

ASSESSMENT OF SOCIAL BENEFITS FOR FAMILIES WITH CHILDREN IN LATVIA





***Baiba Mistre, Inguna Leibus, Gunita Mazure**

Latvia University of Life Sciences and Technologies, Latvia

*Corresponding author's e-mail: baiba.mistre@lbtu.lv

Abstract

Social benefits are essential in providing support to families with children, especially in the first years of the child's life as well as to families at risk of poverty (large families, parents raising a child alone). Social insurance benefits ensure parents with income while taking care of a child. Latvia's strategic planning documents have defined social protection for families with children as one of the priority areas for several planning periods simultaneously emphasising the need to increase social security and promote the birth rate in the country. The research aim is to assess the social benefits system for families with children in Latvia. The research results allow concluding that the expenditure for social support for families with children as percentage of GDP in Latvia is lower than the average EU Member States indicator as well as it is the lowest one among the Baltic States. Support for families with children in Latvia is gradually growing; however, it is necessary to regularly increase the childbirth allowance taking into account inflation in order not to worsen the financial situation of these families as well as to allocate a larger proportion of GDP to support families with children in Latvia.

Key words: social benefits, support for families with children, birth promotion.

Introduction

Researchers and the society regularly hold discussions about the low birth rate and factors impacting it. The government may contribute to the increase in the birth rate by providing support to families with children. Social protection for families with children is implemented in the form of financial support, services (education, care) and parental leave. Financial support is basically provided through social benefits and tax incentives. Abolina (2016) in her PhD thesis 'Family and Development of Family Support Policy in Latvia (1990–2015)' has indicated that such classification of support measures is based on Math&Thevenon's theoretical framework, and it is used in all EU Member States when developing policy for family support.

Social protection for families with children has been defined as one of the priority areas in Latvia's strategic planning documents for several planning periods. The documents particularly emphasise the necessity to increase social security and promote the birth rate in the country (Latvijas ilgtspējīgas attīstības ..., 2010). According to the National Development Plan of Latvia 2021–2027, one of the directions of action is 'Strong families across generations', which is aimed at improvement of the support system for families with children, so that the child birth does not significantly reduce the level of income per family member (Latvijas Nacionālais attīstības ..., 2020).

Abolina (2016) in her PhD thesis concludes that the state support for families is vital, especially on conditions when the birth of each subsequent child increases the probability of the family to fall below the poverty risk threshold.

Kristapsone and Kantane (2019) indicate that the surveyed population of Latvia specify the necessity to increase social benefits and improve the availability

of kindergartens to improve the situation of families. Social benefits for raising a child are most frequently introduced with the aim to reduce the risk of poverty in families with children, to cover the costs of raising children as well as to promote birth. Most often the countries of the Baltic Sea region choose to increase the existing amounts of benefits or expand the range of their recipients; thus, compensating for the effects of inflation and improving social protection (Pabalstu par bērnu ..., 2022).

Grinevica, Bite, Broka (2022) have revealed that childcare benefits are an essential support for families with children. Although the amounts of parental benefits increase in Latvia, the birth rate is decreasing from 2016, and it will affect the national economy and welfare in the long-term. Therefore, it is necessary to continue the improvement of the support system for families with children. Also, according to the OECD Report 2022, demography is the main factor affecting long-term growth prospects in Latvia. The low birth rate and migration are the most important factors.

Pezer (2022) points that state policies supporting families with children differ among countries; though, they have a common goal – to improve the welfare of children. A combination of universal and targeted support (family or social assistance benefits) is most effective in reducing poverty and compensating costs. High and even not so high social support for families with children significantly reduces poverty in families.

Research hypothesis – social benefits for families with children are increasing in Latvia; however, they are still essentially smaller compared with the majority of the EU Member States. The research aim is to assess the social benefits system for families with children in Latvia.

The following research tasks are subject to the aim:

- 1) to study types and amounts of social benefits in Latvia;
- 2) to compare social protection expenditure in Latvia and other EU Member States.

