THE CHANGES IN SIGNIFICANCE AND AVAILABILITY OF HUMAN RESOURCES IN LATVIA REGIONS

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Abstract
In the research is described the development of essence and significance of human resources in economics. Nowadays human resources fulfil new functions in business which makes them the key driving force and beneficiary of development of economics. The authors analyze availability and use of human resources in business. Demographical situation in Latvia is worsening and involvement of human resources in various regions differs. In the capital of Latvia and Pieriga region more than 1/3 part of Latvia’s population is concentrated but in Latgale region the ageing of population and the lower economical activity have been observed. The authors analyze use of human resources by density of population, number of population in working age and over/under the working age and number of enterprises per 1000 persons in various regions of Latvia.

Keywords: human resources, business, Latvia regions.

Introduction
Lately several researchers in Latvia have studied the issues related to employment and unemployment of human resources. Hence I. Dovladbekova (2007) and E. Eteris (2007) have based their research on the analysis of the labour market – the rate of unemployment and the proportion of the population under the working age in the EU and Latvia. The researches done by J. Saulītis (2007) and D. Baranova (2007) describe the tendencies of development of employment in Latvia, and the aims and priorities of the employment policy. A. Vilciņa (2000) has conducted the study of socio-demographic situation in Latvia.

I. Kalve (2007) has analysed human resources in the context of business based on the outlook of relations between employers and employees. I. Čurkina (2003) and M. Pelše (2004, 2007) have characterised the role of human capital in the economic growth, particularly emphasising the impact of education on the development of human resources. Furthermore, professor V. Bikse (2006, 2007) has studied the impact of education on the development of human resources, particularly emphasising the great importance of entrepreneurial skills. However there are not enough researches that show the impact and significance of human resource on development of economics and region.

Research problem, novelty and relevance. The comprehension and researches on the essence and importance of human resources has changed during the course of development of economics and society. The society of the 21st century stands in the period of changes: the industrial age has passed and the age of knowledge society has started. The process of changes during the industrial age was slower; however nowadays the increase in numbers of technological innovations is more rapid, the impact of globalisation intensifies, and the business environment rapidly changes. It is essential to recognize the main factors affecting economy, so that the national economy could develop under the existing economic crisis and conditions of dynamic competitiveness. Latvian National Development Plan for 2007-2013 (adopted in 2006) identifies human resources as the main resource. Human as creator and carrier of knowledge becomes the key driving force and beneficiary of development. It means that human resources are the biggest value in the country, since the economic cycle is based on business that in its turn is based on knowledge, while a human is a source of knowledge. Any business idea, any resource may be transformed only with the help of human’s work and knowledge.

The issue of the use of human resources becomes particularly topical to achieve the reduction of depressive situation in the national economy. Rapid development and introduction of modern technologies in workplaces require continuous modification and improvement of knowledge, skills and abilities determined by inconstant requirements for the use of human resources.

The research hypothesis was put forward based on the previous recognitions – the significance of human resources in economics has dynamically developed while the use of human resources in Latvia regions differs.

Research subject: human resources in Latvia regions.
Research aim: to study the development of significance of human resources and to assess availability of human resources in Latvia regions.

Research objectives: to study the role and place of human resources in business and its changes during the progress in economics; to analyse and assess the tendencies of availability and use of human resources in Latvia’s regions.

Research methods: The monographic descriptive method, the method of analysis and synthesis, and statistical research methods were used for the purpose of the study.

Theoretical aspect of development and significance of human resources in economics

The roots of the notion of human resources trace back to the ancient society (between BC 10 and BC 5). At that time people were not aware of the notion “human resources”, so they spoke about one of the aspects of human resources – labour force. The ancient world is characterised by the institution of slavery when the labour of slaves served as the basis of economic life; therefore several ancient thinkers (M. Cato the Elder, Aristotle, I. Columella) have analysed a specific type of labour force – labour of slaves. Factors affecting labour productivity were analysed – working conditions, “love for work”, and human skills and abilities determining labour division in the society.

