cause any objections, although from the point of view of the state's interests and costs the problem basically remains the same – how to provide more qualitaty and cost-effective education to the representatives of this very important and widespread profession – the teachers (irrespective of the local interests of the institutes of higher education, their internal structure, etc.).

Thus, the initial education of teachers according to the consecutive model is cheaper. However, today it

does not achieve its goal anymore. One could expect that the cost-efficiency of the consecutive model would increase the resources available for in-service training of working teachers. Formally the statutory requirements for the total length of teacher training in the institutes of higher education (4–5 years) are met. However, this education consists of two almost unrelated parts of different scope, of which only the shortest one concerns teacher education, and this does not ensure a full-value professional education of teachers.

By the way, if the ratio of student-financed study slots is as high as today in Latvia (including teacher-training programs), the question of the costs of one or another model being financed by the state budget is even more inappropriate, as the students study on their own account, freely choosing any academic or professional study program (to become a teacher, a lawyer, economist, physician, philosopher). The state can regulate the necessary number of specialists by providing preferential payment terms for study loans (or redemption of the loans).

Sometimes the fact that not all of the graduates of the integrated 4–5-year-long teacher education programs work in the chosen profession is mentioned as an argument against the integrated teacher education programs. However, the same argument applies also to the graduates from any other professional or academic study program anywhere in the world – it is never 100%, even if there are vacancies in the respective professional area or industry (perhaps, with the exception of graduates from military schools and similar institutions of higher education). This issue is discussed in the section *The Work of the Graduates from the Teacher Training Programs at Schools*.

Bologna Declaration and the teacher education models

The choice between one or another model in different countries often is not based on the analysis of the aims and results of teacher education, but simply by academic traditions and the existing structure of the Departments and the related study programs at the universities and other institutions or a comprehensive reorganization of these structures.

At the moment the structure and duration of the study programs in Latvia and other European countries in general can be affected by the reorganization of the study programs in accordance with the Bologna Declaration (AIC, 2000). One of the provisions of the declaration stipulates that by 2010 the European countries have to adopt a system of higher education essentially based on two main cycles – undergraduate and graduate. The first degree might be awarded upon completing studies, the scope of which corresponds to credits received during 3 years. However, it should be noted that the declaration also states that "the degree awarded after the first cycle shall also enable the student to work in the European labor market", which actually is the most serious commitment in the whole document (Rauhvargers, 2002). Another international document states "a two-cycle model makes sense only if the graduates after both the first and the second cycle become employable" (Rauhvargers, 2002).

If the first degree is related to the above mentioned shortest study period – 3 years, it is shorter than the duration of the teacher training currently stipulated by the legislation of Latvia and, in fact, of all other countries. Thus, graduates of the first 3-year cycle of teacher education cannot be employed as teachers. Basically the same issue is applicable to all the so-called regulated professions – physicians, teachers, lawyers and engineers. This two-cycle scheme is not quite appropriate for the above professions, as currently a specialist in these professional areas after 3 years studies is not yet fully prepared and nothing (even the Bologna Declaration) shows that this could change by 2010.

Returning to the currently used integrated and consecutive models of teacher education, we see that formally only the consecutive model corresponds to the two-cycle scheme. Moreover, according to the legislation, the bachelor degree upon completion of three years of studies in no way will be related to pedagogical education. The profession of a teacher will be mastered only later – in the 1–2-year-long graduate studies. Therefore, the consecutive model will maintain all the disadvantages mentioned in the previous section.

Therefore, such "reform" of the teacher education is definitely not recommended. Our German colleagues also object to this (Busch, 2002). Prof. Fr. Busch from Oldenburg University strongly advocates the use of the integrated (one phase) model in teacher education. Prof. Fr. Busch argues that it is necessary to link theoretical studies with internship at schools already in the first years of studies, to ensure that the observations made by the future teachers and the questions arising could be immediately discussed on a theoretical basis in the auditoriums; he also advocates the concurrent and mutually linked learning of the basics of the respective subject and the methods of teaching the same subject.

As we know, currently both the above mentioned teacher education models are used in Latvia, including the University of Latvia. The Senate has twice adopted the decision that both models are to be implemented and developed at the University of Latvia. It should definitely be considered a positive fact, as it provides an opportunity to compare these models both theoretically and practically. During the last 5 years, 75–80% of the teachers who have graduated the University of Latvia were trained according to the integrated model at the Department of Pedagogy and Psychology, and 25–20% at other departments and mainly according to the consecutive model.

Upon the restructuring of the study programs, the integrated model should definitely be maintained; it allows developing professional teacher education undergraduate programs, the duration of which could be 4 years. This would minimize the gap between the academic and professional programs, which is one of the objectives of the Bologna process.

Work of the graduates of the teacher education programs at schools

In the section "Models of Teacher Education" we already mentioned the fact that not all graduates from one or another study program work in their profession and that the graduates of the teacher education study programs are not an exception in this sense. This depends on the graduates' desire to work in the respective profession and their satisfaction with it, as well as the situation and conditions in the labor market (vacancies, salaries, possibility to repay or redeem student loans, the prestige of the profession, etc.).

Statistics on the work of graduates from the University of Latvia (LU) professional teacher education programs at schools can be obtained by comparing the LU information system's (LUIS) data with the data of the register of the teachers working at schools (LIIS). Each of the systems lists essentially each graduate and each teacher, and the comparison was performed by using the personal ID numbers. In 2001–2002, approximately 70% of the total number of the graduates from the University of Latvia (LU) professional teacher education programs work at schools. 42% of the graduates from the full-time study programs work at schools. These figures are approximate (basically, the number of the graduates working in their profession is larger) due to several reasons.

First, the data were obtained in May 2002 and therefore they do not include the graduates of 2002, who began their work at the beginning of the new school year. Second, the register of teachers does not include several educational and other establishments, the work in which should be considered as corresponding to the profession of a teacher. For example, social psychologists, teachers of sports and health care, and teachers at specialized schools basically work in their professional area also in sports schools, specialized schools, rehabilitation centres, etc. We might also claim that teachers working in school boards, the Ministry of Education and various educational centres, as well as young educators of the institutions of higher educations with teacher diplomas also work in their profession. Part of the graduates from the professional teacher programs continue their studies in full-time graduate programs. Such and similar adjustments considerably increased the ratio of the graduates working in their profession.

In general, we may say that the situation in this field is not very dramatic. In Latvia, it is very similar to that of other countries. For example, in the above mentioned 27th Conference of the Association for

Teacher Education in Europe in 2002 in Warsaw, it was estimated that on average about one half of the graduates from different teacher education programs go to work in schools. In the USA, only about one third of the graduates work in their profession according to the chosen education programs (Rauhvargers, 2002).

We are confused and surprised by the data that have appeared in the mass media that in Latvia only 10% of the graduates from the respective programs work at schools. At the same time, the above sources do not explain the methods that have been used in obtaining these data. It is unlikely that the situation in other institutions of higher education is much worse than in the LU and therefore changes the overall situation in Latvia.

Perhaps misleading information (considerably reduced number of the graduates working at schools) could be obtained, for example, if the total number of graduates from professional teacher education programs of Latvian institutions of higher education in the respective academic year (including part-time studies) is compared with the number of the so-called "new teachers" who have commenced their work at schools on 1 September of the same year. The data would be misleading, as many of the students (even during full-time studies) already work at schools during the senior year and continue their work also after graduation. Therefore, they would be included in the number of graduates, but not in the number of "new teachers", as they have already commenced working at school.

The above situation is even more characteristic of the graduates from part-time teacher education programs – often they are working at school already upon starting studies and continue to work there also after graduation. Therefore, it would be more appropriate to compare the number of the graduates from the teacher education programs (in the LU this could be done within the framework of the LUIS system) for the respective period of time with the data provided by the register of teachers, i.e., to identify whether the respective persons work at school, regardless of the moment when this work has been commenced. Data and methods should be selected on a well-grounded basis, and modern technologies and their use in the education system in Latvia allow to accomplish this.

By the way, indirect information allows us to conclude that the situation in other study programs is not better than in the teacher education programs. We hold no accurate statistics on other study programs in Latvia – what percentage of graduate physicians, engineers, agriculture specialists and others are working in their profession.

Taking into consideration the current gap between the academic and professional programs in Latvia, we cannot give a precise answer to the question regarding the work of graduates from one or another undergraduate and graduate program in the respective profession (or job), as the degree is awarded strictly according to the classification of sciences that does not provide any additional references to the potential professional field. It is clear that the graduates from an academic program may engage in research work in the respective branch of science. However, how many people are there in Latvia who are engaged in scientific research on a full-time basis in comparison with the total number of graduates from the academic programs of the institutions of higher education? The introduction of professional undergraduate and graduate programs in Latvia, reducing the distinct differences between the undergraduate and professional programs, including also the differences in the system of the program titles in the spirit of the Bologna Declaration could systematize this issue and bring the situation of the program graduates' employment opportunities in line with the actual labor market.

We believe that, in general, the obtaining and analysis of specific data on the graduates from other study programs and their working places would show that the portion of the graduates from the teacher education programs working in their profession is not smaller than that of many other professions.

Some problems the teachers encounter in schools

There is a popular opinion that in our country the only problem in the work of teachers is low salary. The government should increase salaries and all the

problems would be solved. We have taken part in several studies carried out by the International Education Achievements Assessment Association (IEA) and found that apart from the sore subject of salaries, there are other not less important problems that are directly related both to the teacher education and further education.

In this section we have used the data from the international comparative education studies in mathematics and natural sciences (TIMSS) in 1995 and 1999, including a survey of teachers of mathematics and natural sciences in Grade 8 of randomly chosen schools with the Latvian language of instruction. In each survey about 150 teachers of mathematics and 330 teachers of natural sciences were included. The results of the Second Survey of the Use of the Information Technologies in Education (SITES) based on the data obtained in 1998–2002 were also partly used.

Teacher salaries

While concerned about the fact that not all the graduates from the teacher education programs work at schools, we should not disregard one of its causes – insufficient teacher salaries. Notwithstanding the implementation of a special program with the purpose of increasing teachers' salaries, they are still comparatively very low (compared, for example, to the average salary in public administration institutions or to the GDP per capita), especially for new educators. The actual salaries are not that small, as most of the teachers work more than standard workload, although this leads to the overwork of the teachers, their discontent with the incomplete work due to the lack of time and, eventually, insufficient quality of their work. The salaries are also increased by the bonuses paid from municipal funds, which are rather substantial, especially in Riga.

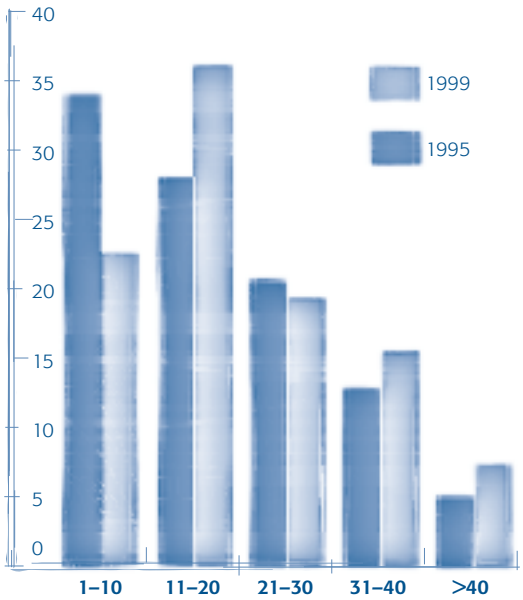

Figure 1. Breakdown of teachers of natural sciences by length of service at school

The issue of the teacher salaries should be solved by taking a complex approach to this issue. It should be considered that the student-teacher ratio in Latvia is very low – approximately ten to one. We should also take into account the continuing decrease in the number of students, from one side, and the aging of teachers, from the other side. The necessary legal provisions and interpretation of the legislation concerning the teacher education requirements should be developed. The requirements concerning the workload of teachers should also be specified. It should comprise all professional activities performed by the teacher, not only the contact-hours spent in classrooms. As a result, the salary for a full workload should be considerably higher.

Work and profession

The surveys show that teachers indeed are not satisfied with their work and profession. For example, in 1995, 36% of the teachers of mathematics stated that they would change their profession if there were such an opportunity. In 1999, the ratio of such teachers reached 48%, which is almost one half. The views of teachers of natural sciences are similar. What could be the reasons for the dissatisfaction of the teachers with their profession? A significant factor is the already mentioned small salaries. However, in this article we will address other possible factors.

First. Teachers believe that society does not appreciate their work. In 1995, 80% of the teachers of mathematics were of such opinion. In winter 1999,

their views had changed only slightly – 75% of the teachers of mathematics were of such opinion. The teachers of natural sciences were of similar opinion.

Second. The teachers actually have a huge work-load – many contact-hours, as well as much work after classes. Latvian legislation stipulates that a full-time workload corresponds to 21 contact-hours a week. Before 1990 it was 18 contact-hours. Over the period from 1995 to 1999, the average work-load had increased by almost 20% and reached 26.5 academic hours per week. Moreover, it should be noted that in the calculation of the average number of the academic hours per week, all teachers were included – also those who work only part-time. The modal value of the workload of the teachers of natural sciences is 30 hours, one fourth of the teachers work in the classroom more than 33 academic hours per week, but 10% work more than 37 academic hours per week. The time the teachers spend on other teaching-related activities – preparation for lessons, preparation and correction of tests, correction of other tasks, professional development, etc. also should be added. In teachers' opinion, this time on the average is 12.5 hours per week and has not changed during the period from 1995 to 1999. This means that the majority of teachers work 42.5–50 hours per week, which demands considerable physical and mental resources.

Third. Another reason for the teachers' discontent could be the lack of teaching aids at the school. At a time when the media are continuously advertising modern technologies, when they have largely become a cult product, their implementation in the schools is very slow. It should be taken into consideration that modern technology does not mean only the hardware, but also the latest technological solutions, for example, in physics, chemistry, biology.

In general, our teachers and school principals in comparison with the educators from other countries are of a very low opinion regarding the available teaching aids. During the TIMSS study, a special index of teaching aids in natural sciences was created, the high value of which indicates that the school has all the necessary teaching aids to provide well-organized education work. The index was high only in 2% of Latvian schools. For the sake of comparison we can mention that, for example, in Belgium this index is high in 60% of schools, in the Czech Republic – 43%, in Lithuania – 6%. In Latvia almost 70% of the teachers of natural sciences have mentioned that the lack of equipment and materials for *experiments* considerably hinders teaching of natural sciences. About 65% of the teachers of natural sciences consider that the lack of equipment and materials for the *work of students* also is a major factor that hinders the teaching process.

Fourth. Each staff member is happy when joined by young colleagues. This improves the self-respect of each member of the collective. Of course, many graduates start working at schools, but not in sufficient numbers. Rapid aging of the teacher staff can be observed at schools. The average length of service of the teachers of natural sciences has increased by 2 years during the period from 1995 till 1998, but that of the teachers of mathematics by a year. The ratio of young teachers (under 40 years) has decreased, but the ratio of older teachers (both over 40 and over 60) has increased. Figure 1 shows the breakdown of the teachers of natural sciences by length of service at school. In 1999, the number of teachers with less than 10 years length of service has considerably decreased. The insufficient number of young people starting their work at schools leads also to the above mentioned teacher overload – the teach-

Factors considerably hindering the teaching of mathematics	1995	1999
Lack of software	23.1	13.5
Lack of hardware	21.1	11.9

Table 1. Teachers' assessment of providing the teaching of mathematics with technologies. Source: TIMSS data

Factors considerably hindering the teaching of natural sciences	1995	1999
Lack of software	29.1	35.5
Lack of hardware	27.3	28.3

Table 2. Teachers' assessment of providing the teaching of natural sciences with technologies. Source: TIMSS data

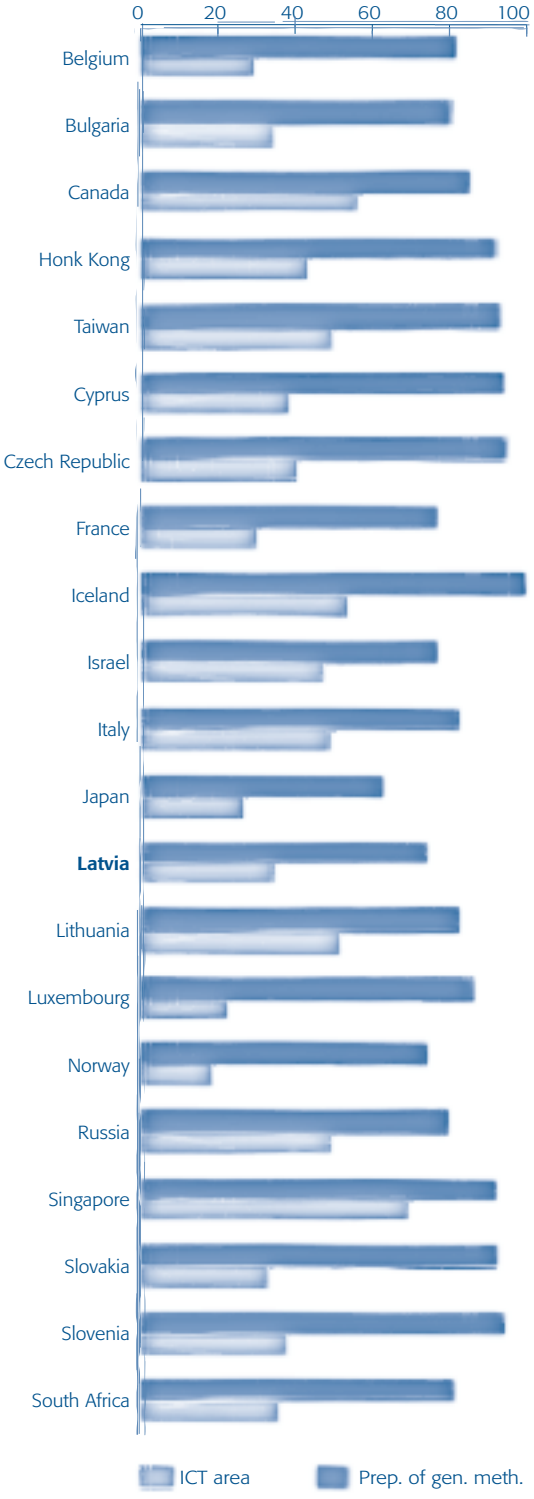

Figure 2. Self-assessment of secondary school teachers of informatics concerning their qualification in the field of technologies, as well as general qualification in teaching methods

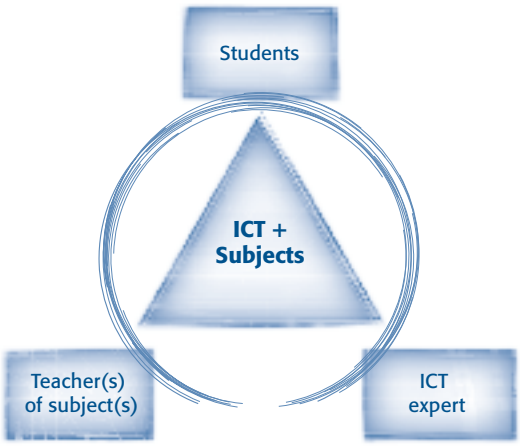

Figure 3. Model of the co-operation of students and teachers for wide integration of ICT in the training process

ers have to undertake additional classes to ensure a more or less acceptable teaching level at school.

Information and communication technologies and co-operation of teachers

In 1999, a little more than 10% of the interviewed teachers of mathematics believed that the lack of hardware and software was an essential restrictive factor in teaching mathematics (Table 1).

In turn, in 1999, about 30% of teachers of natural sciences indicated that the lack of hardware and software was an essential restrictive factor in teaching sciences at the general secondary school (Table 2).

Moreover, it should be taken into consideration that the number of teachers who are discontent with this issue has slightly increased in comparison with 1995.

The teachers of informatics and IT coordinators have a relatively important role in the dissemination of the new information related to the use of the information and communication technologies (ICT) at school. Therefore, it would be interesting to know how well these persons are trained for the co-operation with their colleagues regarding the explanation and popularization of the ICT news.

