

A KNOWLEDGE-BASED HUMAN-CENTRED GROWTH MODEL FOR LATVIA

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Abstract. A growth model for Latvia is presented. The main resource for growth is the knowledge and wisdom of Latvia's inhabitants, and the ability of each individual to make use of this resource. Raising the quality of life in every aspect for each individual is the main goal of growth. The collective knowledge of the people must be used to achieve this. In achieving this goal we must make use of coordinated and balanced development of each aspect of life, taking into account the unity of activities and the expansion these activities beyond frameworks of individual sectors, institutions, formal state structures and across borders. The model has been approved by Saeima (Parliament) in 2005. Several activities have been started to implement the model.

Keywords: knowledge, development, growth model.

1. Introduction

Latvia has achieved a great deal; it has restored independence, established a stable democratic system and a fully functional, liberal and open economy, it has successfully integrated into international structures.

Its achievements, however, have been centred on the most immediate needs of the country and overall development has been insufficiently consistent and coordinated. Strategic concepts and programs in various sectors have not been linked, balanced and co-ordinated, and thus have not been efficient during their implementation.

It shows an urgent need to solve several interlinked strategic problems (fig 1):

- to define real available resources for Latvia's further sustainable development;
- to set long-term development goals that are clear and understandable for anyone;
- to accept basic strategic principles for achievement the set goals using the available resources;

- to define central kernel of the triangle (resources – goal – strategy) to ensure strong unity and cohesion of apexes of the triangle.

Lack of such unity can be found as the most serious weakness of the Lisbon strategy [1].

De facto it means need to elaborate unified and comprehensive model for Latvia's long-term development, including economic, social and political issues.

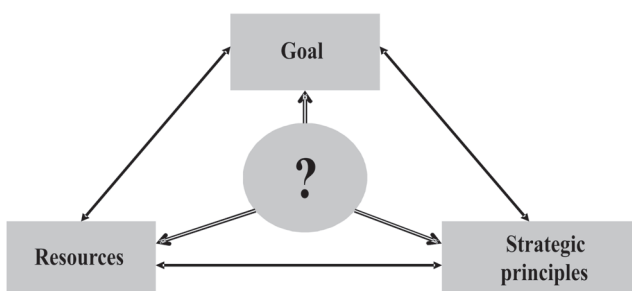


Fig 1. Necessary unity of goal, resources and strategic activities

2. Knowledge as the basic resource for development

Determination of existing resources and their adequacy for long-term activities of course is the first task for any strategy. Natural resources cannot serve as a long-term foundation for the Latvia's development. A cheap labour force certainly cannot be seen as a basis for the further growth of welfare level.

The most important resource for Latvians is the level of knowledge and wisdom, their ability to put this knowledge to use. In such a growth model, knowledge is the driving force behind the quality of the labour force, the use of capital and the development of technologies. Economy becomes based on innovation and the creativity in jobs, on new labour methods and relations. An educated and knowledgeable society serves as a guarantee for a country's domestic and external security.

Can this resource serve as a foundation for growth?

Analysis of global development shows, that only two countries have radically changed their position in the global welfare rating from survival level to welfare level (fig 2). Both Japan and Korea based on knowledge-intensive model, using various tactics and instruments. Ireland and Finland also were very successful, although having better initial positions.

But there is another lesson too. Stochastic knowledge flows cannot ensure success, intellectual activities in all areas of life have to be coordinated and directed. Knowledge management, co-ordinated and targeted development, accumulation, sharing and utilisation of knowledge as a complex process serve as a *modus operandi* on a national and regional scale, as the cornerstone of economic and social life (fig 3). Strong and purposeful national growth strategy becomes a prerequisite for knowledge-based development.