During the period of classical economic thought (middle of the 17th century – middle of the 19th century) production resources were analysed, labour and labour force being one of the most essential factors. W. Petty (1623-1687), an English economist, wrote that labour was the father of wealth and its active factor, while land was the mother of wealth. Later significant recognitions were defined by A. Smith (1723-1790). He continued to develop the idea on creation of the wealth of nation; although he believed that the wealth of nation might be increased in two ways: firstly, with the help of knowledge and skills (it is related to labour force) and, secondly, with the relation between usefully and less usefully employed labour force. A. Smith was one of those who considered the body of labour force knowledge and skills to be the source of labour productivity (Čurkina, 2003). J. Say (1767-1832), a French economist, and J. Ch. Leonard de Sismondi (1773-1842) continued A. Smith’s ideas (Krievs, 2003). It means that already at that time human resources were analysed from two aspects – of labour force, and of human skills, abilities and knowledge.

The period of Agrarian Economics was followed by the age of industrial economics. It was characterised by wide application of machinery and mechanisms in mass production as well as organisation of manufactory work based on workers’ specialisation in performance of particular functions. Human resources became more notable; as human knowledge and labour force were necessary to start operation of machinery. Industry became a leading production sector at that time.

Nowadays outline an expressed tendency to direct towards knowledge economics. Nevertheless investing in new technologies remains extremely important in the age of knowledge society, though exactly educated human resources are perceived as the main precondition of all achievements. Consequently a human and not technologies is in the centre of the knowledge economics. Knowledge and wisdom of human resources, and their skilful application is the main resource for the national growth, since knowledge determines the quality of labour force, ensures more efficient use of capital and development of technologies, thus promoting economic development. Therefore the main resources are targeted towards stimulation of an individual’s intellectual curiosity, creative thinking and cognitive skills (Berdņikovs, 2007). Worker of physical labour is a recent past. A knowledge employee who makes work the things s/he has acquired in a systematic education, i.e., notions, ideas and theories, is the basic economic resource, and not a person who makes work the physical capabilities or muscles.

Studies of human resources became more topical with the emergence of growth theory which underlined human resources as one of the most relevant factors of economic growth. Latvian scientists G. Liberminis (2006), V. Bikse (2006, 2007), U. Gods (2008), I. Dovladbekova with the co-author E. Eteris (2007) in their studies consider human resources as the main driving force for economics.

Nowadays human resources fulfil new functions in economics and as a result of this increase competitiveness of business and economic growth is stimulated. Firstly, human resources promote creation of innovations and high technologies. As experience of developed countries shows, exactly accumulation and promotion of human capital is the base of countries’ well-being. Development of economic growth depends on knowledge and abilities of human resources. Educated human resources are required for introducing and using new technologies. For that reason it is important to invest capital in science. Through science new ideas, discoveries, patents, etc. have been found.
Secondly, human resources are the **coordinator of all resources** involved in business. Human resources are the base of development of business because they link together all resources and materials. Successful business does not depend on finances and products, but it depends on talents. Every year in the world thousands of inventions and original ideas are born but only few of them are realized. Ideas cannot be realized by technologies or available capital. It can be done only by using entrepreneurial skills, knowledge, intuition and other abilities and competencies which belong only to human resources. Human resources use their knowledge to attract money, to get information in the right time, etc.

Thirdly, human resources are the factor influencing **flexibility of enterprise**. Successful business is based on ability to adapt to rapidly changing market. Only flexible enterprises that have communicative humans motivated for independent action will survive in that environment. Only human resources have skills and abilities that allow the enterprises to react and adapt to fast changing environment and acquire competitive advantage.