One of the ways to find out is their self-assessment. In the SITES survey, the teachers of informatics and IT

State	Informal contacts, information exchange	ICT team meetings	Regular topic at teachers' meetings	Regular newsletters	Repeated courses (cascade method)	External courses	Internal courses	School's hardware coordinator	No organized activities
Belgium	77	15	7	4	59	22	27	58	23
Bulgaria	72	5	1	4	8	25	15	17	40
Czech Republic	89	37	10	3	25	14	38	49	11
South Africa	64	9	2	2	22	12	21	37	38
France	90	12	9	7	18	22	27	57	35
Hong Kong	88	44	17	12	33	44	57	45	12
Island	100	20	13	9	12	37	41	85	29
Italy	71	35	11	3	26	30	77	49	22
Israel	60	29	8	9	43	45	52	58	24
Japan	72	42	6	2	19	39	33	48	29
Canada	92	50	14	12	33	33	46	68	22
Cyprus	88	0	0	0	4	9	7	15	36
Russia	68	9	8	2	20	44	8	8	22
Latvia	**84**	**12**	**9**	**5**	**29**	**11**	**59**	**33**	**22**
Lithuania	72	7	1	7	30	51	23	40	32
Luxembourg	90	6	0	0	22	50	39	75	53
Norway	90	16	5	6	18	36	79	69	26
Singapore	83	76	57	37	64	96	99	93	19
Slovakia	79	12	12	2	25	12	35	43	29
Slovenia	97	16	15	30	16	53	20	48	16
Taiwan	76	29	16	11	39	43	80	75	4

Table 3. Ways of informing teachers on ICT news in secondary schools

coordinators had to answer questions concerning their competency in general ICT use issues (operating system, text processing, databases, table processors), as well as ICT specifics in the teaching process (customized software for different subject-areas, educational basis of integration of PCs in different subject-areas, choice and assessment of training software, the potential use of the hardware to implement the individualized approach in the teaching process).

Summarizing the obtained results, it could be said that the computer specialists in **all** countries have a considerably higher assessment of their qualification level in general ICT use issues, than of their qualification in the issues concerning the methods and educational aspects of ICT use (see Figure 2).

This again agrees with the frequently heard reproaches that the various computer training courses for teachers (both of informatics and other subject-areas) do not provide the expected knowledge in the specific ICT usage methods that considerably differ in various subject-areas.

Teacher education, further education and co-operation

The teachers are well educated. In 1999, 97% of teachers of mathematics and natural sciences had received higher education. Since 1995, the number of teachers of mathematics without higher education has decreased twice (from 6% to 3%), and the number

of natural science teachers without higher education – even 3 times (from 9% to 3%)!

This trend, taking into consideration the adopted laws on teacher education, is quite understandable, since as of 2004 teachers will have to have an adequate document certifying that they have completed higher professional education.

Furthermore, the further education of teachers will continue to play a very important role both in the respective subject-area, as well as other fields, with a special emphasis on cooperation and innovative methods.

For example, the IEA SITES study emphasizes that the further education of teachers in ICT use should not be a one-time activity, as the modern technology and the related opportunities develop very fast. Therefore, it is important to identify the ways in which schools inform teachers on news regarding ICT use. Information can be passed over using teamwork, cascade type training, and training courses at school. Individual work is also possible where the latest information is exchanged on an informal basis. Table 3 provides a summary of the answers of secondary school principals to questions concerning the methods of informing the teachers on news regarding ICT. The data on primary and elementary schools are not presented, as they are similar to those of the secondary schools.

As shown in the table above, the school principals from basically all surveyed countries have mentioned the following key ways of informing the teachers on ICT news:

- Informal contacts (conversing, consultations, etc.)
- Internal courses
- Activities of the school's IT coordinator

Moreover, it is exactly the informal contacts that are mentioned as the most frequently used way of receiving and understanding the latest news (on the average, 81% affirmative answers in all member countries). Only 11% of the principals of the surveyed at Latvian schools mentioned external courses. This figure is one of the lowest among the other participating countries (9–96% affirmative answers). Comforting is the fact that 29% of the principals of the surveyed Latvian schools mentioned the fact that the cascade method was used at their schools, i.e., a teacher after receiving some external training delivers the respective course to her/his colleagues at school.

The organizers and operators of both the teacher education and their further education should pay special attention to introducing and using new education forms and methods, as participants of various international comparative education studies emphasize the necessity of introducing innovative solutions in education and the related changes in the organization of the further education of teachers, where the co-operation between students and the teachers of various subject-areas is emphasized. Figure 3 presents an example of a model of co-operation between students and teachers of informatics and other subject-areas based on a common innovative approach to the training process by wide application of modern technologies.

Conclusions and recommendations

1. The structure of teacher education in the world can be characterized by two main models – integrated and consecutive. The integrated model ensures better compliance with the modern requirements of teacher education.
2. The improvement and restructuring of the teacher education programs should be performed by analyzing the requirements and the situation in the system of teacher education and not by applying general "universal" schemes. Such reforms might perhaps unify the general structure of the study programs and even reduce the costs of the initial teacher education, but in the long run this would lead to a drop in the quality of teacher education and compliance with modern requirements, as well as to increased costs of further education.
3. Not all of the graduates from the teacher professional study programs go to work at schools (during recent years, in the UL in general about 70% of graduates from the teacher study programs work at school, including 42% of graduates from full-time programs). However, a similar situation can be observed in many countries all over the world and in other study programs.

4. The issue of the increase of teacher salaries should be solved in a complex way, by analyzing the issues of the optimal number of teachers, their age structure, workload and required educational background.
5. The system should be improved from training teachers to teach only one subject to educating teachers to teach two or even more subjects (especially related ones, as, for example, natural sciences, human sciences and social sciences).
6. Motivation to work at school could be increased by providing redemption of study loans from the state budget for those who have engaged in stable and long-term job relations with schools or related institutions (in accordance with the regulations issued by the Ministry of Education and Science).
7. The above-mentioned and other privileges and guarantees should be applicable only to those teachers who have been licensed (certified) for this job after the acquisition of a higher education diploma in accordance with the procedure provided by the state. The Ministry of Education and Science should have the right to consider the issue of annulment of accreditation for those teacher-training programs that do not provide their graduates with the said licenses.
8. There should be provision of tax allowances for those who finance teacher training in state-accredited higher education institutions or studies in state-accredited programs, if the institution has proved compliance with the regulations governing non-profit organizations. It should be recognized that private financiers have the right to indicate which studies, ethnic groups, religious confessions or other officially recognized activities they want to support and to meet their preferences.
9. Taking into account the ever-growing migration across national borders (already at school age), to facilitate the involvement of foreigners (who are loyal to Latvia) in the teacher profession, if they have chosen this country as their permanent future residence or have decided to stay here for a long time and are licensed to work in this profession. To achieve that the licenses received in Latvia may be used (gaining full legal power in future) to take up a job of a teacher in other countries, first of all, in the European Union Member States.

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Aspects of Teacher Professional Development System

Mārīte Seile (School Support Centre)

Summary

The professional development of teachers is of paramount importance, because the number of young teachers is small with a tendency to decrease. The curriculum development and the introduction of new approaches are left in the hands of teachers who received their professional training some time ago. Excellence requires that new professional development programs are available to teachers through in-service programs.

However, there are several external constraints, which impede the development of an effective in-service teacher training system. Schoolchildren appear to be the losers, because equal access to education as defined in the Education Law is not provided. This paper explores the constraints to providing in-service training, isolates their causes, and recommends several improvements designed to be feasible as well as affordable.

Problem

Delegating the responsibility to local governments and schools to provide teachers with professional development opportunities causes additional inequalities among schools, which can and cannot adhere to this important requirement. Hence, equal education opportunities for schoolchildren are threatened.

Introduction

According to the Concept for Professional Development of Teachers, there are two independent paths for **professional development**:

1) "continuing further education according to **study programs at higher education institutions** and
2) systematic ongoing **professional development** in professional development programs".

About 10% of working teachers continue their education in academic or professional study programs.

This study will focus on the second path, i.e., professional development of teachers, because it is a more accessible, faster and more flexible way to follow systematically innovations in teaching and to encourage learning of schoolchildren. Approximately 340,000 schoolchildren study at general education schools in Latvia with nearly 34,000 working teachers. Approximately 70% of teachers, (nearly 24,000) participate in professional development programs.

Professional development of teachers is of paramount importance because the number of young teachers is small with a tendency to decrease. (Only 20% of young teachers who have graduated from universities choose to work at schools (Table 1).) Consequently, curriculum development and introduction of new approaches depends on teachers who have had their professional training some time ago, and

new approaches in teaching can be primarily acquired in professional development programs.

Further, several aspects will be considered with regard to the education system in general and the system of professional development in particular.[1]

Administrative changes

In the government of Latvia since 1990 there have been ten ministers of education and science; in 1995 and 1999 the ministers changed three times.

Consequently, a rhetorical question on continuity and long-term activities arises. For example, in an interview for the newspaper "Vēstis Skolai", Silva Golde, the Minister of Education and Science from July – November 1999, said: "Continuity … When I started, in the ministry there was only an action plan for half a year, and that was all. I started in an empty room with a clean desk, because my predecessor had taken all the materials with him. Moreover, there were no meetings to discuss the work done and the work to be continued."

Frequent changes of ministers and insufficient continuity cause instability and transformations at the Ministry of Education and Science, which severely affects the whole education system. It also affects organizations in charge of professional development of teachers and staff of these organizations. There was a new director and new ideas for each new organizational structure, but the life cycle of the new ideas was equivalent to that of the new structure. New experts would not study and follow the previous experience, but by "*looking into the dark*" they would try to understand the overall situation and start building from scratch.

Consequently, it is characteristic of documents on education that even if **a potentially very good idea** is presented, the documents are not adequately developed, they lack a theoretical framework, and thus, good ideas are rebutted or not fulfilled. During the debate, it is obvious that it will not be possible to implement some of the provisions.

For example, the Ministry of Education and Science Instruction No. 8 of July 18, 2001 "On Requirements for Teachers in General Education" states that all teachers should have higher professional education and qualification in the subject-area they teach.

In reality it is clear that a teacher who teaches several subjects for which according to the curriculum only a few hours are planned does not have several qualifications, therefore the Ministry of Education and Science is planning changes in the instruction.

Financing professional development

No reliable date is available on expenditures for financing professional development of teachers by sources of funding. The data suggest that teachers themselves are able to cover only a small fraction of expenditures on professional development, and, therefore, **professional development primarily depends on either state or local government financing.**

Since 1993, the principle of tenders has been applied to receive financing from the **state budget** for professional development programs.

All professional development programs can qualify for tenders, provided their objectives correspond to the tender regulations and priorities, which are different every year.

	1997	1998	1999	2000	2001	2002
Young teachers starting to work at school and who have higher pedagogical education	601	663	609	398	408	269

Table 1. Number of young teachers. Source: *Education and Culture*, Riga, 10.10.2002

[1] Other aspects related to teachers' professional development are described in the paper written by M. Seile "Teachers at the Crossroads" ("A Passport to Social Cohesion and Economic Prosperity", Soros Foundation – Latvia).

For example,

"In 1995 the priorities were set as follows:

- professional development for education managers;
- methodology for teaching foreign languages;
- methodology for teaching in the primary school;
- techniques of performance assessment;
- integrated curriculum development for the primary school.

It should be noted that these tenders had an interesting *feature,* namely, among the members of the tender committee were some organizations that acquired a significant part of the total amount of financing. For example, the Ministry of Education and Science published the following in the newspaper "Izglītība un Kultūra" on February 7, 1997: "The tenders for professional development programs for teachers were reviewed by a committee consisting of experts from the Ministry of Education and Science, the In-service Training Centre, the Professional Education Centre …" In the report on the approved financing, it is stated that approximately 24% of the total amount in the tender was awarded to the In-service Training Centre and the Professional Education Centre!

In the tender for the year 2002, the conflict of interests was eliminated by the Ministry of Education and Science Instruction No. 81 "On the Procedure for Financing of Professional Development Programs for Teachers from State Budget Resources in 2002", where it is clearly stated that 75,554 LVL or 73% of the total financing is coordinated by organizations under supervision of the Ministry of Education and Science: the Curriculum and Examination Centre, the State Youth Initiative Centre, and the Professional Education Centre.

G. Vasiļevskis, the Director of the Department of General Education at the Ministry of Education and Science, explained the following: "The Law on Education states that with regard to local government education institutions, local governments should take responsibility to provide teachers with support in teaching methodology and other forms of professional development. In private education institutions, the founders should ensure opportunities for professional development of teachers. It is important for the state to secure the implementation of the national policy, information, and methodology, which professional developments programs are primarily set for. Without fixed criteria, a major share or all financing was channeled into tenders. However, it is different now. As a result, the number of providers of professional development programs has decreased. However, it is certain that education policy set by the state is followed, and it is certain that the questions most essential for the state are addressed."

Year	Financing in LVL	Teachers involved
1995	112,090	9,600
1996	122,478	9,600
1997	105,204	9,530
1998	105,204	6,900
1999	103,200	5,200
2000	103,729	3,400

Table 2. The number of participants in professional development courses financed from the state budget. Source: IZM Izglītības darbinieku nodaļa, 2000

The statement above seems to be indisputable, if education policy is viewed in the light of a centralized system.

However, we may reconsider this statement from a different point of view:

- The number of participants in professional development courses financed from the state budget each year decreases (see Table 2).
- According to the information sent to the school boards by the Department of Professional Development "On Professional Development of Teachers in 1995": "The analysis of reports shows that in the future more attention should be paid to financing professional development programs in the regions… School boards have better access to explore professional development needs for teachers."
- On February 17, 1998, the Director of the Advisory Board (one of the tasks of the board is to give recommendations for the development of in-service training) approved a document "On the Current Situation and Perspectives of Teachers in Latvia", where in the section on "The Needs Analysis of In-

service Training, Professional Development Programs and Implementation" it is stated:

"...to provide financing for professional development programs **which are prioritized by teachers**".

- In the OECD *(Organization for Economic Cooperation and Development)* expert report on "The Analysis of the State Education Policy – Latvia. The Expert Report", in summer of the year 2000 it was stated:

"Professional development should be intensified by increasing financing and coordination, and organizing seminars to meet the needs the educators at schools have. More attention should be paid to tailor-made programs to meet local needs at schools, but external seminars do not meet the needs of local educators, and teachers have to commute to attend external seminars, therefore they have to miss work in the classroom where they are needed most."

- In the ASCD (*Association for Curriculum Development*) study in 2002:

"Efficient professional development focuses on assisting schoolchildren to achieve learning goals and to support their learning needs. There is cooperation – teachers and administration develop and implement plans. It is grounded in school, is long-term, is differentiated and is linked to the regional/national development."

In sum, the implementation of professional development programs, which are really effective and needed for schools, depends on teachers themselves, schools and local governments.

"The Concept of Professional Development of Teachers" reinforces the conclusion above:

- "The gap between financing for professional development of teachers and the needs teachers have for professional development is growing;
- state financing for professional development does not correspond to teachers' rights specified in the Law on Education, i.e., during the period of three years teachers have 30 days for professional development;
- state financing and local government subsidies do not provide resources for the implementation of priority tasks in professional development."

Consequently, teachers at schools located in territories of economically weak local governments have limited opportunities of good quality tailor-made professional development programs. In turn, it translates as a negative impact on the quality of teaching schoolchildren.

This statement may be compared to the findings in international studies: "National results in Latvia show cogently that schoolchildren in regional schools have less knowledge and skills than in Riga or other cities." (Geske, Grīnfelds, Kangro, 2001.)

The real investment of local governments and schools in professional development of teachers cannot be precisely calculated, because funding for professional development is found from other sources, for example, administrative expenses, and therefore it is classified as other expenditures. According to reports from some education boards, financing of professional development for one teacher is the following: in Riga district – 5 LVL, in Cēsis district – 4.86 LVL, in Valka district – 2.30 LVL.

The World Bank experts who carried out the survey "*Transition, the First Ten Years: Analysis and Lessons for Eastern Europe and the Former Soviet Union*" stated:

"By decentralizing financing and management of education to employ different financing mechanisms, the EU candidate states caused exceeded inequality in accessibility, especially regarding quality between the rich and poor parts of the society and between the rich and poor households. More and more relying on financing from households and the local society, the candidate countries have emphasized the difference in education quality between the rich and poor regions. Local governments have a big difference in ability to mobilize resources from taxes and other sources."

To improve the situation, a fraction of funding for professional development of teachers can be channeled to education boards, which could develop the most suitable model for professional development, taking into consideration the local needs of teachers. Such a model would allow combining different forms of professional development and financing as, well as

choosing the most appropriate professional development programs.

The World Bank states that "risk of inequality is higher in those countries, where only salaries for teachers are financed from the central budget, leaving the rest of needs to be financed upon the responsibility of local governments and parents."

Professional development should be reviewed within the context of the school's priorities and teacher's personal needs in order to promote teaching and learning. Demand regulates supply, and if the client has financial resources, the client can choose the most suitable and needed form and content to satisfy personal needs. As a result, the system may become more flexible, and the Ministry of Education and Science will be able to focus on other priority tasks.

This statement coincides with a project on the education system development by the Ministry of Education and Science "A Manual on School Assessment and Development Planning", which will be used as a reference material in self-evaluation and external evaluation processes. In relation to personnel development at school, there are two entries:

- relationship between personnel development and the school's development plan (for example: teachers participate in professional development programs corresponding to the school's priorities; the administration of the school provide professional development of teachers in order to promote the implementation of the development plan; in the development plan professional development needs of educators are indicated);
- **efficiency of personnel development (for example, information about professional development events of each educator is systematically registered; at school there is a specified procedure to explore professional development needs of each educator; educators report on the content and efficiency of professional development programs they have attended; at school there is a certain system to disseminate new information obtained at professional development programs).**

Quality of professional development programs

On a positive note, the Ministry of Education and Science has started to survey the providers of professional development programs and coordinate the programs with the Ministry of Education and Science; the programs are available on the Ministry's *website*. These activities could promote quality development of the programs offered to teachers.

The coordination process at the Ministry of Education and Science could be improved.

Currently, the provider submits a program for coordination at the Ministry. However, it is difficult to have a quality insight and evaluate the program based on an overview on a couple of pages; the committee does not have a chance to see the program running and feedback of participants. Moreover, it should be noted that professional development programs can take a couple of hours or they can be of a long-term character, therefore, there can be a number of programs to be coordinated.

Therefore, it should be discussed whether all financial resources spent on coordination by coordinators and by program providers are adequate.

Licensing providers of professional development programs would be more efficient, taking into account the analysis of feedback from participants. It will be possible to allocate more time for each organization to assess quality of services provided, and program providers will be more flexible towards the needs of educators.

During the last few years importance of education as a guarantee for development of a knowledge-intensive national economy has been stressed in governmental documents, political party programs, and informal discussions. The necessity to develop an education system that will be based on critical thinking skills employed in a lifelong learning process and not on education based on memorizing facts has been clearly stated. Moreover, the developed countries of the world *OECD (Organisation for Economic Co-operation and Development)* are carrying out research "*PISA – Programme for International Student Assessment*" to assess skills of schoolchildren to

apply knowledge in real-life situations. In the year 2000 31 countries (including Latvia) took part in the first round.

One of conclusions based on the Programme for International Student Assessment (OECD, 2000) noted that "low indices of the EU candidate countries (the following candidate countries participated in the survey: Czech Republic, Hungary, Poland and Latvia) state that education systems in those countries should make significant input in developing the highest skills of thinking, for example, synthesis, analysis, application and "thinking outside the frame". In order to reach the goal, fundamental change in the content of study programs and teaching methods need to be implemented, including pedagogical methods directly aimed at the schoolchildren and based on research, as well as alongside with textbooks and teachers' presentations use additional information sources." The research noted that those exactly are the skills that are important in the global economy.

Two important conclusions in relation to professional development offer can be summarized based on the above mentioned statements:

- equal attention should be paid both to the content and to methods when evaluating the quality of professional development services,
- educators should be provided with free and quality access to the Internet, so that they can use available resources and offers for professional development.

Allocation of responsibilities

The Concept of Professional Development states:

"The competence of the Ministry of Education and Science in professional development is:

1) to implement consolidated national policy and strategy,
2) to develop draft legislation,
3) to organize quality assessment of teachers and education managers;
4) to provide state financing for national professional development programs and projects, and coordination and support for professional development;
5) to organize state recognition and accreditation of programs and approve professional development;
6) to coordinate professional development of teachers and research projects;
7) to develop guidelines for professional development programs and recommendations on methodology;
8) to prepare public tenders and recommendations for granting state financing;
9) to organize a quality and efficiency assessment of professional development programs."

"Non-governmental organizations and higher education institutions **develop** and **implement** professional development programs, projects and study programs.""

According to the Education Law, the Ministry of Education and Science "should implement the national policy and development strategy in education, develop draft legislation, organize education and professional development of teachers, and coordinate research and methodology". Consequently, neither the Ministry, nor any of the institutions subordinated to the Ministry should provide professional development programs. It is the only way to develop positive competition among providers of professional development programs and at the same time to ensure capacity building for professional development service providers in Latvia, as well as to be as close as possible to the customer.