The research covers the period from 2011 to 2022, in some cases, the scope of research is wider, which is related to significant changes in the regulatory framework.

Materials and Methods

Research methods: the monographic and descriptive methods, analysis and synthesis, the graphic method, statistical method (analysis of the chain increase, correlation).

The present research is based on various scientific publications, publicly available documents, information available in databases and other sources.

Results and Discussion

Social benefits in Latvia

Various social benefits are one of the most significant forms of social protection for families with children. The system of benefits may be divided into three large groups. Group 1 includes social insurance benefits (sickness, maternity, paternity, parental), Group 2 – state social benefits and allowances (state family allowance, childcare benefit, childbirth allowance etc.) and Group 3 – social security benefits. The system of state social benefits encompasses both benefits that are paid regularly and lump-sum allowances. Furthermore, there are benefits the amount of which depend on the average salary subject to social contributions made by a child's parent. Yet, there are also benefits the amount of which is a constant sum or it depends on the number of children in the family (Table 1).

Maternity benefit consists of two parts – prenatal maternity leave and postnatal maternity leave. In addition, if a woman has started to receive a medical care in a preventive medical institution up to the 12th week of pregnancy and continued it throughout the pregnancy, an additional leave (14 days) is granted, which is added to the prenatal maternity leave. The number of granted and paid days of maternity benefit have not been changed since 1997. However, the amount of maternity benefit has not been changed since 2010, and it is granted in the amount of 80% of the average salary subject to social insurance contributions made (previously 100%).

Paternity benefit is granted and paid for 10 working days of the granted leave (for 10 calendar days until 1 August 2022) to the father of a new-

born baby or one of the parents in case of adoption, another person who takes care of the child at the request of the child's mother if the child's paternity has not been recognised (established), the child's father is dead or the child's father has had his rights of custody terminated.

The extension of the paternity leave is positive, since it encourages the involvement of fathers in the childcare. The range of paternity benefit recipients was also expanded and from 1 August 2022 it is possible to receive this benefit by a person who takes care of a child if the child's paternity has not been established or the child's father is dead, or the child's father has had his rights of custody terminated (Darba likums, 2001). However, it should be admitted that the amount of the paternity benefit (80% of the benefit recipient's average salary subject to social insurance contributions made) has not been changed since 2010 (Par maternitates un..., 1995).

Parental benefit was introduced from 2008, which partially replaced the childcare benefit for employed persons. From 2014 the parental benefit is granted and paid to a socially insured person who takes care of a child or several children born in the same birth if the person is an employee or self-employed on the day the benefit is granted. When determining the amount of parental benefit, the calculated average salary subject to insurance contributions and the chosen duration of receiving the benefit are taken into account. The fact that the benefit recipient has an opportunity to choose the duration of the benefit payment should be evaluated positively; thus, individualising the needs and financial situation of each family. The benefit is higher (60%) if it is received for a shorter period, while choosing a longer period, it is lower – 43.75%.

Until 30 September 2014 the parental benefit was granted in the amount of 70% from the benefit recipient's average salary subject to insurance contributions. However, regulatory enactments prescribed the minimum amount, stating that the benefit could not be less than 70% of the double amount of the state social security benefit valid on the day of requesting the parental benefit.

Limits for the amount of unemployment, maternity, paternity, parental and sickness benefits were set from 2010 to 2014 in order to maintain a sustainable social security system in Latvia in the situation of economic crisis. The limit was EUR 16.38 per calendar day and 50% were calculated from the sum exceeding the day limit. The limit of maternity, paternity and parental benefits was increased to EUR 32.75 per day from 2013 (Par valsts pabalstu ..., 2009).