Fourthly, human resources build the **strategy of enterprise**. G. Libermanis (2006) argues that by investigating the market human resources can forecast demand and supply and make a strategy against competitors.
Fifthly, human resources are the measurement of enterprise uniqueness. Professor R. Garleja (2006) argues that quality of human resources is the determining factor in the long term perspective because for competitors it is almost impossible to imitate potential of human resources. Only human resources have ability to create something infrequent, valuable and inimitable. By using knowledge and skills of human resources an enterprise can create unique products and services that cannot be created and copied by its competitors.

Sixthly, human resources are the main influencing factor for development of an enterprise in a long time period. In the short term competitiveness of an enterprise is set by price level and achievement of products but in the long term competitiveness is determined by abilities, knowledge and competences of human resources. Such researchers as I. Dovladbekova, E. Eteris (2007) argue that development of human resources is the base of sustainable growth of each country. But the main factor that influences development of human resources is education. If the productivity and quality of labour force will be increased, economic growth will occur.

According to the above-mentioned functions of human resources in business it is possible to conclude that in knowledge economics human resources become the main factor influencing competitiveness of an enterprise. I. Lapa (2006) argues that exactly entrepreneurial skills influence competitiveness of an enterprise. Only knowledge, abilities and skills of human resources provide an enterprise with sustainable competitiveness. Human resources can link resources and make a strategy for the enterprise. If the enterprise has knowledgeable human resources, then that enterprise can adapt to fast changing environment in a shorter period. It deduces that human resources are the competitiveness advantage for each company because success of business depends on knowledge, professionalism, abilities and skills, motivation of human resources.

If the country has developed entrepreneurship that is based on educated, knowledgeable human resources then the country can achieve economic growth. The practise of developed countries has proven that educated human resources facilitate economic growth.

Research methodology
The following initial sources of information and materials were used to deal with the advanced research tasks of the analysis of the use of human resources: data of the Central Statistics Bureau, laws of the Republic of Latvia, special literature and other materials.

Research results
Availability and use of human resources in regions of Latvia
The characteristics of the quantitative aspect of human resources lead to the conclusion that rapid aging of the population is occurring in the largest part of economically developed countries, especially in Europe. The demographic situation of Latvia is worsening as well. In Latvia the total number of population has decreased by 15% during the period between 1990 and 2008. In 1990 the population of Latvia equalled to 2 668 140 persons; while in 2008 the number has decreased to 2 270 894 persons. The decline in birth rate and increase in emigration are the main factors determining the decline in the number of population. In 2007 the natural increase of population per 1000 inhabitants was 4.3 persons; while the balance of migration in 2007 and 2006 represented 642 and 2451 persons respectively (Central Statistical Bureau, 2009).

Normally the decrease in demographic burden is assessed positively, but it has to be assessed critically in the analyzed period in Latvia because reduction of demographic burden is determined by 2 factors:
1. Number of population in working age increased because of changes in legislation. According to legislation, retirement age increased.
2. Rapid decrease of birth rate.

The authors’ calculations prove that percentage of persons of working age has increased from 62.4% at the beginning of 2003 to 65.6% at the beginning of year 2008. The number of population in working age has increased because of changes in legislation on working age. Since year 1993 the number of population over working age has been higher than the number of children and adolescents and this tendency continues in 2008 as well. The number of the population under the working age essentially declines with every year. At the beginning of year 2008 the average number of population over working age per 1000 persons of working age has been 1.5 times higher than the number of persons under the working age.
The total number of Latvia’s population and its changes yet do not give economically well-grounded information about its availability in various regions that can influence development of business. Geographical arrangement of population ensures availability of human resources that can be involved in business. For this reason in the further research density of population will be used as a comparable indicator.

According to the data of the Central Statistical Bureau, from 1995 till 2008 density of population in Latvia was decreasing. The main influencing factor is decrease in total population in the country. By analyzing density of population in regions (Table 1) the authors conclude that in Pieriga region density of population has increased. It can be explained by changes of people’s desires and attitude to their living place. Rural environment and wherewithal of Pieriga region more and more start to fulfil functions of living space. But in other regions of Latvia density of population is diminishing, especially it has decreased in Latgale region (14.3%) because of various economical, social and cultural factors.