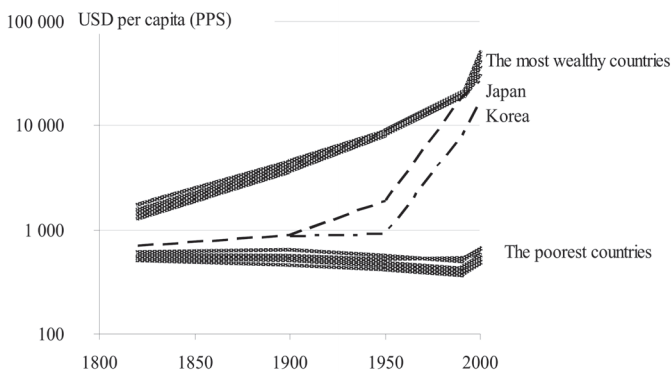


Fig 2. Knowledge-based development and welfare level

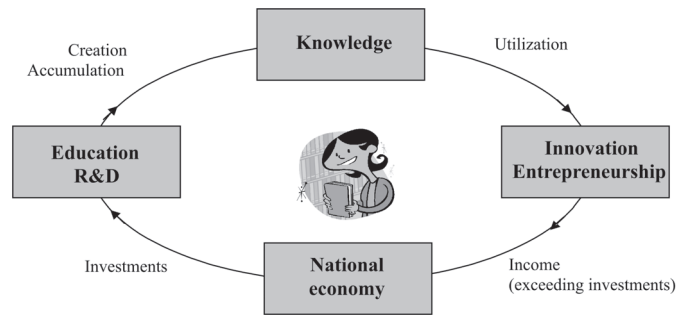


Fig 3. Knowledge for development: turnover and positive feedback

Is Latvia's knowledge potential capable to ensure performance of growth functions?

Latvia has understood the significance of educated people and people have concluded that education is the gateway to welfare. Total public expenditure on education in Latvia (fig 4) is a substantial component of the national budget (let us remember that Latvia's taxation rates are the lowest in EU!) (*here and further statistical data of the Eurostat are used, without special remarks*).

Percentage of population aged 20–24 having completed at least upper secondary education (2005) is 81,8 % in Latvia (77,3 % in EU25). Number of enrolled tertiary students in Latvia in 2003 was 5,16 % of total population (3,68 % in EU25).

Unemployment rates for highly educated people are three times lower in comparison with persons having only primary education (fig 5); at the same time average salaries are two times higher. Number of adult persons who have participated in some form of education, training or learning activity (formal, non-formal or informal) is increasing year by year (in 2004: 9,1 % of adult population aged 25–64 in Latvia, 10,3 % in EU25).

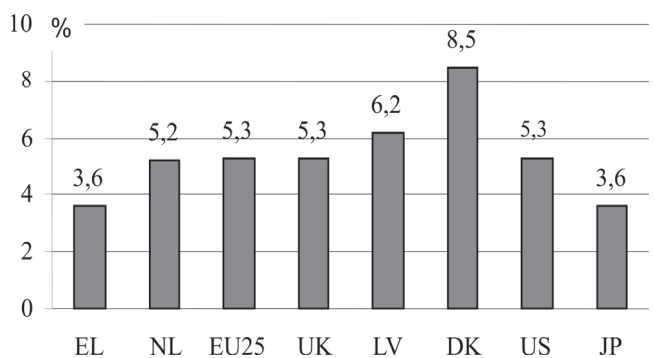


Fig 4. Public expenditure on education as percentage of GDP (2003)

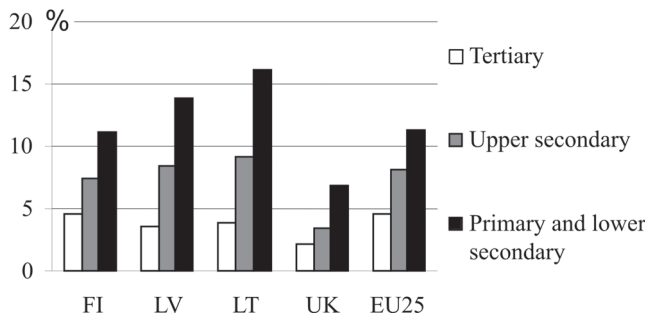


Fig 5. Unemployment rates of the total population by level of education; population aged 25–59 (2005)

All these indicators clearly show that Latvia perceives the knowledge-based society of the 21st century. The knowledge potential of Latvia's people is capable to be the basic resource for future growth. Many countries may have the option of several developmental paths and choose between them. Latvia has no other alternatives.