When preparing the paper (June–November, 2002) the author faced a fact that hardly any reliable and recognized data on activities in the professional development system of Latvia are available. Therefore, one can raise the issue how would it be possible to research and forecast trends in the professional development system, given the lack of reliable information which can be used for analysis.

Recommendations

To provide all schoolchildren in Latvia with equal education opportunities, first, equal education opportunities should be provided for all teachers in Latvia.

A few suggestions to achieve the goal:

- to develop a **professional** in-service **training system** based on a strong theoretical framework with stable financing, irrespective of political changes;

- to guarantee **subsidies** to schools or education boards to support professional development of teachers, by means of which professional development can be tailor-made to meet local needs;
- to develop the **capacity** of professional development program providers in Latvia, with the Ministry remaining responsible for strategy and regulatory control;
- to provide teachers real access to quality and advanced services of information and communication technology.

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CHAPTER 4. HIGHER EDUCATION

Student Loans and Access to Higher Education in Latvia

Rita Kaša

Summary

Latvia has a state-established financial support system providing different assistance to students who have been granted state-financed study slots and students covering their tuition fees from personal resources. Some students receive scholarships/grants and partly paid public transport fares. Students who study at state accredited tertiary institutions may also receive state-guaranteed loans from resources of credit institutions for payment of tuition fee and covering daily living costs. A much more limited number of students may receive loans from credit institutions on the basis of an individual agreement, but this trend is developing. Public foundations, legal entities and individuals also offer student loans and scholarships. However, not all young people can receive funding for acquiring higher education within the state-established student funding system. The paper analyses the existing student support system and concludes that state support is not linked to the financial situation of the students. Consequently, the state funding is not allocated to the students who are in the most need of it. Considering the increasing social and economic stratification of society, the paper concludes that student funding should be based not only on student academic performance, but also on their income levels.

Problem

A merit-based public student funding system does not provide equal access to higher education for young people coming from low-income families. Thus it enhances the social stratification in Latvia.

Introduction

There is a worldwide trend of gradual transfer of higher education costs from the government and taxpayers to students and their parents. This fact is evidenced by increasing tuition fees in the countries where they have existed before and introduction of tuition fee in those countries where higher education traditionally has been free of charge. Such example in Western Europe is Great Britain and among socialist countries China (Weifang, 2001). The aforementioned trends are also observed in the Central and East European countries, including Latvia, where the state monopoly on higher education was abolished by the Education Law of 1991, which allowed to establish higher education institutions and to introduce tuition fees. Since then an increasing number of students in tertiary institutions do not receive any public funding. For example, in the academic year 1990/1991 all 46,000 students studied in the universities of Latvia free of charge (SSK, 1992: 176). In the academic year 2001/2002 the number of stu-

dents in Latvian tertiary institutions reached 110,550, of which 70% had to finance their studies themselves (IZM, 2001b).

It should be mentioned that costs of education increase social stratification in Latvia, as many young people who wish to study cannot cover the study expenses. Besides, the widest offer of higher education concentrates in Riga where the living costs are the highest in the country[1]. In study year 2001/2002 about 80% of all Latvian students studied in Riga (IZM, 2001b).

The experience of different countries shows that there is no identical or ideal model of student funding that would provide equal access to higher education for all students representing different social layers. However, there are similar measures different countries use to reach the goal. These measures can be classified into two groups. The first group includes scholarships and various grants, the second funding in the form of loans.

Funding of students in the form of lending has particularly developed over the last decade of the twentieth century. At the same time it is observed that countries, when allocating grants, pay special attention to students from low-income families or families whose annual income is below a defined level. Granting of scholarships is also related to student academic performance.

In Latvia non-reimbursable state support is available only to those students who have won the competition for state-funded study slots in the state-owned higher education institutions. The tuition fee for those students is covered by the state, and they are also entitled to state scholarship and in special cases may apply for an additional grant or allowance. Other students must pay their tuition fees and are not entitled to any grants from the state. Unlike the USA, Great Britain and many other countries, in Latvia the public funding of students is not connected with the income level of the student's family. Namely, public funding for tertiary education is provided only to students with good grades, irrespective of whether they need it more than others.

To provide students with an opportunity to raise funds for their studies, the state at first established a loan system for covering the living costs of the student and the tuition fee. Within this system loans were furnished by the state. Later the system was modified and now the loans are provided from the resources of commercial banks and guaranteed by the state[2].

This article will present an overview of the student financial support system in Latvia, analyze its drawbacks and offer solutions for possible improvement or alteration of the financial flow mechanism in order to enhance accessibility of higher education in Latvia.

Financial support to students in the developed countries

To show the variety of methods applied for organization of financial support to students in order to provide equal opportunities to acquire higher education to persons with different socio-economic backgrounds, a few case-studies of the developed countries will be discussed.

For example, Germany in 1971 adopted the Federal Education and Training Act with the aim to provide low-income students with non-reimbursable state scholarships, where the amount of each scholarship is linked to the parents' income (GSE, 2002). Later the conditions were changed and the funding for

[1] In study year 2001/2002 only 7 of 34 Latvian institutions of higher education were situated outside Riga. Public institutions of higher education: Latvian Agricultural University (Jelgava), Daugavpils University (Daugavpils), Liepāja Pedagogical University (Liepāja), Rēzekne University (Rēzekne), Ventspils Graduate School (Ventspils), Vidzeme Graduate School (Valmiera). Private institutions of higher education: Latvian Evangelic Christian Academy (Jūrmala).

[2] Loans for social needs of students have been provided from state budget resources since 1997, while loans for covering the tuition fee only since 1999. Allocation of the said loans from the state budget resources was terminated in autumn 2001, when the system of lending to students from the resources of credit institutions became functional; within its framework students can apply for both types of state-guaranteed loans.

low-income students consisted of two parts – 50% non- reimbursable state scholarship and 50% – non-interest bearing loan repayable within 20 years starting from the fifth year after graduation. However, the Federal Education and Training Act also requires students to meet specific academic criteria in order to receive such support. As a result, after completion of the fifth term students must submit "the qualification certificate" to retain their rights to the above mentioned state support. If a student needs more time to fulfill the requirements of a certain program, he or she is only eligible for a loan with a 4–5% interest rate. The repayment period for such loans begins six months following graduation.

Germany has also established compulsory participation of the parents in funding of their children's higher education. Depending on their financial position, the law sets an obligation for the parents to cover partially their children's expenses for learning materials, accommodation and eating. Due to this, a part of the financial support designated for a student is directed to their parents. All families with students under the age of 27 receive a monthly "kindergeld" or the so-called "child support allowance", as well as enjoy certain tax discounts (GSE, 2002). That refers to all students, as in Germany there is no such status as a "part-time student".

In the Netherlands the amount of the tuition fee is the decisive factor for establishing the eligibility of a student for *state support* (GSE, 2002). Students who receive support pay a tuition fee set by the state, while those students who do not receive any support pay the tuition fee set by the educational institution. The group which does not receive support includes part-time students and those full-time students whose personal income exceeds the income level set to identify eligibility for study support or who have already used their rights to receive it (GSE, 2002). In general, all full-time students in the Netherlands are entitled to a basic grant. However, depending on their parents' income level, students may receive also an additional grant for the period of time usually required to accomplish studies (in most cases four to five years) (GSE, 2002). Students are also eligible for loans with an interest rate of about 2% above the interest on long-term government bonds.

In Scotland tuition fees were introduced in the academic year 1998/1999. The amount of tuition fee depended on the annual income of the student's family. Students from low-income families were not required to pay a tuition fee. After Scotland gained its autonomous status in 1999, the new Scottish Parliament decided to change the system for collection of tuition fees. Starting from the academic year 2001/2002 payment of tuition fee upon entering the higher education institution was cancelled and replaced by the requirement applicable to all students after graduation to contribute a certain amount to the Scottish Alumni Endowment Fund. The obligation of payment becomes valid as soon as the graduate's annual income reaches a set level. The amount payable to the Scottish Alumni Endowment Fund is paid through the student loan repayment system, which provides for commencement of repayment of the debt as soon as the debtor's income has reached a certain level (income-contingent loan) (GSE, 2002). It is provided through the existing personal income tax administration system.

The same procedure exists also in other parts of the Great Britain, while otherwise the student funding system in England and Wales is different.

In accordance with the procedure prevailing in Great Britain during the 1980ies, students did not have to pay for their tuition themselves. Social grants to students were paid through the taxation system and were related to the annual income of parents. Therefore, students from well-off families received either a small grant or nothing at all. It was assumed that the parents would provide financial support equal to the grant (the so-called "parental contribution"). On the other hand, students from low-income families received a full amount of state-funded grant. However, over time the amount of the state-funded grant became insufficient to cover students' daily living expenses. Therefore, to provide at least a partial solution to this problem the student loan system was introduced in the beginning of the nineties. Within this system students in Great Britain still did not have to

pay for their tuition. Instead, a half of their social expenses was covered from the grant, which was based on the parents' income level, and the other half was covered from an interest-free loan from the state budget available only to full-time students (Barr, 2001: 202).

This system was complicated and expensive for the state; moreover, it did not significantly improve accessibility of higher education to students from lower socio-economic strata (Barr, 2001: 204). Therefore, the decision was made to reform it.

In 1997 a partial tuition fee (25% of the average costs of educational process) was introduced in England and Wales and was applicable to local and the European Union students. The amount of the tuition fee was not the same for all students. It depended on the income level of the student's family. Thus the low-income students did not have to pay anything, the well-off students paid the full amount, while for the others the amount varied depending on their socio-economic position. At the same time the subsistence grant was abolished and an income-related students loan system was introduced where repayment of a student's loan was linked to his or her income level (Barr, 2001: 204).

While the higher education system in Great Britain is characterized by centralized planning, the situation is completely opposite in the USA. First of all, the US higher education sector is huge and diverse. Higher educational establishments themselves determine tuition fees, however, the state partly controls the state-owned universities. Students are eligible for funding from a variety of financial resources – the family, federal and state-level loans, scholarships granted by various universities and foundations established by corporations and private donors, as well as private earnings of the student. In general, the US student financial support system can be characterized as a lack of a system, although the financial resources available to students are coordinated.

US federal support to students is provided in the form of cheap loans (low interest-rate) or (to a lesser degree) different scholarships. This support is designated for students from low-income or average-income families Students from wealthy families must pay for their tuition themselves irrespective of their academic performance.

The federal government ensures availability of minimally subsidized or non-subsidized loans in sufficient amount to those students of private institutions whose parents are no longer able to contribute to their children's higher education due to reaching the critical verge of the family's economic stability.

At the federal level the US government's financial support to students hardly takes into account the academic achievements of the students and very seldom their chosen occupation. Federal support can be divided into two categories: (1) the so-called "Pell Grant", which is granted only to students (under 25 years of age) from families whose income in the particular year does not exceed the set poverty threshold; this grant is non-reimbursable; (2) federally guaranteed loans. These may be either state-subsidized, or non-subsidized, of varying annual and total amounts for different groups of students (GSE, 2002).

Federal loans and grants may be freely moved from one institution of higher education to another, irrespective of whether it is a public or a private institution. This maintains high competitiveness among the American universities and explains the quality of higher education and flexibility in the higher education institutions in the USA.

In general, it can be concluded that in highly developed countries the state financial support system is devised with the purpose to provide equal study opportunities to students from socially and economically handicapped families. Still, each of these systems should be assessed separately, in order to arrive at the conclusion on whether the system is complete and efficient (with as little investments as possible) in attaining its goal.

Student financial support system in Latvia

Higher education system in Latvia

The Education Law adopted in 1991 abolished the state monopoly on establishment and financing of higher educational institutions and setting the number

of students. The Law provided that the state shall cover education costs only for a limited number of specialists "needed" by the state, while all the other students must finance their tuition themselves. Also the academic freedom and autonomy of higher education institutions were established (Law on Higher Educational Establishments, 1995).

Abolition of the state monopoly enhanced establishment of private higher education institutions. During a ten year period from 1991 to 2001 the number of higher education establishments in Latvia grew almost threefold. Among the founders of new higher education institutions, along with legal entities and individuals, were also local governments and the state. In 2002 the number of higher education institutions in Latvia totaled 34, of which 20 were state-owned institutions, and 14 established by legal entities (IZM, 2001b).

Higher education institutions provide both academic and professional study programs for full-time and part-time students.

Nearly all state-owned institutions offer both state budget-funded slots and student-funded slots[3]. Higher education in part-time studies can be obtained only for a fee. Similarly, also in the institutions established by legal entities students have to pay for their education. The state only defines the number of students to be admitted to state-funded study slots. Higher education institutions define the number of students who shall pay tuition fee.

Young people as a target group for financial support

Tuition fees in different universities and study programs vary to a large extent (in the academic year 2001/2002 it varied from 100 LVL to 1,650 LVL in state-owned institutions and from 175 LVL to 2,600 LVL in institutions established by legal entities) (IZM, 2001b). In most cases the tuition fee in universities located in Riga is considerably higher than the fees for the same study programs in other cities. Nevertheless, the majority of students acquire their higher education in different higher education establishments in Riga, completing full-time study programs (IZM, 2001b). Only slightly more than 20% of all students study at higher education establishments in other cities[4]. That means that about 80% of students who study in Riga need considerable funds to pay their tuition fee and cover daily living costs. Moreover, higher educational establishments usually require payment of the entire one-term fee at once[5]. The state has not set the upper limit of the tuition fee, and the universities are increasing their tuition fees from year to year.

At the same time it is important to note that over the last five years the number of students has considerably grown due to the increasing number of student-funded study slots. The number of state-funded vacancies has remained almost unchanged.

In the academic year 2001/2002 tuition fee was paid by 70% of all students (IZM, 2001b). During this period 63% of all students were involved in full-time

	1995/1996	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002
Number of students at higher ed. institutions	43,521	50,640	64,948	76,653	89,509	101,270	110,500
State-funded students	30,181	30,392	31,633	32,763	32,572	33,813	32,988
Those paying tuition fee	13,340	20,248	33,315	43,890	56,937	67,457	77,512

Table 1. Dynamics of the number of state-funded and student-funded study slots. Source: CSP, 1996–2000; IZM, 2001b

[3] Tuition fee does not exist only in the National Defence Academy of Latvia, Stockholm School of Economics in Riga and Riga Graduate School of Law, whereas students of the Latvian Banking College are admitted only subject to payment of tuition fee.

[4] In the academic year 2001/2002 in total 22,851 students (IZM, 2001b).

[5] In exceptional cases it is possible to prolong the term of payment.

programs (IZM, 2001b). State-funded education is offered only to full-time students. Therefore, 30% of students acquiring free education are full-time students. Consequently, 33% of full-time students have to finance their studies themselves. The analysis of student age structure implies that in the given academic year more than a half of all students, i.e., 54%, were young people aged between 18 and 23. Most of them studied in full-time study programs, constituting 73.1% of the total number of students (IZM, 2001b).

It can be inferred that the main target group for financial support includes young people aged between 18 and 23 who are just trying to enter the labor market and can neither fully support themselves, nor pay their tuition fee.

During their studies 40.1% of students in Latvia live in dormitories, 24.5% of students live with their parents, 17.8% rent a room or a flat, 11.1% have their own housing, and 6.5% stay with relatives, friends or acquaintances (LSA, 2001).

Money provided by parents or relatives constitutes the largest part in the student income structure, followed by grants (scholarships), state-funded allowances and salaries, including remuneration for odd jobs. The student loan for daily expenses constitutes the smallest part of the overall student income structure. The survey data show that more than a half of the students have full-time jobs (LSA, 2001).

Support in the form of grants and compensations

State-funded grants for covering daily living costs in Latvia are received only by those full-time students who have won the competition for state-funded study slots at public higher educational establishments. Grants are allocated from the grant (scholarship) fund of each particular higher educational establishment (MK 182, 2002). The grant (scholarship) fund of an educational institution is formed from state resources. The line ministry which supervises the respective educational institution calculates the amount allocated to the fund from the state budget annually[6].

To calculate the amount of grants/scholarship fund for students of Bachelor's, Master's and professional studies programs, the number of state-funded slots is multiplied by 8.5 LVL a month (MK 182, 2002). Each student studying medicine in a resident program and doctoral students are granted a scholarship of 58 LVL a month. Students of the two latter programs may also apply for an additional monthly grant in the amount of 60 LVL, provided that the student is working on promotional work in the respective field of education identified by the Ministry of Education and Science (MK 182, 2002). Allocation of this grant is subject to conclusion of a separate agreement, and, if within five years from matriculation date the student has failed to perform his/her obligations under the said agreement, the student is obliged to repay the received grant to the state budget in accordance with the same procedure applicable to student loans allocated from the state budget.

Full-time female students of public higher education institutions are eligible for a special maternity grant of 50 LVL during pregnancy and maternity leave. Provision of this grant is subject to several conditions. Namely, a person is entitled to receive the maternity grant if she does not receive a regular grant/scholarship. This means that also students studying for tuition fee may apply for the same grant (MK 182, 2002).

The minimum grant/scholarship for students of Bachelor's, Master's and professional programs is 8 LVL per month (MK 182, 2002). The educational in-

[6] **The Ministry of Agriculture** supervises the Latvian Agricultural University, the **Ministry of Welfare** – Riga Stradins University, the **Ministry of Defence** – the National Defence Academy of Latvia, the **Ministry of the Interior** – the Latvian Police Academy, the **Ministry of Culture** supervises Jāzeps Vītols Latvian Music Academy, Latvian Culture Academy and the Latvian Academy of Fine Arts. The **Ministry of Education and Science** supervises the University of Latvia, Riga Technical University, Daugavpils University, Liepāja Pedagogical University, Rēzekne University, Ventspils Graduate School, Vidzeme Graduate School, Latvian Graduate School of Banking, Riga Graduate School of Pedagogics and School Management, Latvian Academy of Sports Education, Latvian Maritime Academy, Stocholm School of Economics in Riga and Riga Graduate School of Law.

stitution itself may set the maximum amount of grant within the limits of the total grant/scholarship fund.

Public higher educational establishments are more flexible in distributing scholarships and special grants for students. They may set the amount of monthly grant/scholarship related to student's performance (LLU, 2002; RTU, 2002; VeA, 2002). However, institutions established with state participation after 1991 are placed in a slightly different position. For example, at the Ventspils Graduate School the scholarship/grant fund consists of state and local government budget resources, as initially the funds allocated by the state were not sufficient to ensure payment of scholarships in the amount set by legislation (VeA, 2002). Students of Vidzeme Graduate School have been receiving state-funded scholarships/grants only since September 2002, although the school acquired the status of a public higher educational institution already in 2001[7].

Those higher educational establishments whose scholarship/grant fund consists of state budget resources may allocate up to 5% of the total scholarship fund for single grants. The amount of single grants within a year may not exceed ten minimum scholarships, i.e., 80 LVL. It is within the discretion of the particular institution to decide on allocation of these funds. The Latvian Agricultural University provides a special additional grant of 8 LVL to students who are orphans. However, the major part of these funds are used to support students who have attained outstanding academic achievements, as well as to support cultural, sports and research activities of students (LLU, 2002). Instead of supporting successful students, Riga Technical University distributes special grants according to other criteria. This grant is paid as an additional allowance of 5 or 8 LVL to students who are orphans, single mothers, or if both parents are students and have a young child. In addition, entitled to this grant are students with one deceased parent, one or both parents pensioners, students from large families, or students with one parent who is a first or the second category disabled person. Riga Technical University also reviews the cases of students from low-income families, though not all applications can be satisfied, as this situation is common to a large number of students (RTU, 2002).

Some universities where along with state-funded students there are students who pay tuition fees are implementing the "rotation" of students. Namely, depending on the level of academic achievements after each examination session, state-funded slots are made open to high achievers, whereas those students who have achieved less are forced to continue their studies for a fee. In some public universities the rotation principle has not been implemented, in some others it has been introduced partially. It means that full-time students with good performance results who pay tuition fee may apply for a vacant slot in the state-funded group (Grīnuma 2002b; Krūmiņa, 2001; LLU, 2002).