Table 1

Social benefits for families with children in Latvia between 2011 and 2022

Type of benefit	Length of payment	Amount of benefit, date of changes
<i>Benefit depends on the average salary subject to social contributions (%)</i>		
Maternity benefit	112–126 days (of which 56–70 days before the birth of a child and 56 days after the birth of a child)	80%
Paternity benefit	10 calendar days, 10 working days from 1 August 2022	80%
Parental benefit	until the child is 1 year old (without earning income)	from 1 January 2011 – 70% but not less than the state social security allowance from 1 October 2014 – 60%
	until the child is 1.5 years old (without earning income)	from 1 October 2014 – 43.75%
	until the child is 1 or 1.5 years old (earning income)	from 1 October 2014 – 30%
Sickness benefit	from the 1 st to the 14 th day of work incapability (child is taken care of at home)	80%
	from the 1 st to the 21 st day of work incapability (child is taken care of in hospital)	
	from the 1 st to the 30 th day of work incapability (bone fracture)	
<i>Benefit or allowance is a constant sum depending on the number and age of children in the family</i>		
State family allowance	<ul style="list-style-type: none"> • 1–15 years • 15–19 years if a child continues to study in a general or vocational education institution and is not married (from 2018 until the age of 20) 	from 1 January 2011 for each child – EUR 11.38 from 1 January 2017 for the 1 st child – EUR 11.38; for the 2 nd child – EUR 32.76 (11.38x2+ suppl. 10); for the 3 rd child – EUR 100.14 (11.38x3+ suppl. 66); for the 4 th child – EUR 196.07 (11.38x4.4+ suppl. 116)
	from 2022 <ul style="list-style-type: none"> • 1–16 years • 17–20 years if a child continues to study in a general or vocational education institution and is not married 	from 1 January 2022 for 1 child – EUR 25; for 2 children – EUR 100; for 3 children – EUR 225; for 4 children and more – EUR 100 for each subsequent child
Childcare benefit	until the child is 1 year old	EUR 71.14 (unemployed)
	1–2 years old	EUR 42.69
	until the child is 1 year old	from 1 January 2013 – EUR 142.29 (unemployed)
	1–1.5 years old	EUR 142.29
	1.5–2 years old	EUR 42.69
	until the child is 1.5 years old	from 1 January 2014 – EUR 171
	1.5–2 years old	EUR 42.69
Childbirth allowance	lump-sum payment	EUR 421.17

Source: authors' construction based on Par maternitātes un ... (1995), Valsts sociālo pabalstu ... (2002), *Noteikumi par ģimenes ...* (2009), *Noteikumi par bērna ...* (2009).

The minimum amount is no longer set for the parental benefit from 1 October 2014 and the childcare benefit to socially insured persons is also paid together with the parental benefit. Starting from 1 October 2014, the parental benefit is granted also to working parents who continue to work and were not

on the childcare leave – the benefit was paid in the amount of 30% of the granted benefit amount.

Significant changes have been made from 2023 to take over the conditions stipulated by the Directive 2019/1158 of the European Parliament and of the Council of 20 June 2019 on the work-life balance

for parents and carers. The changes relate to the determination of the non-transferable part of the parental benefit – two months that have to be used by the other parent until the child reaches the age of eight. In addition, the benefit payment period is extended by one month. Also, the amount of parental benefit for working people has been increased to 50% of the amount of the granted benefit (Par maternitātes un ..., 1995). Changes to the regulatory framework will promote greater involvement of fathers in the childcare and, hence, increase the support for families with children.

As indicated in the annotation of the amendments to the law “On Maternity and Sickness Insurance”, the number of men who take leave in connection with the birth of a child and simultaneously receive the paternity benefit has been gradually increasing since 2013. If 42% of fathers received the paternity benefit in 2013, then the proportion of fathers receiving the paternity benefit increased to 56% or by 14 percentage points in 2020. The society generally recognises the importance of a father in the process of the child’s personality formation.

The **sickness benefit** is also a significant form of support for families with children. The benefit is granted to an insured person if there is a need to take care for a sick child who has not reached the age of 14. In certain cases, if the child has a serious illness requiring long-term inpatient treatment, the benefit is granted until the child turns 18.