### Table 1

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Riga region</td>
<td>2 687.3</td>
<td>2 496.4</td>
<td>2 433.7</td>
<td>2 393.4</td>
<td>2 368.4</td>
<td>2 367.6</td>
<td>-11.9</td>
</tr>
<tr>
<td>Pieriga region</td>
<td>36.0</td>
<td>35.6</td>
<td>35.7</td>
<td>35.8</td>
<td>36.4</td>
<td>37.5</td>
<td>4.1</td>
</tr>
<tr>
<td>Vidzeme region</td>
<td>17.3</td>
<td>16.7</td>
<td>16.5</td>
<td>16.3</td>
<td>15.9</td>
<td>15.6</td>
<td>-9.8</td>
</tr>
<tr>
<td>Kurzeme region</td>
<td>24.9</td>
<td>23.7</td>
<td>23.3</td>
<td>23.0</td>
<td>22.7</td>
<td>22.3</td>
<td>-10.4</td>
</tr>
<tr>
<td>Zemgale region</td>
<td>28.4</td>
<td>27.3</td>
<td>27.2</td>
<td>27.0</td>
<td>26.7</td>
<td>26.4</td>
<td>-7.0</td>
</tr>
<tr>
<td>Latgale region</td>
<td>27.9</td>
<td>26.5</td>
<td>26.0</td>
<td>25.4</td>
<td>24.7</td>
<td>23.9</td>
<td>-14.3</td>
</tr>
<tr>
<td>Total Latvia</td>
<td>38.7</td>
<td>36.9</td>
<td>36.3</td>
<td>35.9</td>
<td>35.5</td>
<td>35.2</td>
<td>-9.0</td>
</tr>
</tbody>
</table>

Source: made by the authors with reference to the data of the Central Statistical Bureau, 2009

But it is important to analyze not only density of population but also age of labour force in the regions, because it can significantly influence entrepreneurial activity in region. For this reason in further research will be analyzed age of working population in the regions.

The most important resources of labour force are concentrated in Riga and Pieriga regions. According to the data of the Central Statistical Bureau Pieriga region includes districts of Jurmala, Limbazi, Ogre, Riga and Tukums. Riga district includes only capital of Latvia – Riga. In year 2008 in Riga lived 1/3 (31.8%) of all population in working age. It determined in Riga the highest percentage of working population (in year 2008 in Riga 72.1% of persons were employed, but in Pieriga region – 71.0%). As Riga significantly differs in economical and social aspects from other regions of Latvia, in further research only other regions of Latvia will be discussed.

In year 2008 in all regions of Latvia the number of working population has increased, but the number of population under and over the working age has decre-
ased in all regions of Latvia. The smallest number of working population in year 2003 and 2008 was in Kurzeme and Vidzeme regions (in year 2008 – 64.60%) but the highest number was in Pieriga region (Figure 5).

Most of the population over working age were in Vidzeme and Latgale regions but the smallest was in Pieriga and Zemgale regions. It means that the biggest part of pensioners live in Latgale (Daugavpils, Rezekne, Balvi, Kraslava, Ludza and Preili district) and in Vidzeme. It is one of the reasons why in Latgale and Vidzeme regions is the highest number of economically inactive population (those are persons who do not work or who are not involved in the labour market or have left the labour market due to various reasons). In the year 2008 in Latgale region were 29.2% of economically inactive population, but in Vidzeme region these people comprised 29.3%. This factor may disturb development of business in those regions.

It is important to recognize where the largest part of potential labour force of Latvia is concentrated. According to the data of the Central Statistical Bureau the highest amount of population under the working age is concentrated in Kurzeme and Zemgale regions, and the smallest – in Latgale region. The authors deduce that increase of population in working age in all regions of Latvia is comparatively similar but there are various changes relevant to population over and under the working age.