Young people who have already entered a higher education institution have an opportunity to receive scholarships or loans granted by public foundations, business companies or individuals. For instance, "Latvijas Studiju fonds" (The Latvian Education Foundation) within the framework of its target program grants scholarships to students who have demonstrated outstanding achievements in a competition. So far, over the period of ten years, more than 2000 students have received scholarships (Izglītības fonds, 2002). The public education foundation "Jaunā akadēmija" (New Academy) grants scholarships in the form of an interest-free loan to finance the tuition fee, and this loan must be paid back within five years. The loan is issued to students under 25 years of age, considering their study results. So far about 500 students in Latvia have received support (New Academy, 2002). Scholarships are from time to time granted by enterprises (e.g., Ventspils Nafta grants scholarships to students of the Ventspils Graduate School) and private individuals (e.g. Aivars Lembergs to students of the Ventspils Graduate School; Vilis Krištopans to students

[7] Prior to that Vidzeme Graduate School had the status of an educational institution established by legal entities (local governments) and received funding from the state (ViA, 2002).

of the Riga Technical University) (VeA, 2002; RTU, 2002). In this case the decisive factor is performance results and social activity. However, there are scholarships which are allocated directly on the basis of the socio-economic position of a young person. For instance, through cooperation between the "Latvijas bērnu fonds" (Latvia Children's Fund) and the American-Latvian Association, scholarships are granted to orphans who have completed their secondary education and have decided to continue their studies at higher educational establishments (NRA, 2002). "Vītolu fonds" (Vitolu Foundation) also grants scholarships with an aim to assist gifted, talented young people in need to commence studies in the Latvian institutions of higher education (Diena, 2002)[8]. In addition, tens of enterprises and professional associations offer material support to their potential employees in return for good study results and, later, a qualified specialist (Grīnuma, 2002c).

As a form of financial support to students of higher educational establishments at the national policy level, students enjoy discounts on public transportation fares (MK 370, 1999). However, the said discounts are applicable only to some students.

Full-time students at public universities receive travel reimbursement from the state budget, covering 50% of expenses during an academic year. Travel reimbursement covers expenses for students who use public intercity transport to commute from their place of residence to the educational establishment or to the place of internship. In fact, students get a refund for one round trip a month.

Full-time students of private universities, like the students of public establishments, are entitled to a 50% discount on city public transportation fares, provided that the student produces a season ticket (for instance, a travel card). The difference is paid from the municipal budget (MK 370, 1999). However, not all local governments having higher educational establishments provide such discounts[9].

A special group includes orphans and children not supported by their parents. They are entitled to free travel in city public transport, as well as any inland public transport, subject to producing a special certificate (MK 370, 1999).

In Latvia financing of higher education is a state function rather than a municipal responsibility (Law on Local Authorities, 1994). Therefore, support provided to students by local authorities is quite limited, but nevertheless present in some cases. Local authority on the basis of a special agreement with a student (e.g., that the student undertakes after graduation to return and work for the local authority, or already is a municipal employee) may cover the student's tuition fee. Local authorities may also provide additional grants to the best students of a higher educational institution located within the territory of the particular local authority[10].

Tax allowances

In Latvia expenditures on education are regarded as eligible expenditures, meaning that a part of the money spent to pay tuition fee is subject to state refund, provided that the personal income tax is paid properly (Law On Personal Income Tax, 1993).

The government sets an annual limit on eligible expenditures, of which one fourth of declared expenses may be refunded by the state, since the personal income tax rate is 25%. In order to receive a refund for overpayment, a person must submit the

[8] Discounts on public transport fares in Jelgava city are avalable to students of Latvia University of Agriculture (LLU, 2002); no discounts on public transport fares in Valmiera city are available to students of Vidzeme College of Higher Education (ViA, 2002).

[9] Discounts on public transportation fares in Jelgava city are available to students of Latvia Agricultural University (LLU, 2002); No discounts on public transportation fares in Valmiera city are available to students of Vidzeme Graduate School (ViA, 2002).

[10] For instance, the Daugavpils local government allocates grants to students with good and excellent grades, who actively participate in the social life of the educational institution, upon recommendation by the respective institution. Local authorities allocate grants to students who have concluded agreements on employment at institutions subordinated to Daugavpils Educational Board (Daugavpils City Council, 2001).

previous year's tax return to the State Revenue Service.

If a taxpayer's expenses for medical services or education exceed the limit on eligible expenditures set for the respective year, the difference exceeding the admissible amount may be transferred for the nearest five years. For instance, if the limit on eligible expenditures is 150 LVL, but the actual tuition fee paid in the previous year has been 400 LVL, a person may include 150 LVL in eligible expenditures of the year 2001 and the remaining 250 LVL in the eligible expenditures of the subsequent years. If a student does not have a paid job, and the student's family pays his/her tuition fee, this amount may be treated as an eligible expenditure of one of the family members who is a tax-payer (Cauce, 2002).

Lending to students

To provide access to funds to an extensive number of students for covering tuition fees and living costs the state has established a student loan system.

In the fall of 2001 Latvia introduced lending to students from the resources of commercial banks against the government's guarantee. But two and four years prior to that, respectively, students were offered an opportunity to receive a loan for covering living costs and a loan for covering tuition fee from state budget resources[11]. Transition to state-guaranteed student loans from the resources of commercial banks was carried out with the purpose of increasing the total amount of funds available to students and to alleviate the actual expenditure burden on the state budget[12].

Any holder of a Latvian citizen or non-citizen passport who successfully studies in state-accredited full-time or part-time study programs may apply for a state guaranteed loan for payment of the tuition fee, called a study loan. Loans for covering living expenses, called student loans, are available only for full-time students.

The study loan, the amount of which does not exceed the particular tuition fee, can be obtained for consecutive acquisition of no more than one Bachelor's degree, one Master's degree, one Doctor's degree or higher vocational education qualifications; its term may not exceed the time designated for studies in the respective program. The study loan is provided for 10 months a year. The monthly loan for the first, second and third year students is 60 LVL, for fourth year students in Bachelor's and Master's study programs it is 80 LVL, and for doctoral students 100 LVL.

A state-guaranteed loan from commercial bank resources may be obtained also for studies abroad.

A credit institution may charge a commission not exceeding the limit of 3 LVL for processing of the loan application[13].

During the study period the study loan is an interest-free loan. Interest thereon shall be calculated either one year following the graduation, or from the third month following the date of termination of studies by applying 5% interest rate. The same interest rate has been set for the student loan, and it must be paid by the student. Since in general interest rates charged by credit institutions are higher, the government subsidizes these loans by covering the difference between the interest rate fixed by the bank and the interest rate to be paid by the student.

The government also guarantees loans issued to students. Most loan applicants are students seeking state guarantee for 90% of the loan amount. In addition, these students need either two guarantees from two individuals, or offer a mortgage of real estate or

[11] Disbursement of loans for studies from the state budget, based on concluded agreements, will be continued until 2007. New agreements on such loans from the state budget have not been signed following October 30, 2001 (IZM, 2001a).

[12] State guarantee for loans to students from resources of credit institutions does not require actual expenditures from the state budget. The only actual expenditure for the state is paying the difference between the interest rate set by the bank and that paid by the student (students do not have to pay full the interest rate. They pay only a 5% interest rate). When the state was providing loans from the state budget, the state had to pay the principal.

[13] Usually this service of commercial banks is more expensive, but provisions on lending to students set the specified limit. In accordance with the regulations the credit institution itself takes the decision and requests this commission.

securities. It should be noted that the borrowers almost never use the latter two opportunities[14].

In special circumstances, where one of the borrower's parents is deceased, is a disabled person of the first or second disability category or a pensioner, a credit institution may issue the loan against the guarantee of one individual only. It is important to note that the student's guarantor may only be a person whose monthly income is not below the official minimum wage limit set by the state[15]. A person who is a student and uses the loan for covering study expenses or living costs in this case may not act as a guarantor.

Some students – orphans and children deprived of parental care – are provided a 100% government guarantee. It is also prescribed that the state shall provide a 100% guarantee to students from low-income families. However, the respective student must first obtain the guarantee from the local authority. It means that students from low-income families will receive the loan from a commercial bank only subject to guarantee from the local authorities. During the first year of operation of the lending procedure, this system was not applied, since the amendments to law allowing local authorities to act as guarantors of individuals were not adopted.

Some higher educational establishments and organizations are individually seeking other crediting possibilities. For example, the Stockholm School of Economics in Riga already for several years has individual agreements with banks on providing study loans for the Stockholm School of Economics in Riga students (REA, 2002). In such cases 100% of the loan is guaranteed by the School[16]. The loan amount is agreed to between the bank and the student. The interest rate of these loans is lower than the market rate, and it is paid by the student (Hansabanka, 2002). Another option is to conclude an agreement between a bank and a company regarding disbursement of a loan to particular students[17]. The respective company then provides the loan guarantee. The individual loan agreements may include provisions on a different repayment procedure. It may, for example, be agreed, that a student – the borrower – shall start to pay the interest after some specified time period when the interest is accrued.

It should be mentioned that the initiatives of the commercial banks concerning student loans are gradually developing. For example, *Unibanka* provides study loans for students who study in Master's programs, higher professional study programs or doctoral programs (Unibanka, 2002). *Parex Bank* has also developed its student loan policy (Parex, 2002). These loans are granted as commercial loans on corresponding conditions.

The repayment of loans issued against the state guarantee must be effected no later than from the third month after termination of studies, or no later than within one year after graduation. If the total amount of loans exceeds 1,000 LVL, the borrower shall repay the principal amount and the interest within a 10-year period. If the amount is lower, the term for repayment shall be 5 years.

There is also an option not to have to repay a study loan and student loan issued against the state guarantee. Eligible for this solution are the borrowers who relevant to their academic or professional background become employed by the state institutions or local authorities in any of the occupations included in a special list approved by the government annualy.

For each year worked in the respective profession, the borrower gets a reduction of 10% of the loan amount. If the borrower works at the respective institution part-time, each year the total loan amount will be reduced by 5%.

[14] In 2001 of 3,244 student loans issued by Hansabanka, only in 3 cases real estate was used as a surety. Securities as surety of obligations under loan were not offered at all (Hansabanka, 2002).

[15] In Latvia the official minimum wage is 60 LVL.

[16] Starting from autumn 2002 the graduate school guarantees 100% of the loan for all students. Before that the school guaranteed 100% of the loan provided to non-residents and 50% of the loan provided to residents (REA, 2002).

[17] *Hansabanka* has concluded this type of agreement with joint stock company *Dati* (Hansabanka, 2002).

The data provided by the Ministry of Education and Science prove that graduates who have received loans show a growing interest in the opportunity to settle their loan liabilities by working for an employer designated by the state (IZM, 2002a). This trend can be explained by a higher level of awareness among the students and the growing number of students who have received loans.

The student loan can be cleared if children are born to the borrower or his/her spouse during the studies or the loan repayment period. In that case, after graduation 30% of the outstanding loan amount is cleared for each child born to the borrower. The same conditions apply to adoption cases.

The state also clears the principal amount of the loan and the interest thereof under circumstances where the borrower has deceased or has acquired a disability of the second category.

Shortcomings

Lack of information about the target group of students seeking support

The state funding allocated to higher education today is inadequate to ensure availability and quality of higher education to everybody. Therefore, a tuition fee is established and is payable by an individual acquiring higher education.

The current student support system in Latvia was inherited from the Soviet period when studies were free of charge and the state provided grants to all students who had successful academic performance. After regaining independence in 1991 the government decided it will only finance the education of the required number of professionals needed by the state, while the funding of higher educational establishments and also students basically remained unchanged.

The public higher educational establishments started, in addition to the state-funded students, to admit students who had to pay the tuition fee and were no longer eligible for grants from state resources. The main criterion to decide whether a person will receive state funding for acquiring higher education was his/her academic performance.

During the Soviet period the issue of socio-economic support to students was not topical, because the education was free of charge. The situation is quite different today, when most students have to pay for their education and the total funding of higher education has increased on the account of tuition fees (IZM, 2001b).

Due to the change in economic relations and the state structure (following the transition from planned economy to the market economy) a large segment of the population became unemployed, lost their social status and are facing economic and psychological difficulties.

At present we observe ongoing stratification of the society by income level of individuals. These changes have not been taken into consideration at the national policy level when funding students. There is no clear indication as to how many students represent the upper classes, how many come from the middle-class families and how many of them are poor.

The Studies Foundation has made calculations of the assumed number of poor students, based on the data on housing allowance provided to low-income residents by local authorities in 2000 (Studiju fonds, 2002b). According to the calculations 7.2% of all residents in Latvia have received the housing allowance. As students come from families with different backgrounds, it may be presumed that 7.2% of students come from poor families (IZM, 2002a). On the other hand, these data can be challenged, because not all students who meet "a poor family" criteria apply for social aid. There are cases when people even are not aware of such a possibility to receive assistance (CSO, 2002).

Therefore, the purposefulness of state funding to students can be doubted. Even more, it, probably, even enhances inequality of opportunities as a greater number of applicants come from wealthy or well-to-do families, while the low-income persons cannot afford to study in the institutions of higher education.

Higher education must not be viewed separately from lower education levels. Research on poverty in Latvia has proved that currently the education system facilitates differentiation of the society, as low-income

families are not able to provide better or the best education possibilities to their children (Trapeniece et al., 2000). Therefore, prospects of these children to win the competition for state-funded vacancies are very poor. On the other hand, there is no system for support of needy young people in Latvia.

Considerable differences exist among the young people from rural areas and cities. The data show that almost half of the young people from rural areas, having acquired primary school education, do not continue their education[18]. Only 3.5% of young people from rural areas aged 21–25 acquire higher education, compared to 13.7% of young people from cities (CSP, 2001a). This trend even downgrades the forecasts on the level of socio-economic depression in rural areas and increases the gap between the living standards in rural areas and cities. Paying the tuition fee and social expenses of a student cause more difficulties to the rural population, as their income is lower than the income of urban inhabitants (CSP, 2001b). In rural areas social benefits account for almost a half (42.9%) of the household's income (CSP, 2001b). This figure also proves the need for a differentiated approach to financial support of students, as the same contribution may not be requested from a young person brought up in a depressive economic environment and from a well-off individual.

Lending to students from state budget resources was more relevant to the idea of equal opportunities to low-income students, as no security was required on loans. At the same time it was also the weakness of the system, considering that the state was taking a 100% risk with the taxpayers' money. Moreover, the loan repayment system specified the period for repayment, however, it did not provide for the ways the state could enforce repayment. The only guarantee in the system was honesty of an individual.

Doubtful opportunities for low-income students to receive the loan guarantee from local authorities

The established student loan system, where the banks issue loans to students against the state guarantee, attempts to resolve both the issue of loan security, as well as the provision of equal opportunities for all students to receive the loan. The amount of state guarantee and the type of security for the loan is used as a tool to facilitate equality.

Students from low-income families get a 100 per cent state guarantee. In that case the student does not need any other loan guarantee. However, the real situation shows that students from low-income families can get the state-guaranteed loan from a bank only after they have received the guarantee by the local authority. In the academic year 2001/2002 this provision did not function, as the local authorities did not have the right to issue guarantees to individuals.

Therefore, we can only hypothetically model the further development of this situation. It is quite probable that the local authorities will issue the guarantees not as the social policy to assist low-income students, but rather as a form of local government personnel policy where the guarantees will be offered to good students who will return to the local government as trained specialists.

Even if the local authorities will provide guarantees to students from low-income families, the effect of equal access to higher education will not be attained. Namely, the low-income family students from richer local authorities will be in a better position. Students from small, poor rural local authorities again may find themselves as losers. Such development will foster further stratification of the society.

Financial possibilities of local governments are rather limited. The legislation provides that the debt liabilities of a local authority may not exceed 20 per cent of its annual budget (Law On Stabilization of

[18] Young people aged 21 to 25 in rural areas remain with primary education – 30.7%, vocational training after the primary school – 14.9%, general secondary education – 22.3%, vocational training after secondary school – 4.7%; special secondary education after the primary school – 15.8%, special secondary education after the secondary school (college education) – 7.5%, higher education is acquired only by 3.5% (CSP, 2001a: 72).

Local Authority Finance and Supervision of Local Authority Financial Operations, 1998). Therefore, local governments will consider whether to guarantee a student loan or invest in the development of local infrastructure. Presumably, it will depend on rational calculations of social good from investment of taxpayers' money. For example, preference could be given to repair the leaking roof of the local school.

Under the current procedure the total liabilities of all Latvian local governments may not exceed the total amount of loans and guarantees provided by the state budget, as it affects the total national macroeconomic indicators (MK 180, 1996). Therefore, even if the amount of liabilities of the given local authority allows guaranteeing the student loan, it may not be possible, if the provided amount of loans and guarantees from other local governments has been exhausted[19].

Local governments will have additional financial expenditures in case the students do not meet their credit liabilities and do not repay the loan. If the debt cannot be collected from the student, the commercial bank will recover it from the local government as the guarantor. Therefore, the local government will suffer financial losses and it cannot be predicted how damaging it can be in each individual case. Equally, it is not clear at which moment the state will become liable as the guarantor for the loans granted to low-income students to the extent of 100 per cent and to other students to the extent of 90 per cent of the loan, if prior to that also the local authority has issued the loan guarantee. It is possible that the state will become involved only in the cases where the financial situation of the local government is too unstable to meet its liabilities. It means that the solvent local governments will suffer financial losses. This will also damage the local government's investment capacity. The given situation will have a negative effect also on the state budget.

Nevertheless, the Ministry of Finance supports the delegation of guarantee rights to local governments in the framework of the student loan system, because the local governments cannot provide such guarantees without the approval of the Council for Local Government Loan and Guarantee Control and Supervision (MK 366, 2001). It means that the Council will decide on whether a low-income student (or any other student) may receive the local government guarantee. It is possible that the decision of the Council will be influenced by the guarantee conditions requiring the student after graduation to return to work in the local government. The problem is that the local governments find it difficult to predict what kind of specialists, at what time and for how long they will need.

Therefore, we can draw a conclusion that the provisions of the present student loan system do not solve the issue of providing access to funds for students from low-income families to finance their education.

Inability to meet the loan security requirements

Difficulties for students to receive guarantees for loans are proved by the difference between the number of loan requests and signed loan agreements in the framework of the state-funded student loan system.

In the second half of 2001 only 63.1 per cent of the total number of loan applicants completed the formal procedure and received the state-guaranteed study loans from banks (Studiju fonds, 2001a: 18). 63.6 per cent of the loan applicants started to receive the student loans (Studiju fonds, 2001a: 20).

In the first half of 2002 these indicators dropped, – 55.7 per cent of students whose loan request was approved started to receive the study loans from credit institutions (Studiju fonds, 2001a: 4). And 62.1 per cent of students who had a valid loan request started to receive student loans (Studiju fonds, 2001a: 6).

Student loan information provided by *Hansabanka* in the first half of 2002 proves that the major decrease in the number of students who had requested the loan happened following the approval

[19] For example, in 2002 this limit was exhausted already in the middle of the year (Apinis, 2002).

of the list of loan applicants by the Studies Foundation. Only two thirds of these students concluded the loan agreements. A hundred less students were able to get sufficient loan guarantees (Hansabanka, 2002).

There are different reasons for the decreasing number of applications for study loans. Some students could not provide the additional guarantees for the loan according to the government regulations – guarantees by two individuals, real estate or securities.

Despite the objections against the requirement to have two individuals as guarantors, real estate as loan security has been used in very few cases (Grīnuma, 2002a). On the other hand, the information provided by the Central Statistics Office proves that 55.4 per cent of urban households and 71.1 per cent of rural households own real estate (CSP, 2001b: 94). We can draw the following conclusions: either the people value their real estate higher than education or think that the acquired education will not be good enough to enable the graduate to find a well-paid job to repay the loan and keep the mortgaged property, or the people cannot afford the valuation and mortgage fees which amount to tens of lats[20], or due to some reason they do not have the right to mortgage their property.

Socially disadvantaged members of the society – students from low-income families, children who have lost one of their parents or whose parents are disabled or pensioners – are in the most marginal situation.

For students who have lost one of their parents or whose parents are disabled persons of the first or second category or pensioners, banks may grant the loan against the guarantee of one individual. However, no bank is obliged to do so. Surely, before a bank grants the loan it evaluates the risk and may require two guarantors. Therefore, if a student cannot find another guarantor or offer, for example, real estate as loan security, he/she does not get the loan to cover the study costs or social expenses.

Difficulties in repaying the loan

Present experience as well as forecasts testify that there will be difficulties in collecting back the issued loans. The data on repayment of study loans and student loans provided from the state budget show that about one third of loans have not been repaid in due time (IZM, 2001a). Students who have received a loan also admit that they might not pay it back (LSA, 2001). More than one third (36.5 per cent) of student loan recipients admit that they might not pay back the loan and almost one fourth (24.4 per cent) of study loan recipients admit that they might not return the loan (LSA, 2001). In both cases there is a large number of indecisive students, about one third, who do not know whether they will or will not pay back the loan.