The sickness benefit for the care of a sick child under the age of 14 is granted until the 14th day of work incapacity if the child is taken care of at home (until the 21st day if hospitalised). The norm introduced from 2021 stipulates that the sickness benefit is granted until the 30th day of work incapacity if the child is taken care of due to an injury related to a bone fracture. The sickness benefit is granted in the amount of 80% of the benefit recipient’s average salary subject to insurance contributions.

The next group relates to the **state social benefits and allowances**. The following benefits shall be noted in connection with the support for families with children: state family allowance, childcare benefit, childbirth allowance and benefits for children with disabilities – of which benefits for children with disabilities are not studied in the present research as they have a separate target audience with its own specifics.

The right to receive state social benefits does not depend on the person’s social insurance contributions made. The state family allowance is granted to a person who is raising a child. The allowance is aimed at provision of regular support to families which have incurred additional expenditure due to

the necessity to raise children. In Latvia, the state family allowance is universal, since it is granted for each child regardless of the parents’ level of income as it is traditionally in the majority of European countries (e.g. Estonia, Lithuania, Ireland, France, Sweden, Finland and others – in total, in 80% of the EU Member States). In Latvia, the universal state family allowance system for families with children was introduced in 1992 (Konceptcija par ģimenes..., 2011).

In Latvia, the procedure for granting and disbursing the state family allowance has been changed and improved several times within the period analysed. Between 2011 and 2016 the amount of the state family allowance was EUR 11.38, for the 2nd child the allowance was increased two times and for the 3rd child and subsequent children – it was three times higher than for the 1st child in the family.

The regulatory framework was significantly amended from 2017 improving support for families with four children as well as determining payment supplement for families raising more than one child. Supplement to the state family allowance was EUR 10 per month for two children and EUR 66 per month for three children. For each subsequent child the supplement was by EUR 50 per month larger than it was previously for the total number of children in the family (Valsts sociālo pabalstu ..., 2003, Noteikumi par ģimenes ..., 2009).

The amount of state family allowance was essentially increased from 2022 continuing to improve the financial support for families with children. The amount of allowance depends on the number of actually raised and received allowance for children aged between 1 and 20 years in the family. Although the new calculation procedure does not provide for a supplement to the state family allowance, the budget of every family is increased thanks to the amendments to the regulatory framework.

It should be emphasised that the state family allowance payment period has been extended until the child reaches the age of 16 (previously the age of 15) regardless of the status of education (whether the child continues studies at school or not). In addition, the new calculation procedure is simpler and fairer, as it does not consist of two parts (allowance and supplements), neither the sequence of children nor the total number of children in the family is evaluated anymore. Therefore, the amendments to the regulatory framework significantly increase support for families which raise two or more children; thus, reducing the risks of poverty for families with children as well as promoting a birth increase.

Childcare benefit is granted to a person who cares for a child until the child turns two years

old (Valsts sociālo pabalstu..., 2002). Until 2008, the benefit until the child turned one year old was granted under a mixed system, i.e. the benefit was paid both to employed and unemployed persons. The improvement of benefit system envisaged the consideration of employment fact from 2008. Parental benefit was started to be paid to employed persons, while unemployed persons continued to receive the childcare benefit.

The amount of childcare benefit has increased during the period analysed thanks to the amendments to the regulatory framework; though, there have been changes made regarding the duration of benefit payment. The amount of benefit is differentiated depending on the child's age. The amount of childcare benefit and the breakdown of payment period was changed from 2014; yet preserving the total duration for benefit payment until the child turns two years old. The amount of benefit for a person who takes care of a child under the age of one and a half years was increased by EUR 28.71 per month reaching EUR 171 per month. In addition, both employed and unemployed persons may receive the benefit; hence, greater support is ensured for families with children up to the age of one and a half years. Nevertheless, it should be admitted that the amount of benefit for children between one and a half and two years has not been changed since 2008 (EUR 42.69 per month).