Of course, this essential human resource has to be developed, expanded and modernized that requires direct and permanent investments. And much more motivated and coordinated activities are necessary to be successful and competitive.

3. Human – the central figure of the model

If knowledge is accepted as the decisive resource, then it follows that human beings, as the creators and carriers of knowledge, are and will increasingly be the most important factor in Latvia. People are becoming the primary driving force and asset for growth, and they have everything to do with economic, political and social activities that are implemented. Both principles, the creation of equal opportunities for all and the promotion of each individual's responsibility to make use of these opportunities, serve as the cornerstone for all processes and activities that are aimed at ongoing development.

But there is an additional extremely substantial strategic particularity that is consequential from selection of knowledge as the basic resource.

State does not possess this resource. Stakeholders in this resource are all citizens of Latvia; each person is a sole proprietor of some portion of the common resource. Latvia's main resource for future development can be utilized effectively only by all persons who live and work here, by common unified and synchronized efforts of all citizens. And each person must have motivation to utilize his knowledge

resource, to share his intellectual property with other people in order to achieve some benefits.

A self-evident conclusion is: selection of knowledge as the basic resource directly leads to human-centred developmental model. Person is becoming the centre of the whole development process, the development goals have to be interesting for human first of all. Development that is based on human capacity should be targeted to human-centred goals that are understandable for everyone and correspond to the interests of humans.

People should be the focal point of the Latvia's policies – this clause really can be evaluated as a golden thesis of the growth model.

The foundation of the future society includes the principle of equal opportunities and participation, involvement of all members of the society and minimisation of exclusion and isolation, the social cohesion. The principle of equal possibilities and partnership for everyone, including remote regions and socially disadvantaged groups, is the basis of the knowledge-based society. Not without the reason the United Nations has recognized exploitation of the human knowledge potential as the basis for achieving goals of the UN Millennium Declaration [2].

4. The basic goal – increasing quality of life for everyone

Do the existing various developmental strategies correspond to interests and desires of individuals? Do they can motivate each person on active, even unselfish work in the name of future benefits? Do they involve everybody in the developmental process? Apparently the answer is *not in full*.

Existing models are primarily oriented on state level. Observation of the interests of the state, its increasing competitiveness are the most typical goals. Humans' interests are represented, but as the secondary function. This approach should be appreciated an out-of-date interpretation for 21st century knowledge-based development.

Implementation of the growth model requires that the interests of individuals (stakeholders of growth resource!) have to become a priority. The approach must be easily understandable; it must encompass common goals and tasks that at the same time coincide with every person's and all strata of society interests. Only in this case we will ensure rapid and stable movement ahead, only a clear understanding of the goals will motivate society to cooperate in the pursuit of achieving them.

What are these values and benefits that are interesting for each person and that could be nominated as the goals for long-term development?

Regular Eurobarometer’s surveys show the basic priorities of the humans; really they have been visible during development of mankind (fig 6) [3]. They have focused in desire to increase welfare level (material, health, etc.), to guarantee safety for himself and his relatives (employment, physical, social, etc.) and to ensure better life for his children and grandchildren (housing, environment, etc.). Competitiveness, most dynamic economy and other popular slogans really are not priorities for majority of people.

Welfare is an issue of great importance, material welfare is closely linked to other aspects that form the overall level of someone’s true welfare. If the welfare of society and individuals is to be enhanced, government policies and aid must be merged with each individual’s desire to live a better life, as well as that individual’s understanding of what needs to be done to achieve a better life.

The issue of security is an historical because of Latvia’s strategic and geopolitical situation, and important for domestic reasons as well (including insufficient unity of society). Both domestic and external risks attract resources and hinder development in areas where sustainable processes are important. This means that there must be a constant survey of potential risks, which might hinder growth. Their effect must be minimised.

Sustainability must be the lifestyle of this generation, while opening up new opportunities of existing and growth for future generations. Balanced development is a mandatory component in the long-term growth model. Only sustainable development will help to ensure a reduction in the gap between Latvia and leading EU Member States.

Welfare, security and sustainability – these values are vital for anyone, they together form human’s quality of life in the broader sense of this concept. It is deeply human to want a better life and to see the quality of that life grow. These are priorities for individuals and, by extension, of entire societies. The individual’s quality of life merges with that of the entire nation. Therefore quality of life can be defined as the general long-term goal for development of Latvia.