These responses do not give a clear indication as to whether the loan recipients has malicious intent or thinks that he/she will not be able to pay back the loan due to financial reasons. Student answers to the question "How do you see your chances to repay the study loan?" illustrate the situation more clearly. Less than half of students – 41.7 per cent –believe that there will be no hardship to repay the loan in due time, 34 per cent assume that they might face certain difficulties, 9.6 per cent think that to repay the loan will be difficult, but 14.7 per cent are not sure (LSA, 2001).

The situation described above leads to the following conclusions. On the one hand, the loan recipients doubt whether they will find a job and receive a salary that will enable them to meet their commitments within the specified period – five or ten years depending on whether the total loan amount exceeds 1000 LVL. It makes us advance a hypothesis about the noncompliance of higher education quality with the demands of the labor market. On the other hand, part of the loan recipients probably do not consider the present loan security demands to be serious enough to get worried about the debt recovery in case of deliberate avoidance from repayment.

[20] The national currency of Latvia (1 USD ≈ 0.6 LVL).

Similar attitude is proved by the experience of the Stockholm School of Economics in Riga, which acts as the loan guarantor for its students. Graduates from Lithuania and Estonia also cause losses to the School because they do not meet their debt commitments. It is even more difficult to influence these students to repay their debts, because they leave Latvia after graduation. The same problem concerns malicious debtors who are citizens of Latvia and live abroad. Besides, debt recovery process is expensive.

Major difficulties for the state will cause collection of loans which are provided from the state budget resources, as for these loans students were not required to provide any security. In case of malicious intent the state budget (tax-payers) will suffer immediately.

In order to collect the delayed state-guaranteed loans, which were provided from the bank resources, the banks will try first to recover the money from the guarantors. If as a result of the court proceedings it will be acknowledged that nothing can be recovered from the debtor or his/her guarantor, the state will become liable. If the guarantee covers 90% of the loan, the state will have to repay this part of the principal amount of the loan. If the guarantee covers 100%, the state will cover the principal amount of the loan from the taxpayers' money.

Application for loans

The procedure the students have to comply with to get the bank loans with the state guarantee is long and complicated. Document circulation related to the state-guaranteed loans is very slow and includes a risk that students have fulfilled all requirements but do not get the loans by the time they have to pay for their studies.

Student loan submission can be divided into two periods: spring (from March till May) and autumn (from August till December) (Hansabanka, 2002). The procedure to receive a state-guaranteed loan from a credit institution consists of four stages, which are divided into smaller phases.

During the first stage the decision is taken on granting the loan to the student. To make it happen the student first must submit a loan application to the loan-granting commission of the respective higher education institution. This commission examines student applications and decides about granting the loan in accordance with the provisions of the government regulations. Then the commission submits the authorized list of loan applicants to the Studies Foundation.

During the first half year following the implementation of the loan system, i.e., in the autumn of 2001, major problems arose because of the fact that the state had not set fixed deadlines for the higher education institutions to submit the lists of loan applicants to the Studies Foundation and for the students to carry out their part of work to receive the loan[21]. Therefore, the transfer of money for tuition fees, as well as the student loans, was delayed. To prevent such a situation in the future, the Ministry of Education and Science has set the deadline by which the higher education institutions have to submit the loan lists to the Studies Foundation[22].

[21] Failures in the implementation of the loan system during the first half year of running the system, i.e., in autumn 2001, can be explained also by the fact that before its implementation the actors (higher education institutions and students) were not sufficiently instructed and informed about the system. For example, there were cases when the submitted lists of students had to be corrected because the employees of the higher education institutions did not know how to work with the Microsoft Excel software. More than a half – 58% of the submitted loan lists the Studies Foundation could approve only in November 2001. The delay was caused by the students who were not organized and incorrect lists (if a student applies for the loan twice, if he/she withdraws the application, lists have to be corrected, etc.). Some higher education institutions delayed submission of lists because they had not organized the lists of their study programmes which had to be accredited. (Studiju fonds, 2002b; Hansabanka, 2002; IZM, 2001a).

[22] First-year students have to apply for a loan at the higher education institutions by September 1, senior students by September 15; after the winter session students must apply for loans by February 15. The higher education institutions should submit the approved lists of loan applications to the Studies Foundation within two weeks following the specified dates. The higher education institutions must submit the approved additional loan application lists (the second round of applications) to the Studies Foundation no later than by November 10, but after the winter session – by April 10 (IZM, 2002b).

The Studies Foundation has to check each list of loan applicants within one week and, if necessary, contact the higher education institution and specify the details. Only when the Studies Foundation has verified that the students included in the list are eligible to apply for the state-guaranteed loan, it authorizes the list and sends it to the bank which has been authorized to issue the state-guaranteed loans to the students.

The second stage is the conclusion of the loan agreement. To conclude the loan agreement students should go to the bank and sign the agreement. They have to agree with the bank on additional loan security: a guarantee by two individuals, real estate or securities. Initially there was no time-frame set within which this agreement should be concluded. Therefore the delays happened also at this stage[23]. Now it is provided that the loan applicant has to conclude the loan agreement and the guarantor has to conclude the guarantee agreement within one month after the respective student has been included in the registration system of the credit institution (IZM, 2002b). If it is not done in time and there is no justification the loan granting commission of the higher education institution has the right to annul the granted loan. It means that the respective student, if he or she still wants to receive a loan, has to apply for the loan once more.

The bank sends the list of students, which have acquired the loan security and concluded the loan agreement, to the Studies Foundation. It checks the lists once more to find out whether among the guarantors are not people who themselves receive a study loan or student loan. Banks do not have such information. It cannot be considered as a drawback taking into account the protection of personal data.

Those loan applicants, whose guarantors themselves receive student loans, are offered a chance to find another guarantor. Meanwhile the loan applicant is deleted from the list of students who are included in the state guarantee agreement.

In the third stage the state provides the guarantee for the amount of finance requested for student loans. At first the bank prepares and signs the state guarantee agreement and the agreement on servicing the state guarantee. Then these agreements are submitted to the Studies Foundation. The agreement includes the list of all those students who have finalized the formal procedure to apply for the state guarantee. The Studies Foundation checks these lists once more, authorizes them and submits them to the Ministry of Education and Science. Then these lists are authorized by the State Secretary of the Ministry of Education and Science and signed by the Minister of Education and Science and the Minister of Finance. After that the state guarantee for the student loans is granted. This process normally takes 18 to 20 working days (Hansabanka, 2002). But in case the responsible official at the time of signing the guarantee agreement is abroad or falls ill and cannot sign the agreement, because he/she is not at work, the whole process is delayed as the agreement may be signed only by the officials whose names are mentioned in the agreement. There is also a risk that a student does not receive the guarantee if due to error his/her name has disappeared from the list of students who should be granted the state guarantee. Then the reasons for such error should be identified and the student is included in the next guarantee agreement being prepared for signature. The last, *fourth stage* is payment of the loan to the student after the authorization of the state guarantee. It happens after the student has paid 3 LVL commission to the credit institution. The bank transfers the student loan to the student's private account. As to the study loans, these are directly transferred to the account of the respective higher education institution.

As we can see, the process includes a lot of intermediate phases before the bank can issue the loans to the students. Therefore, a delay in any of these stages may substantially delay the payment of loans that negatively affects both the students, as well as the higher education institutions. Moreover, irrespective of the slow process of the loan system, the higher-edu-

[23] The majority of loan agreements (40%) and guarantee agreements (37%) for autumn 2001 were concluded in Hansabanka in November, and in December – 17% and 23%, respectively (Hansabanka, 2002).

cation institutions may request the students to pay for the first semester, for example, in the middle of August, although it takes almost two months to receive a state-guaranteed loan. If the student has not got the required resources, he/she cannot begin studies. Although, in case the student comes from a low-income family or is an orphan, the higher education institution may postpone the payment of the study fee and wait until the bank transfers the state-guaranteed loan for the respective student to its account (RTU, 2002). If the fee has already been collected from the student, the higher education institution, after it has received the loan resources, transfers the received sum back to the student's account. Such activities make the whole loan system even more complicated.

Lack of resources

The state-guaranteed loan resources for covering tuition fees in public higher education institutions and those established by legal entities are allocated every year according to the number of students enrolled in each study program who have to pay the tuition fee (Studiju fonds, 2000). The maximum amount of study loan per student has been set and is taken into account when calculating the loan resources for each higher education institution. The total amount of loan resources is calculated based on the unit amount principle. It means that the amount of study financing for all public higher education institutions is being calculated according to the same formula, which includes study costs per one student per year multiplied by the number of students in a study program and the cost index of the respective study program (MK 334, 2001). On the other hand, the maximum amount of the study loan is calculated by way of deducting the social provision costs of one study place from the amount of study financing[24].

Insufficiency of resources for study loans is caused by the fact that the value of the study costs index does not match its optimum value due to insufficient state budget allocations for higher education (Kaša, Loža, 2001: 18). Therefore the study programs and the higher education institutions where the study costs exceed the maximum amount of the state- guaranteed study loan per student experience the deficit of resources, and the students cannot receive the study loan in full amount.

The number of students who have submitted loan applications and signed loan agreements differs among the higher education institutions. This can lead to a situation where one higher education institution has a surplus of resources while another lacks them. The same applies to the student loans designated to cover students' daily expenses. There is a possibility to redistribute resources between higher-education institutions. However, higher education institutions are reluctant to agree to do so (Studiju fonds, 2001b).

The existing order is based on the wish to offer all students an opportunity to receive a loan, otherwise the nimblest students could take out all loans and part of students would lack resources. However, the existing distribution of loan resources among the higher education institutions does not prevent a situation where a part of students do not receive loans.

The situation could improve, if the students could borrow through the private sector or obtain scholarships to finance their study process. However, at present these opportunities are very limited. Moreover, information on non-governmental financial sources is not organized in one place and therefore is difficult to obtain.

Recommendations

Target group for financial support

For more purposeful distribution of public financing it is necessary to identify the number of young people coming from wealthy families, the middle class and socially vulnerable groups of the society.

The experience of other countries proves that one of the most difficult tasks is to set criteria on how to judge the material provision of students and the need

[24] In 2002 it was about 140 LVL per student (IZM, 2002a).

for special state support. Insufficient information (or lack of administrative capacity to verify it) about the actual income and material provision of each household creates a lot of problems in the developing countries. In order to identify whether a student is entitled to receive special state support the following criteria should be taken into consideration: (a) wages or salaries; (b) other income; (c) real estate; (d) number of dependent children in the family; (e) special conditions (e.g., illness, unemployment) (Woodhall, 1987).

In the case of Latvia, a good criterion to judge the financial situation of the student could be a certificate stating whether the family for a certain period has received the municipal housing benefit. The Studies Foundation has already applied this criterion to identify the number of students who might come from low-income families. However, the use of such information could be extended, for example, by providing that a student may receive a loan from the bank on easier terms within the state crediting system only against such a certificate.

The state support should also be differentiated according to the information mentioned above to ensure that it is provided to those students who need it most. At the same time, financial support should be preserved for the most successful students. It should be necessary to set both the threshold of academic performance, as well as the poverty threshold[25].

The reform of the system of financial support to students should be linked with the overall change of the national policy for financing of higher education. The scholarship founds could be divided into two parts: (1) for excellent students and (2) for low-income but academically capable students.

This issue has been partly solved by the rotation of students between the state-financed study slots and tuition-based slots depending on the academic achievement of the students, which has been introduced in some public higher-education institutions. However, the implementation of such procedure depends on the decision of the respective higher education institution. If there is no rotation, the student cannot get into the budget group based on academic achievements. This issue has not been addressed at the national level. The state can also redirect its support to students from low-income families by, for example, differentiating granting of loans. It can provide, for instance, that only the students who come from families whose annual income does not exceed the defined poverty threshold are eligible. Another solution could be agreement with a definite part of students on compensation of study fees after graduation. It means that the state subsidizes the tuition fee for a definite period and when the student starts to earn some income the respective amount is returned to the state.

Although money and its distribution is the central tool to improve equal access to higher education, one should also emphasize the importance of information. So that the potential students would know where to apply for financial support, it is necessary to carry out extensive information activities about financial sources for acquisition of higher education. Special attention in information campaigns and distribution of financial resources should be paid to young people from low-income families and rural regions.

Security for loans

Security for loans is necessary to maintain individual motivation to repay loans. However, this order may be changed by way of restructuring the mechanism of loan repayment – not waiting while the loan recipient pays the definite sum of money each month, but by deducting a part of the debt together with the taxes.

The present situation shows that some students cannot provide the necessary loan security (see the section: Inability to meet the loan security requirements). This issue could be solved by implementing loan repayment administration through the tax collection system. Even if the present order is preserved and local authorities act as guarantors for students from

[25] The government has not set the official poverty threshold in Latvia.

needy families, it is necessary to introduce some adjustments. The state should clearly set conditions for students from low-income families, if they want to get the guarantee from the local government to receive the study loan or student loan from the bank. To avoid competition between the students from low-income families who need the local government guarantee and other projects, each year the state budget should include a definite amount of financing for issuing guarantees to students from a low-income families. A definite part of these resources should be provided by each local government according to the potential number of loan applicants to prevent a situation where some local governments cannot provide the guarantee for a student from a low-income family, because the total limit of guarantee amount has been exceeded. Also, taking into account the existing 20% limit for the local government budget liabilities, it should be stipulated what part of this limit should be "reserved" for liabilities, which the local government assumes in the interests of a low-income student.

The following solution should also be considered. The state could withdraw the authorization from the local governments to act as guarantors for students from low-income families within the framework of the study loan system.

Instead, the state would directly undertake this obligation. However the guarantee would be provided based on a certificate issued by the local government verifying that the student comes from a poor family. The student would submit such certificate to the higher education institution together with the loan application. In order to obtain additional guarantees on the expected academic achievements of the student, the state would take its final decision on granting a fully guaranteed study loan or student loan based on the grades of the student at the secondary school or previous educational institution.

However, if only such changes are implemented, they will not help all students who experience difficulties in meeting the current guarantee requirements.

Income-based loan repayment

In order to issue loans, the banks use the money of their depositors. They should be convinced about the repayment of the issued loans. Thus this type of loan is, in fact, a typical commercial loan. It requires security, and its repayment is calculated for a period of five or ten years, depending on the amount of the loan.

However, a strict loan repayment schedule and two individuals as guarantors, as it is established in Latvia, do not guarantee due repayment of the loan if the borrower does not have sufficient means. In order to recover the debt, the bank will have to start litigation whose costs may amount to 30% from the lent 1000 LVL (Hansabanka, 2002). Only after the court acknowledges the person insolvent will the state pay to the bank the guaranteed amount – 90% or 100% of the principal amount of the loan. As a result the state budget (tax-payers) has suffered a loss. It should also be taken into account that the state in addition has subsidized the interest on the loan.

One cannot exclude such a scenario, because the results of the student survey show that 34% of the respondents think that they will encounter certain difficulties to repay the loan by the date provided in the loan agreement, 9.6% think that it will be very difficult to do repay the loan, but 14.7% find it hard to say (Hansabanka, 2002). Therefore it would be necessary to consider some changes in the loan repayment system by involving the State Revenue Service and linking the amount repayable to the level of income of the borrower (income-contingent system). Within such system the borrower will have to repay a certain part of the loan each month together with, for example, an income tax. Repayment should be commenced when the income reaches a certain level and the repayment part will increase along with the increase of the borrower's income. Therefore, the faster the income growth, the bigger the part of the loan repaid[26].

However, the borrowing and repayment procedure will require an intermediary: an institution that will

[26] Income-based repayment of study and student loans will provide more favourable conditions for the student, as it will take into consideration the potential future poverty of the student.

administer the issuing the loan and its timely repayment. It could be a special student loan fund. This fund, on the basis of the experience of previous years, will estimate the amount required for student loans. This amount will be borrowed from the banks and paid out to students in the form of loans.

The repayment procedure would be organized as follows. The respective borrower pays the income tax and in addition repays a certain part of the loan and a part of the interest. The repaid part of the loan is transferred into the account of the respective person in the administrative fund for study loans and student loans. Once a month the fund transfers a certain part of the principal and the interest to the respective bank in an amount which will ensure repayment of the loan in, for example, 10 years.

If the income of the borrower is too low to repay the necessary amount each month, the fund covers the difference by borrowing the money or receiving it from the state as subsidy. Therefore, the loan to the bank will be repaid on time, but the borrower will continue his/her payments to the fund until he/she has paid the full amount of the loan and the interest.

Within the framework of such student crediting model, the state could still provide certain allowances related to loan repayment, for example, for parents with children, disabled persons, etc.

The described loan repayment system could be preserved also in the case of free movement of labor between countries. If the person is legally employed abroad, he/she pays the income tax. Through co-operation between tax administrations, information can be obtained about the place of residence of the respective person and repayment of the loan ensured also from foreign residents who have acquired higher education in Latvia and received a study loan or student loan.

It should be recognized that the effectiveness of such loan repayment system depends on the capacity of the tax administrations to control the activities of the respective taxpayers. An income-contingent loan repayment system can also motivate the borrowers to hide their real income. One should also consider the risk that the actual income of the borrower may insufficient to repay the loan even in his/her lifetime. Great Britain, for example, has made provisional calculations and found out that due to the above reason approximately 15 to 20% of the total amount of loans has not been repaid (Barr, 2001: 229).

Insurance of loans

The risk that loans will not be repaid can be reduced through insurance. The Stockholm School of Economics in Riga, which issues individual guarantees for the student loans issued to their students by credit institutions, has already introduced this practice (REA, 2002). The School will guarantee the loan but the student will have to insure it with an insurance company (and pay the insurance premium). Students of the Stockholm School of Economics in Riga have to commence repayment of the loans after graduation.

If a student does not repay the loan, the insurance company takes over and compensates the School's costs related to the "defective loans".

A number of higher-education institutions in Latvia have individual agreements with banks to provide student loans for the necessary amount[27]. In these cases the interest rate on the loan is lower than the market rate. Also, other higher education institutions, which receive an insufficient amount of state guaranteed loans, could conclude individual agreements with credit institutions about student loans[28]. The bank in this case will assess the borrowing capacity of the student and set the interest rate in agreement with the higher education institution, which will act as the guarantor, and a part of the loans or all loans will be insured against failure to repay.

Also, when implementing the previously described income-contingency student loan system (where

[27] For example, the Stockholm School of Economics in Riga, Ventspils Graduate School, Vidzeme Graduate School (Hansabanka, 2002).

[28] For example, demand of loans in the School of Business Administration Turiba is bigger than the amount of resources granted in the framework of state loan system for study and student loans (Turiba, 2002).

issuing and repayment of loans is administered by a special fund) the risk could be reduced by insuring the loans. The state could find resources for insurance, possibly, by stopping subsidization of the interest rate on student loans. Then students will pay, for example, the full interest rate set as result of the tender process among the banks[29]. The insurance premium, in turn, will be covered by the state, or vice versa – the state will subsidize the interest rate on the loan and the borrower will cover the insurance premium. It is also possible to divide the borrowers into several risk groups based on certain criteria and to set a different amount of insurance premium for each group.

Sufficient amount of resources

One can speak about equal access to education only in the situation where no inquisitive person is forced to give up higher education due to financial reasons. Therefore, the state should have a sufficient number of financial sources made available to provide funding for acquisition of higher education. As an educated society is one of the main public resources, and this is recognized also in Latvia, financial support to students must be amplified and diversified.

At present there are a number of open public funds operating in Latvia, and also companies and individuals offer scholarships or loans. However, the information on these financial sources has not been gathered and provided from one place. Moreover, the level of the provided support is not always sufficient to cover the study fees at the higher education institutions. It is advisable to develop such open public funds, which would offer resources to students not only on the basis of their academic achievements, but also by taking into account their socio-economic situation.

It is also possible to establish special funds where the contributed money will later be used to finance higher education of certain individuals. These funds could be developed according to the scheme of the private pension funds where the resources are circulated by investing in securities and thus earning additional income. For example, enterprises may offer their employees to develop such savings with the purpose of financing higher education. Also, private individuals could offer their donations to the respective fund with the condition attached that the resources must be used to support students from low-income families and (or) gifted students, for example, in Rēzekne University. Higher education institutions could do the same by establishing, for example, special alumni funds.

Higher education institutions could more actively engage in providing financial support to their students by concluding individual agreements with banks in provision of loans for their students.

Parallel to such private sector activities also the state should reform its student support system and provide support in the required amount.

In order to develop and implement the national student support policy which would consider not only the academic performance of students, but also their financial situation, it might be useful to invite internationally recognized experts who deal with issues related to the financing of higher education and who have made an impact on the process of higher-education-financing reform in several countries.