Until 2013 the amount and period for payment of the childcare benefit depended on the employment status of a benefit recipient. The amount of benefit for an unemployed person who cared for a child up to the age of one year was EUR 142.29 per month and EUR 142 per month for a person who cared for a child between one and one and a half years of age. The amount of benefit was EUR 42.69 per month for a person who cared for a child between one and a half and two years of age. If the childcare benefit is granted for twins or several children born in the same birth, a supplement is granted for each subsequent child in addition to the benefit.

The amount of childcare benefit and its supplement is being reviewed by the Cabinet at the suggestion of the Minister for Welfare considering the possibilities of the state budget, the economic situation in the country and the increase in the monthly average gross salary of employees determined by the Central Statistical Bureau. However, it should be noted that neither the amount of benefit nor supplement has been changed since 2014 (Noteikumi par bērnu ..., 2009).

Childbirth allowance is a lump-sum payment aimed at provision of material support to ensure the needs of a new-born baby. The allowance is paid to one of the parents permanently living in Latvia for

each child who has been assigned an identification number. The allowance is also granted to the guardian if the child has been taken under guardianship until the age of one year (Valsts sociālo pabalstu ..., 2002).

From 1 October 2004, the amount of childbirth allowance was increased consistent with the value of an infant's dowry calculated by the Central Statistical Bureau (CSB) in current prices expressed in terms of money – from EUR 139.44 to EUR 421.17, and this amount of allowance has been maintained until now (Noteikumi par bērnu ..., 2009).

The childbirth allowance is applied consistently, its amount has grown and the conducted studies recognise it as an essential support allowing to cover the first needs of the child (Tautas ataudzi ietekmējošo ..., 2013).

According to the CSB statistics, consumer prices increased by 7.9% in 2021 and the annual inflation rate reached 3.3% (Latvijas makroekonomiskais apskats, 2022). The prices continued to grow also in 2022; thus, the authors recommend reviewing the amount of childbirth allowance consistent with the current economic situation and considering the sharp growth of prices and the average current consumer price index calculated by the CSB as stipulated by the regulatory framework.

It should be admitted that families with children may receive two types of state benefits in Latvia: state social benefits and state security benefits. Moreover, financial support is mainly envisaged during the first year of the child's life without provisioning opportunities for the childcare in the following years of childhood and covering additional expenses of the family during the school years. Only the state family allowance provides support to the family almost throughout the child's upbringing and schooling period. It does not encourage parents to take care of and expenses for raising several children as well as it does not provide opportunities for sufficient care of own and children's health (Konceptija par ģimenes..., 2011, Tautas ataudzi ietekmējošo ..., 2013).

In Latvia, the increase of birth effectiveness is affected by mass emigration and the large number of premature deaths. The advancement of situation requires solutions for the improvement of children and youngsters' health, education and good working opportunities. Frequent changes in the regulatory framework in connection with the procedure of granting childcare and parental benefits and state family allowance causes distrust to the system. Although the amount of benefits is increasing, the birth rate in Latvia continues to decrease. It is essential to achieve public trust to the system and when developing a long-term demographic policy,

policy instruments should be applied consistently in order the support in the form of benefits could become one of the aspects for planning children (Tautas ataudzi ietekmējošo..., 2013).

Social protection expenses in the EU context

The amount of maternity and paternity benefits demonstrate an increasing trend within the period of 2013–2022, while the parental benefit is an exception. It is related to the amendments to the regulatory framework regarding the changes in the

period for receipt of the benefit. From 1 October 2014 the recipients of the parental benefit were granted the opportunity to choose the period for benefit receipt: until a child becomes one year or one and a half years old. The benefit is higher (60% of salary subject to insurance contributions) if it is received for a shorter period but choosing a longer period, it is lower – 43.75%. The data evidence an increase in the amount of parental benefit from 2017.