In the context of the overall growth model, the level of welfare and security, the sustainability of growth processes and, by extension, the overall and high level of quality of life as a multi-dimensional concept will all depend on a series of closely linked both internal and external aspects (fig 7).

Only an informed individual can obtain an education, develop knowledge and skills, and be active, he/she is prepared for risks and threats, and that means that he/she is at least partly protected against them. Education is no longer a matter of personal choice; it is a key economic and political factor. Highly qualified specialists become the strategic potential of any country, but creativity (including science, R&D, innovation, ability to suggest ideas, which can be used in commercial terms) becomes a major driving force of growth in any area of human activity.

The issue of employment has changed as well because a knowledge-intensive economy and an increase in labour productivity do not mean an automatic increase in the number of good jobs.

Quantity and quality of human resources is the first rate significance for human-centred growth model, the life, health and working capacity of every individual becomes of public importance. Households are closely related to these aspects, they are no longer just living spaces, they are also virtual workplaces where many people do their work.

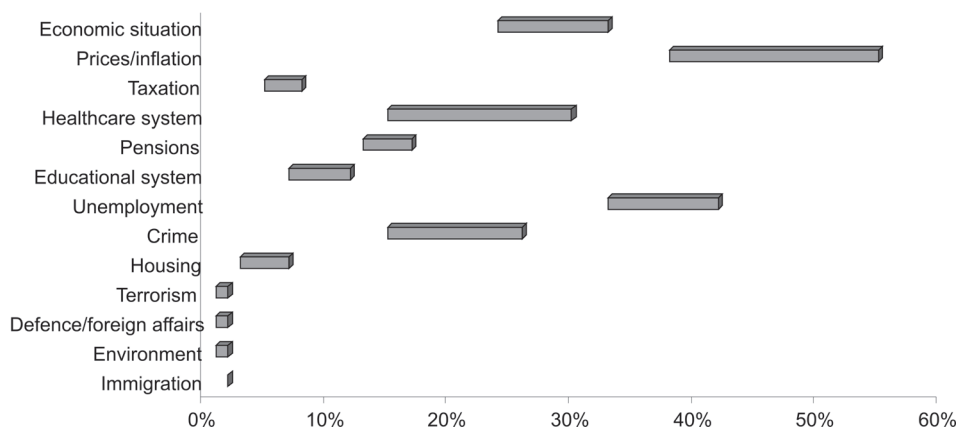


Fig 6. The most valuable issues for Latvians; percentage of respondents (2004–2005)

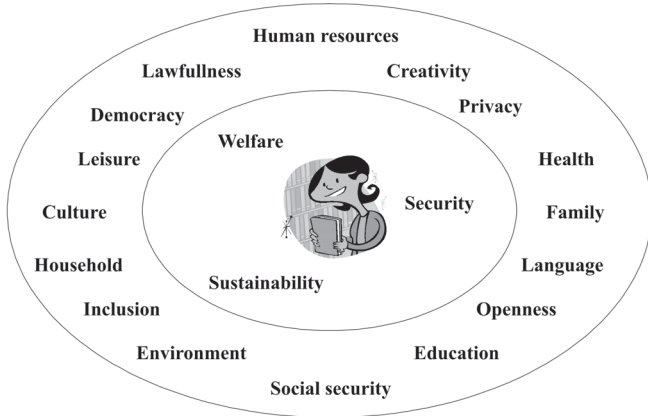


Fig 7. Quality of life as the goal for development: aspects

The family is the cornerstone of our society, and it plays an enormously important role in generational solidarity and consolidation of the society. On a large scale the cohesion of society reduces the stratification of society on the basis of the principle of equal opportunities and participation, involvement of all members of society, obtaining benefits by each and every individual.

Increasing level of participatory democracy is in line with the level of knowledge that has been accumulated in society. A high level of interior security, people’s physical safety about their health, their life, their self-respect, their property on the street, at home and at school depends both on people obeying the law and on their close co-operation with the public. The level of personal security and the right to privacy represents a permanently varying compromise between human rights and the availability of personal data among state administration for provision of public services and fight against threats.