Conclusion

Any changes in the financing of higher education and material support to students require a political decision. This decision should be based on accurate information about the target group, otherwise one can doubt the effectiveness of the use of the financial resources. Financial effectiveness (ratio between investment and result) should not be mixed up with an excessive economy, which may affect the quality of education (Altbach & Johnstone, 1993: 8). Effectiveness of financial investments in education does not mean maximizing the profit, but contributing to the public good. The public goal of student support policy should be clear from the very beginning, otherwise it

[29] In the tender process to issue state-guaranteed student loans, the winner was *Hansabanka*, which offered the average six months RIGIBOR rate plus 0.87%. It is approximately 7.68% per year (FM, 2001).

will be difficult to establish whether the implemented system attains the set goals (Woodhall, 1987).

This article offers only some possible ways to promote equal access to higher education. Experience of other countries proves that there is no perfect model. However, the difficulties of the present situation should not be tolerated, but should be overcome by way of designing other policies.

At present Latvia is experiencing growth in the number of students and tuition fees in the higher education institutions, while the number of state financed study slots remains almost unchanged. Nothing suggests that the situation will change in this respect. However, social stratification in Latvia is becoming more pronounced.[30] The financial support program for students in Latvia is still based on the approach of those times when higher education was entirely financed by the state, all successful students received scholarships and the existence of poor and rich in society was not recognized. The current system of student loans does not fill the gap between the wealthy and the needy young people to acquire higher education. This problem, if not addressed, will create new problems and social tensions.

It can be expected that changes in the principles governing the granting of loans to students will cause anxiety in a certain part of the population who might be concerned about the fact that students from relatively wealthy families will not get the public scholarships, and that these resources will be redistributed to needy students. Any change will be unpopular in some part of the society. But from the investment point of view, the small public scholarship budget could be distributed more effectively, taking into consideration the needs of the poor students.

Further, more effective investment of public funds could be achieved by changing the entire procedure for financing the study slots. Instead of distributing public funds among the higher education institutions, which then accept students in state-financed study, scholarships should be directly granted to students to cover the costs of one study year. Students should apply for the scholarship each consecutive year. The state could set specific criteria for granting the scholarship, thus implementing both social policy, as well as state order in the higher education.

If scholarships and loans were to flow directly to individual students, public expenditures would be utilized more effectively, since the students would have higher individual responsibility for their academic achievements. The data on rotation of highly successful and less successful students in the University of Latvia show that, many of those who have been included in the budget groups are not able to remain among the best and continue their studies in the budget groups (Prūse, 2002). This means that the higher education institutions, which do not provide for student rotation, do not spend the public resources for the education of the very best students. Consequently, investment of public resources does not yield the maximum result.

However, to implement the changes described above, the public policy on financing the higher education should be radically changed. Resistance might be expected from certain parts of the society and public higher education institutions. And no matter how effective the anticipated reforms are, they cannot substitute the lack of funds for higher education[31]. According to the research data, lack of financial resources may cause the failure of the reform itself (Reimers & McGinn, 1997: 67).

However, from the perspective of purposeful investment of public (tax-payer's) resources, it is worthwhile to answer the question what exactly the state is financing and why, when it allocates funding to the higher education. If the only criterion is student academic achievement, then it is necessary to find out whether the outcome corresponds to the investment. Perhaps changing the principles governing the provision of material support to students could improve the outcome of the public investment and promote equal access to higher education.

[30] It is proved by the increase of Gini coefficient in Latvia (Programma, 1998).

[31] From 1995 to 2000 the ratio of higher education financing in the gross domestic product decreased (IZM, 2001b).

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Labor Market Experience of Graduates from Daugavpils University

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Summary

The relationship between higher education and the economy is an essential issue both for society and the individual. For an individual it is important that after graduating from university, the graduate will have a better chance to get an interesting and well-paid job.

The society's interest, however, is that higher education foster economic development. This paper analyzes the employment position of graduates a few months after graduation.

It asks whether the tasks graduates are performing in their jobs are relevant to qualifications gained at the university and whether education has been economically beneficial both for graduates and society in general.

Eight months after graduation almost all graduates had a permanent job.

The number of cases when the present job of graduates could have utilized lower qualifications compared to those gained at the university were relatively small. These findings indicate that there is demand for specialists with higher education in the labor market.

The economic rates of return from undergraduate and graduate education are positive and relatively high compared to other countries.

Introduction

For the development of personality, education can be considered as a lifelong learning process. What are the limits of learning to be set for the human mind, skills and character? But the process of education always proceeds under definite social circumstances and regulations.

At present specialized institutions and organizations are involved in education, and their activities are related to other areas of social life. The economy is one of the essential areas because the process of education aims at the development of individual skills, to be applied in practice.

Economic growth nowadays is an especially essential factor and therefore it is important to maintain efficient links between education and the economy. Relations between higher education and the economy should be efficient also because higher education plays a major role in the development of modern technology and the service industry.

A survey of graduates on their positions in the labor market is a method of how to gauge the relationship between higher education and the economy, how to evaluate the current situation and to provide recommendations on how to improve the existing relations. This article is based on the survey "Daugavpils University as the Regional Development Cen-

tre in Latgale"[1], which was carried out in February and March 2002.

Measuring relations between education and employment

Research based on "overeducation" concept

Two different approaches were used in the survey on research of the relationship between education and the labor market. The purpose of the first approach was to find out whether graduates were employed according to their qualifications. Similar surveys were carried out in the USA and Western European countries and were related to the so-called "overeducation" problem. "Overeducation" can be defined as a situation where employees have a higher level of education than needed for the work they do (Carnoy & Levin, 1985: 162)[2]. Normally, employees should be trained for relevant skills, attitudes and behavior 'needed for' a certain work. Some researchers in education believe that "overeducation" has a negative impact. It can cause stress at the workplace. Employees will not be satisfied with their work if their education and qualifications are higher than required. The job will not satisfy their increased expectations. Dissatisfaction with work causes turnover of the workforce, absence of employees from work, a careless attitude toward assigned tasks and even more negative issues such as alcoholism, depression and use of drugs. Several surveys conclude that overall "overeducation" has a negative impact on productivity (Levin, 1987: 153). Moreover, young people who study at educational institutions recognize the formality of learning and create a negative attitude towards the process of learning (Jallade, 1987: 169). To characterize the given problem, there are other terms used, for example, "overqualification" (Jallade, 1987: 169), "graduate underemployment" (Dugdale, 1997: 165), "invisible underemployment" (Sanyal, 1987: 173).

One of the possibilities to determine whether a person is employed according to his/her qualification is to use a standard classification of occupations. The Classification of Occupations in Latvia is a legislative governmental document, which was developed and adopted in 1998 (*Latvijas Vēstnesis* 299/304, 21.10.1998). The document was developed according to the International Standard Classification of Occupations – ISCO (ILO, 1988). The existing version of the classification of occupations covers more than 3,400 titles and descriptions of occupations. Occupations are arranged according to the level of qualifications and level of responsibilities needed for the definite occupation.

Surveying graduates and asking whether they consider themselves "overeducated" can help to analyze the "overeducation" phenomenon. The method of gauging an individual's self perception has been used in some surveys on education and employment. (Brennan, McGreevor, 1988: 36).

Concept of human capital

Many surveys to gauge interaction between education and the labor market concentrate on researching subjective aspects, such as personal opinions of the graduates. In the early 1960ies, economists developed a concept of human capital in which education was evaluated from the standpoint of economic efficiency. Human capital considers educational costs to be an investment, and the benefits in the form of

[1] "Daugavpils University as a Regional Development Centre in Latgale – Setting up a Dialogue between Higher Education and the Labor Market", a project financially supported by the Soros Foundation – Latvia, 2001–2002. The project group: A. Šņitņikovs, S. Vanaga.

[2] In literature on economics of education, the term "overeducation" has been used with different meanings. Besides the above mentioned definition of "overeducation", the term is used to describe the situation where education for an individual has no economic pay-off, because after completing studies the graduates receives low salary with low rate of return (Johnes, 1993: 38), or the supply of qualified workers exceeds demand (Ibid). In this paper the term "overeducation" is used to describe "overqualification", when the present job of an individual requires lower qualification than the graduate's education.

increased earnings – as the return on investment. The comparison of the costs and the benefits are used to calculate an economic rate of return. This paper will calculate rates of return of two kinds. The first kind will be the return to the educational investment of an individual; the second will be the return to the society and the nation. A few words may be necessary to describe in general terms how this is done.

Education involves both direct and opportunity costs. Direct costs include study fees and other expenses related to studies, for example, transportation costs and costs for buying books. Opportunity costs cover expenses related to a lower income level during studies. Return from education can be monetary, such as having a higher income level throughout one's working life. The return can have non-monetary characteristics as well. These can include the benefits from finding the educational process interesting and pleasant and the job to which it leads as more rewarding and intellectually challenging. Non-monetary benefits for an individual may also include the ability to make better choices in terms of health and family life. Non-monetary benefits for a society are more important. They may include the propensity to understand social obligations and to support the principles which underpin social cohesion.

However, human capital evidence lies largely on monetary returns. Several methods can be used in calculating the rate of return. One can distinguish between private rate of return and social or public rate of return. The private rate of return determines whether the input in education is beneficial to an individual. The social rate of return helps to find out whether the input in education is beneficial to the society (taxpayers' standpoint). The difference in methods of calculating private rate of return and social rate of return is determined by values, which are included as "expenses" and values included as "benefits". When calculating private rate of return, the private costs of education (see Table 1) and the salary of an individual after completing studies and after taxes are taken into account. When calculating social rate of return, the social costs of education (see Table 1) and the salary of an individual before taxes are taken into account.

The basic principle of the human capital theory is based on the assumption that investment in education is the same as investment in any other kind of

	Private costs	**Social costs**
Direct costs	Direct expenses of a student or his/her family: ➢ Tuition fee; ➢ Transportation costs, living expenses, meals and food; ➢ Books, other materials purchased by a student.	All resources involved in maintaining the study process: ➢ Time spent by lecturers and other employees of educational institutions (measured as salaries, bonuses); ➢ Current expenses, for example, books, electricity, heating; ➢ Other current expenses, for example, compensations for transportation, scholarships; ➢ Capital expenditures, for example, rent of premises.
Opportunity costs	Possible earnings (after taxes), costs of alternative possibilities of student time usage, e. g.: ➢ Money a student could earn during his/her study period ➢ Products, which a student could produce during his/her study period in a family farm or in a company.	Possible earnings which were not received before paying taxes, for example, costs are the same as private opportunity costs. However, in this case the salary, which the student could receive during his/her study period, is calculated before paying taxes.

Table 1. Social and private costs of education. Source: Murnane, 2001: 10

	Bachelors	Masters
School	51	69
Trading company	15	5
Kindergarten	7	–
University	3	12
Bank	3	3
Manufacturing company	3	3
State Revenue Service	–	3
Other	18	5
Total	**100**	**100**

Table 2. Places of graduate employment (%)

capital. Theoreticians of human capital argue that an educated individual earns more and the productivity is higher because of education and not any other feature (for example, intelligence, sex). Methods of calculating the rate of return[3] determine whether the contribution in education was effective or not. The method can be used (and, for example, is actively used in Great Britain) by the government when planning investments in education.

The rate of return for different education levels can be calculated more precisely if the information on the amount of salary, which individuals with different education levels receive during lifelong employment until they retire, is accessible. Nevertheless, several methods allow to calculate the rate of return by using data on salaries at a certain stage (Menon, 1998). Some studies used a practice where graduate salaries were surveyed only a few months after they completed their studies. (Hayrinen & Hayrinen, 1995: 178). Several methodologies state why it is recommended to use data on recent graduates' salaries when calculating return rates. (Psacharopoulos, 1987: 219). Research on graduates from Daugavpils University and their positions in the labor market surveyed graduates who graduated from the university eight months ago.

Problem

The number of studies about the relationship between education and the labor market is relatively small. When researching graduates from Daugavpils University and their employment situation, it was assumed that graduates can suffer from "overeducation" and their education can turn out to be economically inefficient. Both issues have a negative impact on national and regional development.

Work position of graduates from Daugavpils University

In 2001 there were 444 students who graduated from Daugavpils University. 350 graduates or 79% from the total number of graduates where surveyed for the research. 112 out of 119 or 94% were graduate students; 238 out of 325 or 73% were undergraduate students. The survey was based on telephone interviews, and several graduates and

[3] In the study "Daugavpils University as a Regional Development Centre in Latgale" the following formula was applied for calculating the rate of return: $$\sum_{t=\tau_1}^{\tau_2} \frac{[W(T)-W(M)]_t}{(r+1)^t} = \sum_{t=\tau_0}^{\tau_1} \frac{K_t}{(r+1)^t} + \sum_{t=\tau_0}^{\tau_1} \frac{[W(M)-W(0)]_t}{(r+1)^t},$$
where W (T) is the salary received by an individual having "a" level of education; W(M) – the salary received by an individual having "a – 1" level of education; W(0) – the salary received during studies; K – direct costs of education; t(o) – t(1) – study period; t(1) – t(2) – period for which the rate of return was calculated; r – rate of return compared to the inflation index. Investment in education is considered to be economically profitable, if the rate of return r is higher than the defined inflation index. Source: Bosworth, Dawkins, Stromback, 1996: 223

undergraduates were invited for group discussions and in-depth interviews.

Half a year after completion of their studies, 77% of undergraduates and 93% of graduates were employed. What were the main reasons why undergraduates and graduates were unemployed? Maternity leave and difficulties in finding a job were the most often mentioned reasons.

7% of the total number of undergraduates were unemployed because they could not find a job. The number is smaller than the average ratio of job-seekers among work-capable persons in Latgale and Daugavpils district, however, it is close to the average unemployment rate in Latvia.

90% of undergraduates and 88% of graduates were employed at one working place (see Table 2). Approximately 10% of undergraduates and graduates worked at two places. Only 2% of graduates had more than three jobs. 12% of undergraduates and 5% of graduates were employed part-time. These data are not related to whether undergraduates were continuing their studies in the Master's program or not. The majority of graduates who continued their studies in the Master's program had a full-time job. The majority of graduates had a permanent labor contract with their employers. Only 34% of undergraduates and 10% of graduates had a short-term labor contract.

Table 2 shows institutions where both undergraduates and graduates were employed. According to the table both the undergraduates and graduates were working at schools. Trading companies were the second choice for undergraduates, but a higher education institution was the second choice for graduates. The number of undergraduates who worked at trading companies and continued their studies in the Master's program was higher than of those who were not continuing their education.

Undergraduates were also employed in other institutions, for example, a research centre, the municipal Council, the post office, a hotel, a library, a confectionary, the Border Guard, the National Guard, a real estate agency, photo service, police and a crisis centre. Graduates were also employed in different institutions, for example, the Border Guard, the Land Service, the municipal or district Council, and a bus station.

The majority of undergraduates and graduates were employed as teachers. Undergraduates were taking positions as educators, managers, shop assistants, specialists, secretaries, cashiers, administrators, etc. Graduates were working as directors, deputy directors, assistants, and specialists.

To analyze how many graduates were not employed according to their university qualifications, the survey used the same principle as in the Classification of Occupations, where an occupation is determined by combining information on position with information on the institution where the individual is employed. For each general group of occupations the classification determines a certain "level of skills", which depends on how many years a person studied at the educational institution. Therefore, according to graduate occupation, it is possible to determine whether the position at work is relevant to the level of qualifications gained at university. It was assumed that

	Bachelors	Masters
Completely agree	26	27
Rather agree	29	23
Rather disagree	16	29
Completely disagree	18	9
Difficult to say	11	11
Total	100	100

Table 3. Do you agree or disagree with the statement that qualifications gained at the university are higher than the present job requires? (%)

"overeducation" is not the same as inadequacy of employment to the university qualifications. If, for example, an individual has a qualification as a teacher, and he/she is not employed as a teacher, but is carrying out other tasks, there will be no "overeducation" if the job requires a similar level of qualification (for example, a Bachelor's degree).

According to the analyses of graduates who have studied in undergraduate or professional study programs, there were 41 cases of 'overeducation', which was 17% of the sample with Bachelor's degree. The sample of graduates stated three 'overeducation' cases: a person was employed as the product manager (the occupation belongs to the 4th category) and two persons worked as tax inspectors (the occupation is within the 3rd category). All respondents who had the title of assistant were employed by a higher education institution and the occupation was relevant to the 2nd category. In total, there were 44 cases of 'overeducation', which is 13% of the sample. There were several directors and deputy directors among graduates with a Master's degree. The situation when a number of graduates with a Master's degree worked at the managerial level could be explained by the fact that in the sample the graduates with a Master's degree were older than the undergraduates.

The questionnaire was designed in a way to evaluate both whether a graduate represents a case of 'overeducation' and what was his/her own evaluation. Respondents were asked a question: "Do you agree or disagree with a statement that qualifications gained at the university are higher than the present job requires?" Answers to the question are summarized in Table 3.

The range of answers to the question among undergraduates and graduates was quite similar. Nearly half of the graduates agreed with the statement that university qualification was higher than their present work required (answers "completely agree" and "rather agree"). The undergraduates had more "completely agree" answers than the number of 'overeducated' undergraduates defined by analysis using the Classification of Occupations. The graduates found to be 'overeducated' by the analysis mostly selected "completely agree" and "rather agree". Therefore, it shows that the question was understood more or less correctly. However, "completely agree" or "rather agree" answers were given by respondents who were in positions relevant to the level of qualifications, for example, experts and senior experts: teachers, managers and engineers. Graduates who selected "completely agree" or "rather agree" were employed as teachers (31 out of 49), as well as directors and deputy directors. A tentative explanation why individuals in positions relevant to their level of qualifications, when asked about "overqualification", responded positively is that their specific duties do not correspond to the titles of their positions and occupations.

Focus group discussions covered issues related to benefits gained from education. The following quotes characterize impressions of graduates on qualifications gained at the university and the present employment. *"Tasks which I am carrying out at the consultation bureau do not require a Master's or any other degree. Personal qualifications are more essential, for example, communication skills and quick and adequate reaction in different situations. If I was working as a lecturer, it would be different and I could use my knowledge gained at the university". "I can agree that I am using my [knowledge] only partly. Things I learned at the university help me to understand and know everything related to the economy. However, I do not feel that I can use my knowledge. I do not feel that I can apply my knowledge. The program at school does not facilitate use of my knowledge and skills." "I do not use anything from what I learned when studying in the Master's program. There are no possibilities to apply it. Maybe I can use my knowledge in the future". "Education remains for life. There is a saying, "everything that belongs to me I am carrying with me". I am sure that I can find a job in every school and, if my*

Masters	128.1
Bachelors	93.7
Secondary education	74.5

Table 4. Monthly net salary in Lats by academic degree

knowledge is not used for some period of time, there is no tragedy in it".

Economic Rate of Return from Education at Daugavpils University

To calculate the economic return for each academic degree, all variables involved in calculation of the rate of return should be identified. Table 4 shows the average salaries involved in calculation. Those are average salaries, which graduates received in all work places, including placements without formal labor contracts[4]. Data on individuals with secondary education were taken from the survey "Living Conditions in Latvia" conducted by the Central Statistics Office of Latvia (CSP, 2001b).

In addition, two variables were measured: the salary during studies at the university and individual expenses to cover study-related costs. First, we need to explore how much the respondents earned during their study period, because the opportunity costs depend on the salary earned.

While at university, 55% of undergraduate students and 96% of graduate students were working. Among undergraduate students, 66% were employed at one working place, 26% worked at two places, and 8% had three or more jobs. Undergraduate students had a varying number of jobs of various duration, with a more frequent pattern being the following: undergraduate students would have employment ranging from a half of a year to a year. During their studies undergraduate students on average were earning 60 LVL per month. Nearly all graduate students (89%) had one job, and more than 90% of them worked for more than a year and a half. Parallel to studies, the graduate students had an average salary of 94 LVL per month.

First of all a tuition fee was referred to as direct costs. 7% of undergraduate respondents were paying a tuition fee, and a majority of graduate students, i.e. 72% were paying a tuition fee. At Daugavpils University, a yearly tuition fee ranges between 100 LVL to 240 LVL for undergraduate programs and 200 LVL for all graduate programs. Direct costs also include costs for books, stationery, transport. Data on direct costs were retrieved from the publication "The Household Budget in the Year 2000" published by the Central Statistics Office (CSP, 2001a: 45).

Indirect costs, which can be considerably high, are another essential kind of cost. If a graduate would not study in a full time study program, but during that time would work, the graduate could receive remuneration. According to Table 4, average salary for a secondary school graduate in Latgale in the year 2000 was 74.5 LVL (after tax).