Table 2

Average amounts of the state social security benefits in Latvia between 2011 and 2022, EUR

Year	Maternity benefit		Paternity benefit		Parental benefit	
	EUR	Chain increase rate, %	EUR	Chain increase rate, %	EUR per month	Chain increase rate, %
2011	992.25	-	173.28	-	474.63	-
2012	979.60	-1.28	173.63	0.20	409.80	-13.66
2013	1 111.88	13.50	207.52	19.52	469.87	14.66
2014	1 205.75	8.44	222.10	7.03	498.24	6.04
2015	1 350.52	12.01	259.32	16.76	383.72	-22.99
2016	1 445.13	7.01	268.93	3.70	344.86	-10.13
2017	1 548.80	7.17	286.78	6.64	362.70	5.17
2018	1 687.19	8.94	312.26	8.88	390.18	7.58
2019	1 821.36	7.95	337.73	8.16	426.52	9.31
2020	1 946.09	6.85	365.12	8.11	467.67	9.65
2021	2 125.44	9.22	392.17	7.41	498.06	6.50
2022	2 366.56	11.34	427.68	9.05	551.04	10.64
2022/2011	1374.31	138.50	254.4	146.81	76.41	16.10

Source: authors' calculations based on VSAA data, 2022.

The comparison of the data of 2022 and 2011 demonstrates that the average amounts of maternity and paternity benefits have significantly increased (by 138.5% and 146.81%, respectively). The increase was stipulated by the growth of the average salary in the country. In contrast, the average salary was impacted by the increase in the minimum monthly wage (Official Statistics Portal, 2022), and this is also confirmed by the calculated correlation coefficient ($r=0.976$) which shows a close linear relationship between these indicators.

The analysis of the data in the context of the

EU Member States allows to conclude that in 2020, the largest proportion of expenditure as percentage GDP on social support for families with children was in Poland, Luxembourg, Germany, Denmark, Finland, Austria and Sweden (the proportion ranges between 2.9–3.74%), while in Latvia it is only 1.69%. Moreover, it has significantly increased in Poland and Germany, while in Latvia the proportion has even slightly decreased comparing 2020 with 2011 (Figure 1). In 2020, the EU Member States have invested 2.2% on average of their GDP in the support policy measures for families and children.

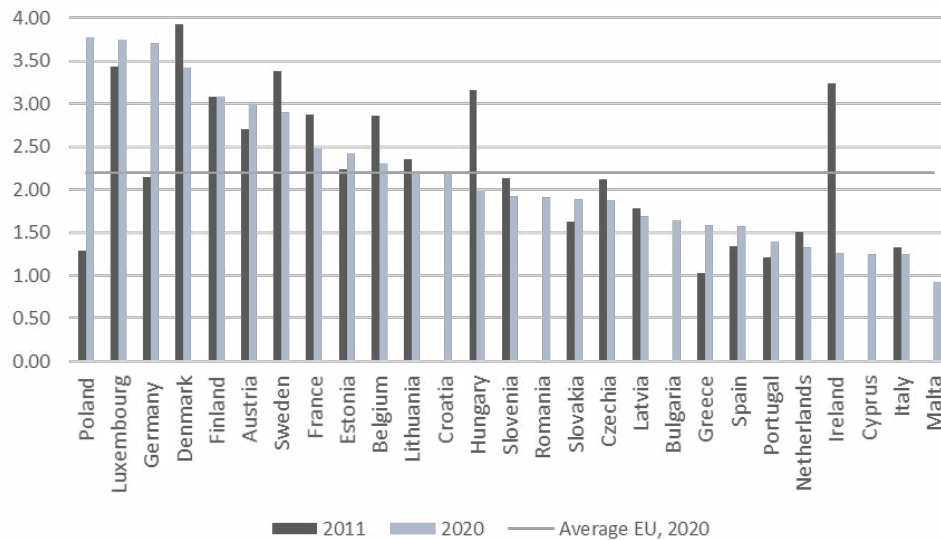


Figure 1. Social protection expenditure as percentage of GDP for families with children in the EU Member States in 2011 and 2020, %.