Based on previous research on density of population in Latvia regions (Table 1) the authors deduce that in Latgale region there is a great number of population and comparatively high density of population but the biggest part in it is comprised of population over the working age which does not promote economical activity in Latgale. But Vidzeme region which was a leader in year 2003 with the highest number of

![Figure 5](image-url)
population under the working age at the moment is in worse situation. The number of population under the working age has decreased 4 times and the number of population of working age is the lowest in the country. In Kurzeme is one of the smallest density of population but there is a great number of population under the working age. Similar situation is in Zemgale. It means that in Zemgale and Kurzeme live more young families with children. The young people can enhance economical activity in the region.

By analyzing the number of enterprises per 1000 persons in Latvia regions in years 2004-2007 the authors deduce that the biggest number of enterprises per 1000 persons are in Riga, Vidzeme and Kurzeme region. The smallest density of population is in Vidzeme and Kurzeme and a big share of Kurzeme population consists of persons under the working age. In Vidzeme region the number of children decreased in the last years although in previous years birth rate in Vidzeme was one of the highest. It means that in those regions are a lot of young persons who can promote entrepreneurial activity in region. It is proved by information in Table 2: there are 60 enterprises per 1000 persons in Vidzeme region and 55 enterprises per 1000 persons in Kurzeme region.

However in Latgale the use of human resources is the most ineffective. Despite the high density of population (23.9 persons per 1 km²) there is the lowest number of enterprises per 1000 persons comparing with other regions (only 48 enterprises per 1000 persons). It is determined by high proportion of population over the working age.

### Table 2

<table>
<thead>
<tr>
<th>Region</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Increase rate in year 2007, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riga region</td>
<td>52</td>
<td>56</td>
<td>61</td>
<td>68</td>
<td>30.8</td>
</tr>
<tr>
<td>Pieriga region</td>
<td>34</td>
<td>41</td>
<td>45</td>
<td>49</td>
<td>44.1</td>
</tr>
<tr>
<td>Vidzeme region</td>
<td>55</td>
<td>54</td>
<td>57</td>
<td>60</td>
<td>9.0</td>
</tr>
<tr>
<td>Kurzeme region</td>
<td>39</td>
<td>43</td>
<td>50</td>
<td>55</td>
<td>41.0</td>
</tr>
<tr>
<td>Zemgale region</td>
<td>39</td>
<td>44</td>
<td>47</td>
<td>50</td>
<td>28.2</td>
</tr>
<tr>
<td>Latgales region</td>
<td>38</td>
<td>40</td>
<td>44</td>
<td>48</td>
<td>26.3</td>
</tr>
<tr>
<td>Average in Latvia</td>
<td>44</td>
<td>47</td>
<td>52</td>
<td>57</td>
<td>29.5</td>
</tr>
</tbody>
</table>

Source: authors’ calculations with reference to the data of the Central Statistical Bureau, 2009

Efficiency of use of human resources and development of economics is characterized by GDP per person. Research on GDP in Latvia reveals that GDP has a tendency to grow. In year 2008 GDP per person was 7168 lats (in actual prices), in year 2002 – 2462 lats. It means that GDP per person from year 2002 till year 2007 increased 3 times.