Country	Year of measurement	Social rate of return	Private rate of return
Cyprus	1979	7.6	5.6
Denmark	1964	7.8	10.0
Greece	1993	5.7	8.1
Hungary	1993	7.8	13.4
Latvia[5]	2003	4.1	7.0
Norway	1966	7.5	7.7
Sweden	1967	9.2	10.3

Table 5. Rates of Return in Undergraduate Education in Different Countries. Source: Psacharopoulos and Patrinos, 2002

[4] Respondents were asked how much they earned at each workplace. One should note that not all respondents were willing to respond to questions related to their earnings. Respondents who were not willing to disclose their earnings had an opportunity to choose an answer from the scale of earnings divided into intervals. Answers received by the use of the scale did not significantly differ from the level of earnings disclosed by respondents.

[5] Calculated for Daugavpils University undergraduates.

When calculating the rates, it was assumed that undergraduate students would start working at the age of 22 and finish at the age of 65, and graduate students would start working at the age of 24 and finish at the age of 65. Based on these assumptions, the private rate of return on undergraduate education was 7.0% and 14.1% on graduate education.

In calculating the social rate of return on education, direct social costs include all expenditure for resources necessary to secure the educational process: salaries to the academic faculty, communication services, facility management (electricity, heating, water supply, etc.), study materials and appliances and many other expenses. In education, direct social costs comprise all expenditure related to educational process and family expenses, which do not cover study expenses (tuition fee is not included, see Table 1). Data on study costs and cost ratios for different educational fields are presented in the Cabinet Regulation No. 334 (LR Vēstnesis, 01.08.2001).

Opportunity costs include gross salary (before taxes) not received, i.e., the money a student would have earned if not studying at a higher educational institution and the money the state would have received in taxes. If a student worked, similar to the private rate of return, the difference in salaries (the difference between the gross salary to an individual with secondary education (which is assumed to be a basis) and the gross salary to a student working in parallel with studies) constitutes opportunity costs.

Calculations of the social rate of return to undergraduate and graduate education was based on the most-often-used study pattern covered by the survey: while studying at the undergraduate program a student was not paying any study fee and was working for a year, however, while studying at the graduate program a student was paying a study fee and was working for two years. Based on assumptions presented above and using the minimum coefficient of public finance for education science programs (with a coefficient of 1.1, which was applied in the year 2001/2002) the value of the social rate of return for undergraduates was 4.1% and for graduates 8.5%. When interpreting the rates of return, first of all it is important to evaluate whether the rate has a positive or negative value. If the value is negative, it means that the financial input is ineffective and does not pay off. Rates of return in education are similar to the rates of return on physical capital and can be compared with rates of return on alternative financial investments.

The World Bank is carrying out and gathering studies on return rates on education in different countries. Social and private rates of return in higher education in several countries are given for comparison (Table 5).

Conclusions

More than half of respondents who have earned a degree in teacher training work in schools. A number of respondents believed that they were overqualified for their current occupation and did not see any career development opportunities in their present workplace. However, using the Classification of Occupations suggested that only 13% of graduates were 'overqualified'. The National Concept of Development of Higher Education (AIP, 2001) states that it is acceptable if no more than 25% of graduates are not employed in their professional area or according to their qualifications. In the group of respondents regarded as "overeducated", there were graduates with different educational backgrounds, and there was no indication for a specific education field having disadvantages in the labor market.

Both private and social economic returns from undergraduate and graduate education at Daugavpils University are positive. Compared to the economic rates of return from other countries, the rates of return in Latvia, especially from graduate (six year) programs, are relatively high. Coefficients of return from education were higher than the average level of inflation in Latvia during the last years (3% per annum), which allows one to conclude that gaining an education at Daugavpils University was economically efficient. However, one should consider the regional aspect and note that on average salaries for employees working in Latgale region including graduates from Daugavpils University were lower than for those with comparable level of education employed in other parts of Latvia (CSP, 2001b: 77).

Recommendations

The fact that almost all graduates from Daugavpils University after completing their studies are able to find a job and that in the majority of cases their work requires an adequate level of qualifications, as well as the fact that the economic rate of return from their education is positive should be considered as positive elements. It is important when considering that the majority of graduates remain to work in Daugavpils or Daugavpils district where the level of unemployment is high.

When analyzing the employment position of graduates from the perspective of regional development, it should be noted that the majority of graduates work in the public sector. From the regional development perspective it is important that the human capital is used in business development in the private sector, which means that productivity of the work in private enterprises can be increased by education gained at the university. At Daugavpils University it is recommended to consider starting perspective programs, which would attract more male students, for example, engineering, entrepreneurship, law, agriculture, etc. In Western countries regional universities form successful partnerships with the business community and thus provide graduates with work placements. Perhaps good results can be achieved by starting cooperation between local employers and professional associations.

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The Ethnic and Gender Dimension of University Costs and Benefits

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Introduction

Due to the increased demand for higher education, the number of universities in Latvia has also increased. At the same time, the costs of studies in university have increased because of growing tuition fees and decreasing number of scholarships. It seems reasonable to believe that the value received from higher education has increased faster than the costs. Because the benefits from education are derived after graduation, education can be considered an investment. The decision to invest is made if the net present value of future cash flows is positive. Thus, a person decides to invest in higher education if he/she expects future income to be greater than costs of obtaining more education.

Problem

It is particularly interesting to find out the views on personal benefits from among the Latvian-speaking and Russian-speaking residents of Latvia. There have been many discussions about labor market discrimination by ethnicity (Chase, 2000: 1) and gender. If discrimination is present, then the benefits of education would be different for different ethnic and gender groups. If the fact of discrimination is proved, from it follows that individuals belonging to different ethnical groups and genders have different incentives to invest in education.

Background

Significant changes occurred in the educational system in 1991 when Latvia regained its independence from the former USSR, where the demand for the specialists in the labor market was set centrally. In 1991 Latvia moved from centralized planning to market economy and this transition affected the educational system in several aspects.

The supply of the educational institutions in the USSR was centrally controlled by the government and after the year 1991 many new schools and universities other than state-owned emerged. During the Soviet era particular industries and areas of specialization, like chemistry and textiles, were developed in the region and therefore schools were offering educational programs for these industries. Following the collapse of the USSR and liberation of the labor market

[1] The paper has been adapted from the Bachelor's thesis "Differences in Net Earnings Benefits from Higher Education for Different Ethnic, Age and Gender Groups in Latvia" at the Stockholm School of Economics in Riga.

the demand for specialists dramatically increased in the social sciences (economics, sociology, law, etc.), but decreased in technical sciences such as engineering and chemistry. Private schools and universities emerged in the areas of the new demand, and public financing decreased in the low demand areas.

As a result of the demographic situation the labor structure is unequally divided. The birthrate in Latvia is low. Although the death rate is decreasing, these trends are resulting in a negative natural increase of population over the last ten years (CSB, 2002). The ratio of those who received education during the Soviet period and those who received it later is increasing in favor of the latter. There are significant distortions, as the demand for "newly educated" employees is higher than for those who studied during the Soviet period. This can be explained by the fact that in several fields (public finance, economics, law, etc.) the "old" knowledge has become obsolete.

Another characteristic of the labor market in Latvia, like in many other countries in transition, is the presence of the shadow economy. The estimated share of the shadow economy in the Latvian market is as large as 38.2% in 1999 and 25% in 2002 (Ķirsons, 2002). The social tax rate for individuals amounts to 35.09% from earnings, of which 26.09% is supposed to be paid by the employer (FM, 2002). In order to avoid the large tax payments, very often the employer officially pays the employee only a part of the actual wage, but rest the employee receives in cash. Thus also the official data about the earnings could be lower than the actual, as a result of underestimated rate of returns.

Although Latvia is a relatively small country (64.1 thousand km^2), there are significant regional differences. In the capital (Riga) there is a large concentration of the workforce as well as companies, thus the unemployment rate is significantly lower than in the eastern part of Latvia, where the unemployment rate is the highest in Latvia. The Ministry of Economics states that in the middle of 2002 the unemployment rate in one of largest districts in Latgale – Rezekne district – was eight times as high as in the capital and was reaching 27% (ME, 2002). The unequal distribution of labor force and enterprises has an effect on the earnings rate, as a person having the same education level and performing the same job in the eastern part of Latvia is very likely to have a lower wage than a person in the same situation in Riga. Next in terms of relative wealth after Riga is Vidzeme region, followed by Zemgale and Kurzeme regions.

The shadow economy has created another phenomenon – the differences between the public and the private sector. The authors believe that the wages in the public sector for the same education level are lower than in the private sector. However, the statistics indicate the opposite trend in the real wage level (CSB, 2002, Basic Indicators, Labor Remuneration). There are two possible explanations. First, the proportion of low-skilled employees in the public sector is relatively low. Second, in the public sector the taxes are paid on all earnings and the indicators are not affected by the efforts to hide the unpaid tax level as in the case of private sector enterprises.

Although the situation in Latvia requires special caution when interpreting results, previous research and theories serve as a basis for this work.

Empirical findings

There are two methods mostly used for estimating the private rates of return. The first is the traditional method, where the annual direct costs and income foregone as well as benefits are estimated, and the implicit discount rate for which the sum of costs is equal to sum of benefits is the rate of return.

Another one, used for the analysis in this paper, is the so-called Minzerian earnings function.

The Minzerian earnings function can be calculated in the following way:

$$\mathrm{Ln}\, E_i = \alpha + \beta_k \mathrm{Edu}_k + +\gamma_i \mathrm{Exp}_i + \varphi_i \mathrm{Exp}_i^2 + \varepsilon_i ,$$

where E represents the individual earnings, Edu – years of schooling, Exp – years of labor experience, equal to total age, minus the number of schooling years, minus the age at which schooling was started.

The calculation of the years of labor experience very often appears to be slightly imprecise, as the

assumption that the person has been working all the time after studies is sometimes incorrect. However, such an assumption is a common practice, and Minzer initially defined it as the potential work experience the person could have.

The rate of return to schooling is the estimated coefficient β

$$\beta = \frac{\partial \mathrm{Ln}\ E}{\partial \mathrm{Edu}}$$

This is the so-called "short cut" method where the same value can be expressed as:

$$\beta = \frac{\mathrm{Ln}\ E_i - \mathrm{Ln}\ E_{i-1}}{\Delta \mathrm{Edu}}$$

where the difference between the earnings of a group of people having educational level *i* and those having educational level *i – 1* has been divided with the difference in the number of years spent on education.

Previous research

One of the main researchers in the field of the economics of education is Psacharopoulus G., who has written a number of papers and books (1985: 70) on social and private returns on education. He is one of the pioneers in the field of education issues and has studied rates of return and cost-benefit. He has gathered the data on social and private rates of return on education for about 50 countries, including those in Africa and Latin America (1985: 56–57).

The research on the private rates of return on education is performed in many countries like the USA, Mexico, etc. However, we are more interested in research carried out in the post Soviet countries, like Latvia, where the transition from planned economy to free-market system has taken place.

In the paper (Noorkoiv, 1997: 15) *Employment and Wage Dynamics in the Estonian Transition, 1989–1995*, the analysis of returns in cohorts has led to the conclusion that the returns on education significantly increased during the transition and especially those on higher education.

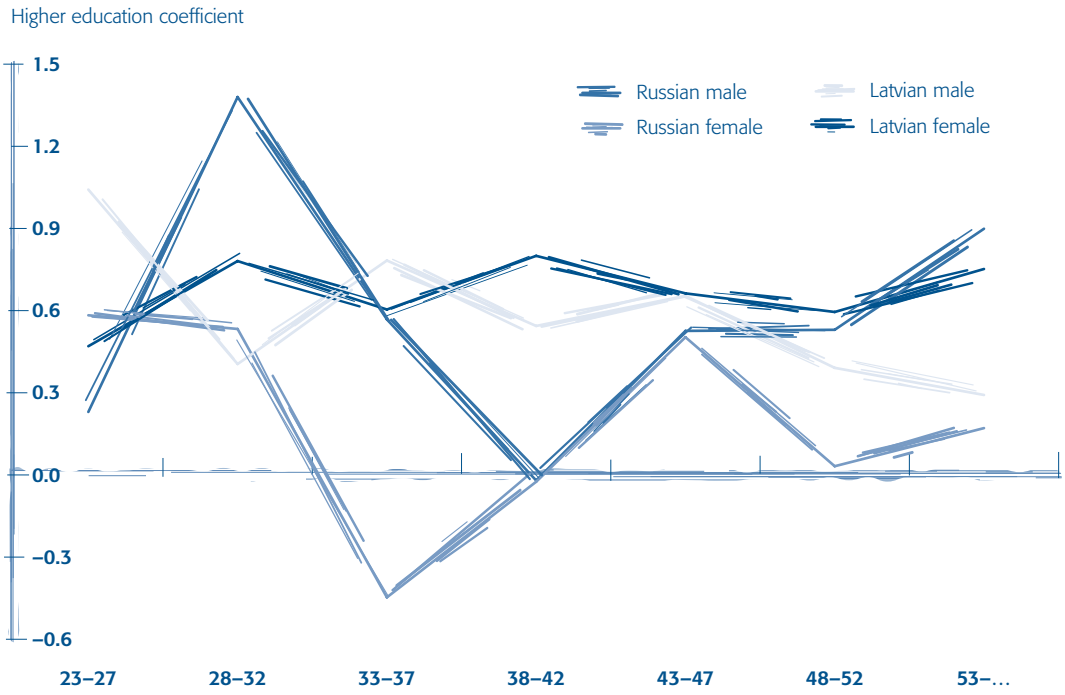
Munich, et al. studied the returns on education in the Czech Republic during the transition from communism to capitalism (1998: 14). In this study the same methodology was applied, i.e., Minzer's earnings function. The findings indicated that the overall rates of return on years spent on schooling also appeared to increase during the change of economic systems. According to the study, the women appeared to have a higher rate of return during communism, but the increase in ROR during the transition was higher for men. The largest increase in rate of return in the Czech Republic during the transition relative to different levels of education was for those who had obtained a higher level of education.

Extensive research was performed by Cheidvasser and Benitez-Silva (2000) in Russia. Applying the regressions to Minzer's earnings function, it appeared that the rate of return on schooling in Russia is somewhat about 5%, which is significantly lower than in other countries. This research along with other studies revealed that women have higher rates of return for higher education than men.

After dividing the sample by place of residence, it was found out that for people in rural areas, the returns on schooling were significantly higher than for urban residents. However, one finding that falls out from the general trends and findings of Psacharopulus is that the people working in the private sector in Russia do not have higher returns to education than those in the public sector.

Vietnam also experienced the movement from centralized to liberalized market economy starting from 1986. Moock, et al. in the research *Education and Earnings in Transition Economy. The Case of Vietnam* (1998) found that the additional monetary benefits from receiving higher education are higher for female (12%) than for male (10%) individuals. The fact that for young people the return in the labor market is higher (14%) than for older ones (4%) is explained in the paper by the fact that the liberalization reforms have not jet been fully implemented, and the overall rate of return is still expected to increase. The case of Vietnam is another exception from the general situation, since the rate of return on education in the private sector is lower than in the public sector.

In her research on the rates of return on education in the Ukraine, Shyshkina (2001: 37) also applied



Graph 1. Gain in earnings by gender and ethnic groups

Minzer's earnings function. Her most interesting finding was that the rates of return increase along with the level of education.

As the Ukraine even now has not completely moved from a planned economy to a liberalized economy, then, as it is suggested in her work, the reasons behind such finding should be investigated in more detail.

In the previous studies carried out in the post-socialistic countries (UNICEF, 1998) which either have been through or still are in the transition process, there are findings which are inconsistent with global data generated in the capitalistic Western countries, which are generally accepted as the norm.

Thus each case must be examined, and explanations for the deviations from the "norm" should be made only as the result of analysis of the situation and historical background of each country.

Age group	Latvians			Russians			Total
	Males	Females	Total	Males	Females	Total	
23–27	89	85	174	47	34	81	255
28–32	114	118	232	51	44	95	327
33–37	106	133	239	54	70	124	363
38–42	124	147	271	79	93	172	443
43–47	103	129	232	73	119	192	424
48–52	89	119	208	75	93	168	376
53–	104	118	222	50	64	114	336
Total	**729**	**849**	**1,578**	**429**	**517**	**946**	**2,524**

Table 1. Sample of the study

Data

In the previously described studies, which were carried out on the national level, very often the household data from surveys were used. Also in this research we draw on the data of the household budget survey in Latvia in the year 2000. The survey provides data on the income of the individuals in the household, their level of education attained, place of residence, employment characteristics, etc. The total sample size of the household budget survey in the year 2000 was 7,992 households or 10,493 individuals.

From the household budget survey sample we excluded the unemployed, as they cannot state the income from employment. Pensioners, students and children are also excluded, as there is no strong correlation between their income and the level of education. We were interested in the people who have completed either secondary or higher education to calculate the private income benefit depending on their level of education.

Results

When evaluating the obtained results several main cause-effect relationships should be considered. First, it cannot be regarded as normal that Russian males have a negative gain in income from higher education in two age groups. Associated with this, a considerable drop in income can be observed in the age group from 28 to 32 years and up to 42 years. Also interesting is the fact that this is not observed for Latvians. Second, among the Latvians women tend to have higher gains compared to males, which is just the opposite among the Russians. And, finally, Latvians on average tend to have higher gains than Russians.

The situation with negative returns for Russian males, also observed in the age group from 38 to 42 for the females, suggests that on average Russian males with secondary education are earning more than those with higher education. The main reason for the situation, as we see it, must be traced back to the Soviet Union. As already discussed in the section on national conditions, the education system in the Soviet Union created structural inconsistencies in the demand for the labor force. There was an excess labor supply in engineering and other technical sciences. Following the transition to the liberalized market economy, this had an effect on the demand for labor.

First, many highly skilled individuals lost their work due to the short demand. Moreover, persons educated in the public administration or planned economy found themselves in a situation where they actually had higher education, but their knowledge was obsolete and not applicable in the current situation. In terms of human capital, they had invested in capital that turned out not to be able to produce a sufficient return. In addition, many ethnic Russians who had worked in the public sector lost their jobs because of the restrictions set in the legislation. The Law On Official Language (1999), Section 6, Paragraph 1 states that public employees must be fluent in Latvian.

This created a situation where the demand for highly skilled professionals increased, but it went down in the economic sectors, which had lost their priority status, including heavy (outdated) industries, manufacturing and collective farming. At the same time work experience in the economic sectors or public administration (as interpreted by the era of centralized planning) became irrelevant. For persons with secondary education only, the effect was not so severe. Although many of them lost their jobs, their experience as factory workers or carpenters or construction workers still counted.

Summing the issues up, people with secondary education could successfully argue for higher wages because of higher perceived experience. Unfortunately, this kind of experience is not easily measured. One should be aware that the relationship between earnings and experience cannot be computed by using the aggregate number of years in the labor force. Instead, it should be measured by using the number of years of 'relevant experience' in the labor force. Take the example of a person who has worked for 10 years as a civil servant in the Soviet Union, who then, following the restoration of independence, moved to the construction sector and worked there for three years, and then lost his job. Now that person seeks a new job in the construction industry. The labor market views

his/her experience as worth only 3 years or slightly more.

Our interpretation is also supported by the data on the occupations of ethnic Russians with higher education within the age group from 38 to 42. 41% of our sample within this stratum indicates that they are physicians, natural scientists or teachers. None of these occupations is highly paid. Another 27% of the respondents in this age group work in production of various goods, and 14% in the civil service or health care. None of those areas can be considered to be highly competitive in terms of wage levels. Hence the result of negative gains from the higher education in this age group.

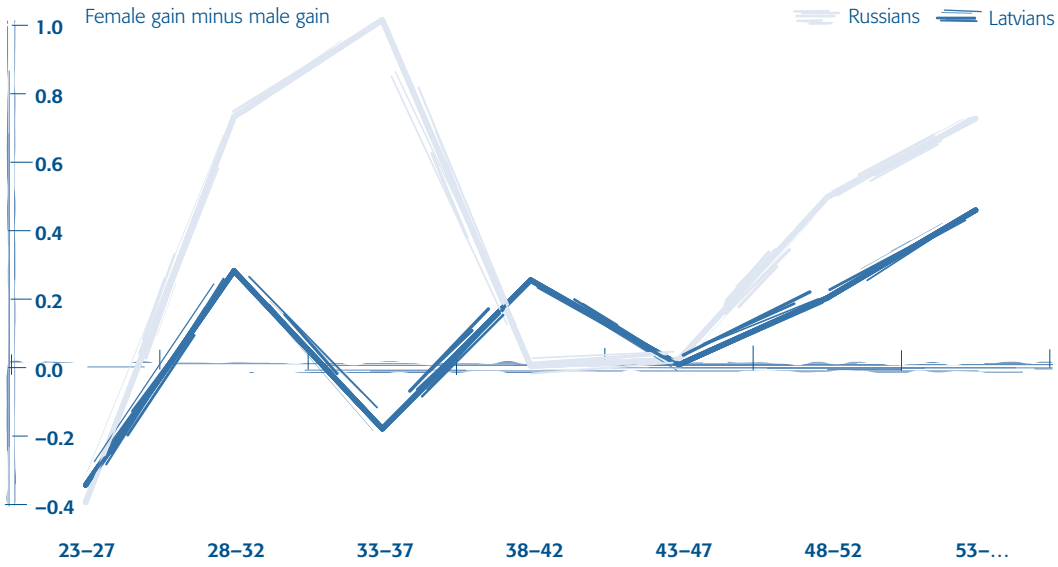
The other side of this cause should also be explained, and that is why the Latvian-speakers did not suffer as much from this effect. If we analyze the representation of occupations in the sample of the Latvian-speakers, we can see that the proportion of physicians, natural scientists and health care professionals is lower than in the Russian-speaking group, i.e., 26%.