Source: authors' construction based on Eurostat and OECD data, 2020 and 2021.

The comparison of the data in the context of the Baltic States reveals that the expenditure on social protection for families with children as percentage of GDP in Estonia and Lithuania is higher than in Latvia both in 2011 and 2020.

Although it is recognised that national expenditure indicators do not provide a sufficient picture of the generosity of family policy, it is possible to roughly assess the action policy at the national level and to evaluate the changes in the support for families and their impact on reduction of the risks of poverty among children (Pabalstu par bernu ..., 2022).

In Latvia, the calculated correlation coefficient demonstrates a moderately close relationship ($r=0.77$) between the birth rate and expenditure for social protection as percentage of GDP. Mezs (2013), when analysing the demographic policy differences in the EU Member States, also indicates on a strongly expressed relationship – the more favourable is the family and children support policy and the more resources are invested in it, the higher the birth rate and vice versa. Latvia should increase support for families with children, since this is the only way to ensure a positive natural growth (Mezs, 2013).

In general, researchers have no single opinion on the impact of financial support on the birth rates. Several studies conclude that financial support for families with children promotes the birth in the country, while others reveal no significant impact of financial support on the birth rate (Demogrāfiskas politikas un ..., 2019).

In 2020, the highest total birth rates among the EU Member States were reported by France (1.8), Czechia (1.7), Denmark (1.7) and Sweden (1.7), while

the lowest ones in Italy (1.2), Cyprus (1.3) and Greece (1.3) (The World Bank, 2020).

The family policy of Finland is considered successful because much attention is paid to the reconciliation of work and family life. The family policy is aimed at supporting families with small children, the childcare is ensured until the child becomes seven years old, a generous childcare benefit is available as well as leave for parents; thus, allowing to balance a childcare and job retention (Tautas ataudzi ietekmējošo ..., 2013). In 2013, the birth rate in Finland was one of the highest in the EU (1.8), yet, nevertheless social support as percentage of GDP is one of the highest in the EU Member States the figure is only 1.4 in 2020. The research of this trend requires more profound studies (The World Bank, 2020). Lindberg etc. (2018) admit that Finland's family policy is aimed at high employment of parents and low level of poverty.

Sweden implements various mutually coordinated birth-promoting measures and support for family formation. The population of Sweden considers the existence of two or three children in a family to be the norm, and this number of members of the ideal family is one of the largest in the European Union (Demogrāfiskas politikas un ..., 2019). As stated by Pezer (2022) the social policy for families with children is generous, universal and promotes gender equality in Sweden as a country of social democratic welfare. In Sweden, payments for each additional child are increasing the most compared with other EU Member States.

According to Mezs (2013), Estonia also implements a successful demographic support policy

for the financing of which Estonia invests more state funds than Latvia and thus reduces negative natural growth to a minimum.

Conclusions

1. In Latvia, financial support in the form of social benefits for families with children up to the age of two is more diverse and greater compared with later periods.
2. The amounts of maternity, paternity and parental benefits as well as the state family allowance have increased during the period analysed, while the childcare benefit and the childbirth allowance have not been changed since 2014 and 2004 respectively.
3. The analysis of the data in the context of the EU Member States allows to conclude that in 2020, the largest proportion of expenditure on social support for families with children as percentage of GDP was in Poland, Luxembourg, Germany, Denmark, Finland, Austria and Sweden (the proportion ranges between 2.9–3.74%), while in Latvia it was only 1.69%; thus, being considerably

less than in the EU Member States on average. The most rapid increase of expenditure has been reported by Poland and Germany; yet Latvia has even experienced a slight decrease in expenditure.

4. The calculated correlation coefficient demonstrates a moderately close relationship ($r=0.77$) between the birth rate and expenditure for social protection as percentage of GDP.
5. A regular increase of the amount of childbirth allowance considering the inflation rate is required in order not to deteriorate financial situation for families with children as well as a larger proportion of expenditure of GDP should be allocated for the support of families with children.

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