High level of education in a society, economic and political potential and activity, solidarity among various groups in society, as well as public diplomacy promotes stable and good foreign relations in the long term and the ability to integrate into global processes and to make use of objective trends in pursuit of development.

Inclusion in processes, the importance of one’s own self, subsidiary approaches to governance and decision-making, participation in non-governmental organisations results in individual psychological welfare and creates trust and belief among the individuals that his interests are being taken into account and that gains are being divided up justly.

Preservation of the national identity is particularly important for each country to engage in purposeful work in the EU’s multi-cultural and multi-language

environment; nevertheless it also means cultural heterogeneity. Support for the national languages is critical (especially for languages that play a small role in the global information space), at the same time the ability to speak the world’s *big* languages, meanwhile, is expanding more and more.

List of aforementioned aspects is nor a dogma, it should be considered as an illustrative one, it of course, is not a strict and perfect compendium. Some of aspects could be combined and some additional aspects could be added.

5. Basic principles of the growth strategy – general inclusion and unified activities

What would be the basic principles for strategic activities to achieve increasing quality of life for all population utilizing knowledge potential?

In order to be successful, development process, trends and activities must be understandable and acceptable for all society. Awareness must be created that this process benefits everybody. Much more, to everybody should be provided an opportunity to participate in the process, to use the knowledge at work and everyday life, ensuring increase of his quality of life. All strata of society must work in concert to achieve common goals, in order to build confidence in the prospects of future growth. Participation of everybody, general inclusion of all citizens is not only nice social slogan; it already becomes a strategic postulate, a principal prerequisite for development (so-called knowledge *mass-production* and *mass-usage*) [4]. Exactly this is a reason for the strong accent on inclusive activities in knowledge-oriented strategic programmes.

Upon decreasing the level of skills necessary for participation, precluding the remote effect, minimising the price for services, as well as involving also the senior generation and people with special needs, it is possible to preclude the formation of the *digital divide* that splits the society into the *knowledge rich* and the *knowledge poor* strata. At the same time, it is necessary to increase responsibility of every individual for himself/herself as a member of the society.

All of the aforementioned aspects must be enhanced in pursuit of a higher quality of life for people (let us remember 2,3 millions stakeholders who, naturally, have different priorities!). The overall level is critically dependent on those aspects, which have not yet been sufficiently developed. The principles of co-ordination and correlation must be kept in mind very strictly, and

only if all of the aspects are improved in an even and balanced way will there be optimal increases in the quality of life. No one aspect must be ignored. Investments of financial and material resources in the exaggerated development of a single aspect will also do very little to enhance growth in the overall quality of life.

Observance of the networking principle is another important issue. Growth process in any country is a part of a vast network – all aspects and activities are mutually linked within the countries and within the EU, while each country is included in a European and global network of countries. Each activity should be linked to similar activities in other countries, stronger network partners means much stronger network as a whole.

All of the steps that are to be taken and the utility of each step must be assessed with an awareness of their effect not only on a single aspect. They must have a positive influence on other aspects, so as to achieve the effect of synergy. Harmonised and support activities must be mutually interlinked, and contradictions must be eliminated. Particularly important are those actions, which simultaneously promote the development of several aspects.

Seclusion and gate keeping working style is one of characteristic our strategic mistakes. Success will be impossible if each sector avoids the others, if the work happens only in one country. We must ensure that each activity is expanded past the framework of the relevant aspect of quality of life, beyond the frameworks of the sector, the branch and the ministry, beyond the formal boundaries of the state. In a network-type co-operation model, we must pursue the strategic principle of boundary spanning. We must seek out the relevant instruments – dissemination of knowledge beyond the frameworks, boundaries and frontiers of the institution, the sector and the state, inter-sectoral co-operation and co-ordination, including informal partnership mechanisms.

All in all, this refers to the principle of active co-operation, changing the essence of the frameworks and boundaries to make them softer, more transparent and more porous, enhancing the activity of operations in border regions in particular. Activities in various environments, in various segments of society, in various systems, cultures and languages are of decisive importance in growth.