Only 6% of the Latvian-speakers are employed in production of goods. By far the greatest proportion of Latvians are employed in service provision (many of them in high positions – in the financial institutions, hotels, other recreational facilities, etc.), where in general the wages are higher. The possible reasons for employment of the larger proportion of Latvians in the service sector could be partially related to the previously discussed situation also described by Pabriks (2002: 43) that almost half of Latvians still find their employer through informal social networks, and so do 58% of Russians. It can be argued that historically there has always been a larger representation of Latvians in the service sector, because they have easier access to it. Therefore the drop in benefits from higher education is not observed in the case of Latvians.

Summing up the discussion on the decline in the benefits suffered by the ethnic Russians age group from 33 to 42, we can conclude that the main reason for the decline was structural inconsistencies in the labor market generated by the planned economy. However, it has not affected both ethnic groups to the same degree, because the inconsistencies generated within the Russian population were deeper than those among the Latvians, and the latter have also managed to gain access to the more lucrative service part of the economy through informal contacts.

Gender

The second issue that is worthy to be discussed in more detail is that Latvian women on average tend to

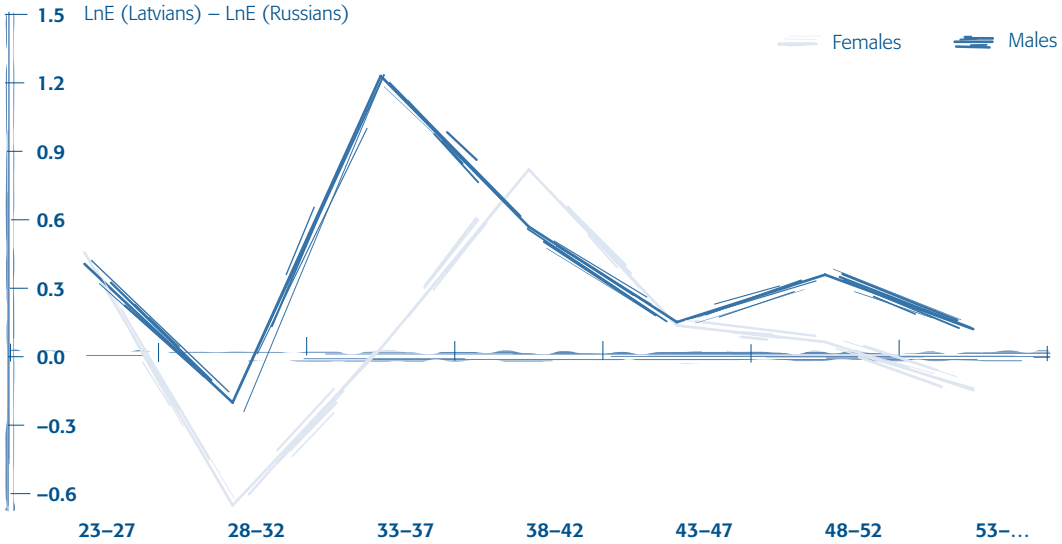


Graph 2. Differences in benefits from higher education between men and women

	Latvians	Latvian Female	Latvian Male	Russians	Russian female	Russian Male
All	0.4914	0.5708	0.4537	0.2474	0.3442	0.1980
23–27	0.7373	0.6468	0.9900	0.2536	0.1897	0.5835
28–32	0.4210	0.7291	0.4467	1.0330	1.3803	0.6475
33–37	0.4848	0.6040	0.7827	0.0154	0.5684	–0.4472
38–42	0.6197	0.8002	0.5443	–0.1723	–0.0202	–0.0249
43–47	0.7730	0.6628	0.6541	0.4737	0.5263	0.5025
48–52	0.4648	0.5948	0.3910	0.2488	0.5298	0.0318
53–	0.5570	0.7522	0.2920	0.5362	0.8987	0.1710

Table 2. The net earnings benefits (Ln E) from higher education

have higher income benefits from higher education than men. The opposite can be observed for Russian-speakers. The difference in the benefits can be seen in Graph 2. We believe this can be attributed to the fact that in the labor market the demand is higher for women with secondary education only. The cause again is twofold. The first issue is that for more lucrative jobs open for people with secondary education, men are in higher demand. If we look at industry representation of Latvian males and females with secondary education, the distinction is rather sharp. 15% of the males work in public administration, 10% – in the construction sector, 8% – in pulp processing, 8% – in forestry and 6% in agriculture. At the same time 9% of females are represented in retail trade of household goods, 7% are connected with educational institutions, 6% work in public administration and 5% work in health care. Hence, it can be seen that while public administration and retailing of household goods is approximately at the same wage level as the most common jobs for the male population, the educational and health care jobs cannot compete with those of forest workers or construction workers in terms of wages. In other words, there is a rather strong distinction between "male" and "female" jobs. At the same time, for the individuals with higher education the distinction is not so sharp. Therefore, while still there is a difference in the wage levels between males and females, the gap is closing, because the females have relatively more to gain compared to the males.



Graph 3. Differences in gains from higher education between Latvians and Russians

Adding to the explanation of the differences in gains, it should not be overlooked that the gains in the age group from 23 to 27 are actually higher for men. This can be attributed to the fact that people in this age group have received their education already in the market economy, therefore many of them are qualified specialists with knowledge of the market economy, which enables allows them to take managerial positions. However, our data suggest, and the International Labor Organization also supports the view, that proportionately there is a larger number of males in managerial posts and they are taking higher positions than women (ILO, 2002). Hence, they receive higher salaries and their gain from higher education is also higher.

Still, the opposite results can be observed for the Russian part of the population. Looking at the data on employment by industry, almost a quarter of Russian women with secondary education are employed in retail trade, 9% – in education, 8% – in health care and 6% – in manufacturing of clothes. An interesting thing about this sample is that, when gaining higher education, the shift seems to be from retailing to education, as 26% of Russian women with higher education are employed in the education sector. 17% remain in retailing and 8% in public administration. What this actually tells is that women are moving from retailing to education, which is a sector with a relatively lower wage level, so the gains, if any, are very small. Men, on the contrary, are moving from transportation and wood processing to the civil service, while the ratio of those employed in the construction sector remains unchanged. Hence, the gains for men are higher than for women.

Graph 3 illustrates the differences in net earnings between Latvian and Russian speakers. The strangest observation relates to the age cohort of 28–32 years for males, where the earning benefits are higher for the Russian-speakers. This could be explained by the fact that they graduated from the university right after Latvia regained independence. Many Latvian-speaking males went to the public sector where the wage level is still perceived to be too low. But the Russian-speaking males who had just completed their education used the market when there were many open business opportunities and started up their own business or went into the booming private sector.

Finally, Graph 3 supports the observation that Russians on average tend to gain less from higher education compared to Latvians. We believe that the reason stems from the fact that Russian-speakers who have completed secondary education are predominantly employed in retailing and the construction sector, and their employment patterns hardly change in terms of wage levels along with higher level of education. At the same time the Latvian-speakers tend to move from manufacturing to service sector, which gives them a relatively higher gain in income. As already discussed, this can partly be attributed to informal contacts in all economic sectors, but also other reasons might be present. Chase (2000) in his work about labor market discrimination in Latvia (among other models Mincerian earnings function is also applied) suggests that the Russian ethnic group is underpaid by 7.9%. He indicates that there is labor market discrimination against Russians, which diminishes their gains from acquiring higher education.

Recommendations

One reason for the differences in net earnings related to ethnic origin and gender is the wide use of unofficial staff recruiting methods. Instead of publishing an official announcement about vacancies, employees inform their relatives, friends and acquaintances. As a result the workforce in different industries is becoming homogeneous. To change the situation, recruitment should be based on the skills and knowledge of individuals; it should be open and transparent instead of relying on individual networks.

The development of such unofficial recruitment networks is more frequently observed among middle-aged people, due to the rapid introduction of information technologies in the work process these people have not used before.

Therefore, younger people after graduation from the higher education institutions are more competitive

in terms of application of IT technologies compared to middle-aged staff and therefore more likely to get a job in fair competition. To solve this issue the state should provide more training courses on application of computers in the work process for the people who already are in the labor market.

Finally, taking into consideration the monetary benefit from investment in education and the opportunity costs, we conclude that the higher education is worth obtaining.

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Higher Education Taxes and Property

Jānis Dzenis, **Ivars Lācis** and **Jānis Stonis** (University of Latvia)

Among the policies remaining from the Soviet period, there are those that pertain to real estate of universities and the taxation of revenue earned by higher educational institutions. In general, universities and other higher education institutions do not have a clear idea as to who owns their property. And as organizations, they have a status in tax laws that does not differentiate them from commercial institutions whose purpose is profit making as opposed to education. This paper will explore these two issues and will propose changes in both property and tax legislation to allow higher educational institutions to develop their own resources, serve the public interest, and become comparable in quality with other higher education institutions in Europe and North America by using some of the same techniques and policies pertaining to property and taxes.

Background

Under the Soviet laws all property was public and belonged to the state. Since there was no private ownership, there was no real estate market and therefore the 'opportunity cost' – the forgone earnings – for not using property efficiently was minimal. In essence, it didn't matter who 'owned' the property, or even whether the property was well maintained.

Similarly, since all industrial enterprises belonged to the state, there was no need to differentiate between manufacturing companies and those operating in the health care, educational, transport or agricultural sectors. All enterprises contributed to the social security system and hence all institutions were similarly taxed.

Since the restoration of independence, these regulations have changed for most sectors of the economy, but not for higher education. Agricultural and industrial property has been returned to private owners, and because land is scarce, the ownership of property is associated with a vibrant market. Since the opportunity cost for not efficiently utilizing property is high, property tends to be treated with a high degree of value. In an active free-market economy, this is a normal practice.

Lately qualitative changes have occurred in the system of higher education: from a more or less elite education it has become an education accessible to a wider public. This trend is observed also in other parts of the world. Over the last decade the number of students in Latvia has doubled, but at the same time the financing in terms of percentage of the GDP has hardly changed at all. All this contributes to a shortage of the infrastructure and human resources to provide a higher education of high quality. Unfortunately, the state does not have additional financial resources to make structural changes in this area. Another option to ensure significant improvement in the higher education is indirect participation of the state by way of regulating the ownership rights and introducing a special

taxation policy with regard to the institutions of higher education.

The issue of university property today

The ownership of property of public institutions has remained unchanged from the Soviet period. The property belongs to the state and it may not be freely traded or mortgaged as in the case of private companies. If the functions and sources of income had not been changed, state ownership of public property would be natural and normal. In such case hospitals, public institutions, public gardens and parks might remain in state ownership and that could even be expected.

But universities are not the same as public parks. Today in Latvia all universities are expected to generate their own income in order to serve the public interest. At the University of Latvia, for instance, 72% of the income is self-generated.[1] The question is whether in the case of universities there are preconditions for the creation of new real estate ownership relations, not for private profit-making status, but for the development of a new corporate entity: a non-profit public corporation whose purpose is to serve the public, but whose governance is autonomous from public ministries.

The University of Latvia controls approximately 252,000 square meters of property space. This includes state property in downtown Riga, dormitories in one neighborhood or another, multiple use sites in various Latvian regions and towns and common expression premises originating from charity. This endowment holds the property of approximately 50,000 square meters in trust of the University Senate and is governed by University of Latvia Foundation – "LUF Ltd". Gains from property operations and interest profit can only be used exclusively for University development and scholarship programs. Profit appropriation is under the competence of the University Senate. Since the year 2000 this private-public partnership (PPP), where the Senate of the University of Latvia acts as the representative of the public benefit, has demonstrated several "success stories", e.g., creation of the Latvian University Morbergs scholarship endowment ranks among the most successive businesses in Latvia. In some instances negotiations over specific parts of property have been successfully conducted with public officials and the use of property for specific purposes has been agreed to. For instance, it has been agreed that the interest from the above-mentioned endowment can be utilized for educational purposes, e.g. scholarships, without any additional taxation.

The problem is that these agreements between the state and the University of Latvia, while constituting an important step, do not constitute a general policy. Other universities also control similar amounts and varieties of only state property. Clear ownership over this property has not been established.

The consequences of allowing the Soviet-era policies to remain are of considerable importance. When public revenues remain stagnant or on the decline, then educational development in terms of new capital investments in science laboratories, classroom buildings, lecture halls, and administrative facilities cannot come from the government. In these instances universities have two choices. One is to fall increasingly behind university development in other parts of the world. The other is to develop their own sources of capital from private banks. All private lending institutions require collateral before they agree to make a loan. If a university does not clearly own title to its land and property, then banks will be unlikely to allow a university to borrow the necessary capital to develop its infrastructure. Therefore the property ownership issue is of paramount importance for the future of higher education in Latvia. Because of other important public priorities – social security, health, transportation, police protection, etc. – it is not reasonable to expect

[1] This is typical of a state university in North America. The University of Arizona, for instance, derives only about 28% of its operating budget from direct allocations from state government.

public financing for new higher-education infrastructure in Latvia in the foreseeable future. In terms of policies on land and property, if the *status quo* were to remain in effect, it would be unlikely to have any construction of new buildings or science laboratories in Latvian universities. If universities do not gain title to their property, then it is unreasonable to expect any significant improvement in Latvia's university infrastructure.

The issue of university taxation today

In the case of taxation, a similar set of changes has taken place. In those instances where previous public enterprises, such as in agriculture or manufacturing, have been privatized and are now owned by individual investors, their income and profits are subject to taxation as any private enterprise should be. But because the public sources of funds are insufficient to cover the necessary expenditures to manage many educational institutions, universities are expected to derive a portion of their income from non-traditional sources. These can be through the sale of goods and services, the rental of property for special events or for longer-term use, and copyright on various inventions and technologies.

For instance, the University of Latvia remains a public institution with a public purpose. It is not owned by individuals, and individuals do not gain from income derived from these new sources, as they would were the University of Latvia a steel mill or a privately owned business. Nevertheless, 72% of the income of the University of Latvia is generated from sources other than the state budget. Until 2001 the income derived by the University of Latvia was subject to taxation like that of any commercial enterprise. But in 2001 the University of Latvia reached an agreement with the Ministry of Finance in which the university is exempted from its tax obligations as long as its income is contributed to the programs of student scholarships and fellowships.

But what pertains to the University of Latvia should pertain to all institutions of higher education in Latvia. The question is whether the income of the University of Latvia and other universities whose purpose remains that of educating Latvia's new generation of political, economic and cultural leaders should be taxed in the same manner as the income of a factory owned and operated by private individuals for their own private gain.

In North America, universities are considered non-profit corporations. This pertains to both public universities, such as the University of Arizona or the University of Tennessee, as well as to private universities such as the University of Chicago or Vanderbilt University. Their income is generated from sale of services and from investments in the equity and bond markets[2]. LU Morbergs endowment is the first example of similar activities in the University of Latvia.

Relaxed taxation policy for universities in certain areas would allow to increase their income significantly and solve long-term problems without additional financing from the state. The areas are the following: (1) economic activities, (2) donations, (3) expenses for educating university personnel at juridical organizations, and (4) for private persons for their expenses for education.

Managing risk

What would happen if property were turned over to universities in Latvia and was improperly managed? What would happen if, through poor or improper management, the property were lost to the university? What would happen if a university took advantage of its tax status and abused its privileges? Who would be responsible? What is there to protect the public interest from these losses?

[2] Most of the world's great research universities, both public and private, have developed their own endowments. In 2001, the endowment at Vanderbilt University was approximately 3.2 billion USD; the endowment at the University of Texas was 13.3 billion USD, with a 7 billion USD annual operating budget and a 3.8 billion USD campaign for improvement in infrastructure. Whether owned by public or private universities, these endowments generate an annual income, but because this income is used for educational purposes and not for private gain, they are publicly regulated but are not taxed.

In the USA publicly recognized universities which own their property, are incorporated as a 'third type of institution'. They are not private and they are not public; they are both. The public sector, usually the Ministry of Education,[3] has a seat on the Board of Governors, or the Board of Regents.[4] This board, *not the university rector or university administration*, is the legal owner of the university. University boards consist of public-minded citizens who serve for a fixed period of time. They receive no salary and they are forbidden in any way from doing business with the university. In the case of a public university, the government often appoints the Chair of the Board. In the case of a private non-profit university, the Board itself elects the Chair of the University Board.[5]

Because the policy of the university is set by the Board and not by the university administration, the public is partly protected from unscrupulous or unprofessional management. The risk of these occurring is reduced, but it is not eliminated. Even with an outstanding board, it is possible to make wrong decisions and to precipitate managerial crises. But the opposite is also the case. It is possible to make imperfect decisions and to mismanage university affairs under any structure of governance. If a Board of Governors is operating property, even if there are poor decisions made, the public has full access to the information based on which those decisions were made and can replace the Board if it does not live up to its public responsibilities.

If we take a closer look at the university situation, then in the case of the University of Latvia the risk can be reduced by assigning a status of financial autonomy to the University and the legislative power to the University Constitution (Satversme), which outlines the division between the administrative and legislative power. The former is assigned to the administration, the latter to the University Senate.

In the case of the first Republic of Latvia, as well as currently, the actual owner of the non-state property is the Senate of the University,[6, 7] the implication being that no economic activities can legally be conducted without the approval of the Senate. This has not been a significant issue in the past, but if Latvian universities evolve as they have in the West, and if they become increasingly involved with important managerial and property decisions, then the question arises what is the most efficient source of authority over these decisions. With universities in North America, the authority of the university senate concentrates on curricular and faculty issues, whereas the university board of trust concentrates on strategic and economic planning. What is clear is that the current structure of university authority in Latvia will need to be reformed to meet the new demands of modern university decision-making.

Currently the autonomy of the University of Latvia as the state budgetary organization in terms of use of financial resources is limited. This results in the transfer of financial resources of the University into the state budget, and as a result the university is not able to fulfill its goal of autonomy. Both the goal of university financial autonomy and the managerial structure of the university itself will have to change if the universities are to meet the new demands placed on them.

[3] In the case of North America the controlling university authority is within the office of each State Governor and the State Board of Education.

[4] A Board of Governors pertains to the management of a single institution; a Board of Regents pertains to the management of the whole system of higher education institutions.

[5] There is an important distinction between a private university whose stated purpose is to make a profit for its owners and a private university whose stated purpose is public good. One is treated as a commercial business; the other is treated as a non-profit corporation. The first is subject to normal commercial taxation; the second is not subject to commercial taxation. The accounts of the non-profit private university are open to public scrutiny and to regular public review to ensure honesty as well as intelligent management.

[6] Law On Higher Education, "Augstskolu likums", *Latvijas Vēstnesis*, 17.11.1995.

[7] Constitution of the University of Latvia (Satversme), 29.03.1996.

Recommendations

Reforming the long-standing Soviet era policies of higher education property and taxation of Latvian universities should be a new priority of the government. None of the following recommendations, however, should be considered either self-evident or self-standing. All should be thoroughly researched and tested for feasibility and affordability. But due consideration should be given to the following:

- *Individuals* should be exempted from taxes on professional development in their adult lives. Taxation with respect to expenses for tuition at private primary and secondary schools and tuition at universities should remain unchanged.
- *Corporations and individual donors* should have their taxes reduced in proportion to their grants and gifts to Latvian universities.
- *Non-profit universities should*
  - continue to pay VAT taxes, but should not pay tariffs on university goods and services procured abroad;
  - be exempted from taxes on income from any source;
  - annually publish the report on the activities of university governing structures to guarantee that the public long-term interests are being well served;
  - obtain financial autonomy;
  - be reformed so that their managerial structure (administration, senate and board of trust) reflects their new operational demands and responsibilities.