### Table 3

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2006</th>
<th>Increase rate per 1 person in year 2006, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riga region</td>
<td>5 190 886</td>
<td>6 174 398</td>
<td>19.8</td>
</tr>
<tr>
<td>Pieriga region</td>
<td>1 008 529</td>
<td>1 467 991</td>
<td>44.1</td>
</tr>
<tr>
<td>Vidzeme region</td>
<td>563 908</td>
<td>733 130</td>
<td>31.3</td>
</tr>
<tr>
<td>Kurzeme region</td>
<td>965 196</td>
<td>1 149 313</td>
<td>20.0</td>
</tr>
<tr>
<td>Zemgale region</td>
<td>629 684</td>
<td>805 037</td>
<td>28.6</td>
</tr>
<tr>
<td>Latgales region</td>
<td>691 460</td>
<td>831 952</td>
<td>22.0</td>
</tr>
<tr>
<td>Total in Latvia</td>
<td>9 059 887</td>
<td>11 171 693</td>
<td>24.0</td>
</tr>
</tbody>
</table>

Source: authors’ calculations with reference to the data of the Central Statistical Bureau, 2009

Available data about year 2006 proves that in year 2006 the highest GDP per person was in Riga, Pieriga and Kurzeme regions while the fastest increment rate was in Pieriga and Zemgale region.

### Conclusions

1. The essence and importance of human resources have changed due to the development of economic processes. The importance of human resources is going to increase due to progress of the knowledge economics.

2. Demographical situation in Latvia is getting worse because of 2 main factors: decrease in birth rate and increase in emigration. As a result in all regions of Latvia except Pieriga density of population is decreasing.
3. From year 2003 till 2008 the number of population in working age in all regions of Latvia was comparatively similar, but there were relevant differences in population over and under the working age. It determines diverse involvement of human resources in business.

4. The most ineffective use of human resources is in Latgale because in spite of high population density there is the lowest number of enterprises per 1000 persons (48 enterprises per 1000 persons) in comparison to other regions of Latvia. It is conditioned by the high proportion of population over the working age.

5. GDP per person has increased in all regions of Latvia but the highest GDP rate in year 2006 was in Pieriga and Kurzeme region, however the highest increase rates were in Pieriga and Zemgale region.

References


В исследовании характеризуется сущность и развитие значение человеческих ресурсов в экономике. В настоящее время человеческие ресурсы выполняют новые функции в бизнесе, которые делает их движущей силой развития экономики. Авторы анализируют наличие и использование человеческих ресурсов в бизнесе. Целью исследования является изучение развития человеческих ресурсов и значения для оценки наличия человеческих ресурсов в регионах Латвии.

Демографическая ситуация в Латвии продолжает снижаться, и участие человеческих ресурсов в экономике в разных регионах различаются. В столице Латвии сосредоточено более 1/3 части населения Латвии, но в Латгальского региона наблюдают старение населения и низкую хозяйственную деятельность. Авторы анализируют использование человеческих ресурсов, плотность населения, численность населения в трудоспособном возрасте, количество предприятий на 1000 человек в различных регионах Латвии. С 2003 года до 2008 года численность населения в трудоспособном возрасте во всех регионах Латвии значительно отличались, но есть разногласия с соответствующим населением над и под трудоспособного возраста. Это определяет различный уровень участия человеческих ресурсов в бизнесе.

Наиболее неэффективное использование человеческих ресурсов в Латгалии, поскольку, несмотря на высокую плотность населения, существует наименьшее количество предприятий на 1000 человек (48 предприятий на 1000 человек) по сравнению с другими регионами Латвии. Это можно объяснить с большим числом населения, которые старше трудоспособного возраста.

Видземе была лидером в 2003 году с наибольшим количеством населения до трудоспособного возраста. Но на данный момент Видземе находится в худшем положении. Количество по численности населения до трудоспособного возраста снизилась в 4 раза, а число трудоспособного населения является самой низкой в стране. Но все-таки в Видземе фиксировано самое высокое экономическое активность.

Курземе является одной из самых маленьких регионов по плотности населения, но большинство населения - трудоспособного возраста. В Земгале и Курземе живут больше молодые семьи с детьми. Молодые люди могут посодействовать хозяйственной деятельности. Об этом свидетельствует количество экономически активных предприятий на 1000 человек.

Ключевые слова: человеческие ресурсы, бизнес, регионы Латвии.