Using this strategic foundation (i.e., inclusion, balancing, networking and boundary spanning) and considering all aspects of a common and unified goal for the future government in co-operation with

professional associations and non-governmental organisations must draft and implement detailed strategic concepts, programmes and plans for the development of the various sectors and growth paths. They must define concrete criteria, actions and instruments that are necessary to achieve the set goals.

6. Implementation

The growth model (fig 8) has been approved (by unanimous decision, that means real national harmony) by Saeima (Parliament) in October 2005. Implementation of the model has been started in several directions.

First version of the draft of National Development Plan (2007–2013) was approved by the Cabinet of Ministers in January 2006. Essence of this middle-term document coincides to the development of the model. It is directed first of all to acquisition, sharing, creation and usage of knowledge, on fostering educated, knowledgeable and creative individuals. Therefore basic accents are put on knowledge acquisition (education from kindergarten till doctor degree), creation (science, R&D and innovation) and utilization (development of innovative economy and products in all fields of the national economy).

The basics will be supported by evolution of issues to increase standard of living: healthcare and social system, employment, housing and environment, polycentric regional development, general participation and better governance, services of general interest and infrastructure. Public financing as well EU funding will be spent first of all to these priorities.

Quality of life index for Latvia's case will be elaborated by experts of the National Commission of Strategic Analysis. Unlike general models [5], this

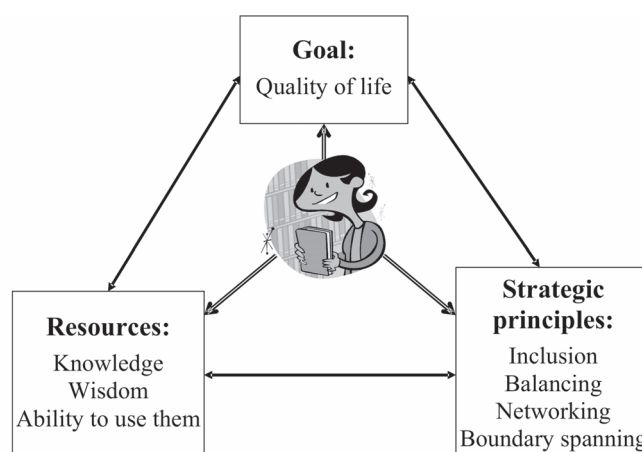


Fig 8. Knowledge-based human-centred growth model

index has to be based on priorities of Latvia's population and their densities in the index. The numerical index will be used for evaluation of the progress in quality of life.

Using the strategic foundation of the model, ministries and other administrative institutions, in co-operation with professional associations and non-governmental organisations, must draft, correct and implement detailed strategic concepts, programmes and plans for the development of the various sectors and growth paths. They must define concrete criteria, actions and instruments that are necessary to achieve the goals set out in this document.

All programmes and concepts must be aimed at a unified strategic direction. They must supplement one another in a way that promotes the implementation of the growth model proposed in this document. The management, co-ordination and balancing of all strategic concepts, programmes and activities will be the responsibility of the Cabinet of Ministers. To ensure coordination of all long-term, middle-term and short-term documents, related both to sectoral or regional aspects special *Law on Developmental Planning* will be elaborated under supervision of the Prime Minister Bureau.

7. Conclusions

World Summit on the Information Society has showed that the knowledge-based human-centred scenario is the most favourable one [6]. The orientation of countries to the application of knowledge allows to reduce and to make optimum use of raw materials and energy resources thanks to a qualified labour force, as well as to develop economic activities in all regions. The notion of sustainable development becomes reality; the current generation preserves and develops preconditions for welfare and even being of future generations. Countries gain greater possibilities for development and for bridging the enormous current gap between developing and developed countries.

We are looking to encourage vigorous and co-ordinated actions as well as harmonised and interested co-operation between government, business and the population at large. Future growth will become reality only in case, if all people will work in concert to achieve common goal. Exactly this is the essence of the growth model.

The creation and development of the growth model society is not and cannot be only a task for the elite of society. Everyone has to understand the underlying reality. Everyone should be given an opportunity to

go into the process as a fully-fledged participant, to use one's knowledge in the work and everyday life, to ensure increase of welfare level. The development of the country is an opportunity and challenge for everyone.

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