SECTION 1. THE DIGITALIZATION OF THE ECONOMY

DOI: https://doi.org/10.30525/978-9934-26-159-6-1

PROMOTION OF DIGITALIZATION PROCESSES IN THE ECONOMY OF LATVIA

Inna Stecenko
Dr.oec., Professor,
Transport and Telecommunication Institute
Riga, Latvia

Starting from the first decade of the 21st century, Latvian society has been growing rapidly and approaching higher standard of living. However, a number of social-economic problems, such as the reduction of population growth as a result of aging and emigration, slow the rates of economic growth. At the same time, the information and communication industry is gaining momentum. According to the Latvian Association of Information and Communication Technologies (LIKTA), the ICT sector takes an increasingly significant share in the gross domestic product and exports of Latvia. The turnover of the industry in 2020 was more than 3.7 billion euros, it accounted for 4.3% of GDP and the taxes paid by the companies of the sector, was 7% of the total revenues to the budget. The ICT sector is included in the top – 3 exporters among all industries of Latvia; it employs more than 37 000 people.

Table 1

The indicators of the active population of Latvia and the staff in the ICT industry

Indicators	2016	2017	2018	2019	2020
Total Active population 15–64 years	957,1	946,2	945,1	930,8	930,5
Percentage of the ICT personnel on total employment	3,59	3,84	4,15	nd	nd

Source: Central Statistical Bureau of Latvia, Eurostat

The data shows that, against the background of the annual reduction of the active population of Latvia, working in the ICT industry is increasing.

Latvia has defined the guidelines for the development of the information society of Latvia for 2014–2020 and further for 2021–2027 [3] and has represented the medium-term plan of development, developed by a regional working group coordinated by the Ministry of Environment and Development, consisiting of representatives of 12 sectorial ministries, as well as a number of other interested parties and private stakeholders, associations of ICT, chambers of commerce, local and regional authorities, local self-government bodies (Cabinet of Ministers, 2013a). The policy of development of digital transformation is required to solve the issues related to the decrease of the population, increasing the quality of services, etc.

It should be noted that the fundamental document for the preparation of transformational processes in the field of digitalization of Latvia is the report of the OECD "The transition to digital technology in a multilateral world" [4].

The document defines 3 hypothetical scenarios for the future, which allow assessing the country's future plans of action in the context of global trends. The three alternative scenarios are called:

"Me 2.0" (iChoose),

"Platform Governments" and

"Corporate Connectors", which articulate the vision of whether there will be a digital society of the future as self-organization, state control or influence of private corporations.

The report identifies the key features of three alternative scenarios, describing the hypothetical situations in 2035.

Vision: to create a positive and modern living space, based on modern technologies and the development of the ability of the society to form their own well-being and economic growth through the effective use and creative development of digital technologies.

The presented framework program of digital transformation is aimed at creating such a society, economies, and state administrations that purposefully use existing and create new digital technologies and the environment created by them, improving the quality of life of each person and society as a whole, improving national and economic competitiveness. Let's focus on the activity "Digital skills and education".

Vision: Digital skills and education got every resident of Latvia.

The opportunities to fully use digital space, tools, and related processes, thus contributing to the general well-being, due to the digital community and ICT.

It should be noted that high technological literacy has become part of Latvia's national identity, however, as the goal of this document is

indicated, – the provision of the opportunity to study digital content continuously and on an individual request.

Within the frameworks of activity "Digital skills and education" in Latvia, an approach to the level of knowledge of society, which is used to determine the objectives of policy, frameworks and education, has been developed. The document indicates the frameworks and goals for specific target audiences:

Level 1 – "Participation" – a basic set of digital skills and tools for everyone;

Level 2 – "Practical use" – digital skills for independent use by every citizen of digital services, applications, digital technological solutions for independent use;

Level 3 – "Provision of services" – digital services for those who provide services and to coordinate the provision of services in a digital environment in state administration bodies, local authorities, in public and private sectors;

Level 4 – "Construction services and systems" – digital skills for those who build, digital skills for those who develop and maintain ICT – platforms, systems, and digital services for state administration bodies, local and regional authorities, the private sector;

Level 5 – "Influence and profit" – digital skills for the ICT industry, universities, science – those who need a deep and greater expertise in the field of ICT for the implementation of large-scale and highly effective projects, implement projects with high impact and gain profit from the acquired digital skills.

Evidence of the Internet literacy of the population is the individual use of the Internet by the residents of Latvia, here, we see that the dynamics of users in e-commerce is increasing; however, it lags behind the average European indicator (Table 2).

Table 2

Internet purchases by individuals in Latvia and the EU,
Percentage of individuals, 2014–2019 [1]

Years	Number of items per individuals in EU, %	Number of items per individuals, %
2014	46	34
2015	49	38
2016	51	44
2017	54	46
2018	56	45
2019	60	47

Source: Eurostat, www.eurostat.eu

To assess the level of digitalization of the country's economy, it should be compared with the same indicator on average for the EU: thus, in 2014, the same indicator in the EU countries was 30% higher than in Latvia. According to the data in table 2, this dynamics persists in subsequent years.

The reason for the low indicators according to the results of the Digital Economy and Society Index (DESI), the European Commission shows that Latvian society, unfortunately, hasn't learned to effectively use the opportunities provided by technologies. Most of Latvia's population doesn't have sufficient digital skills, companies are also reluctant to use the opportunities provided by digital technologies to increase productivity or development of online – sales. Covid clearly showed the advantages of using the digital economy for business. Public and private structures should be actively involved in the education system, and only so in existing macroeconomic issues we will be able to maintain the growth of the country's economy.

References:

1. Eurostat. Available at: https://ec.europa.eu/eurostat/databrowser/view/tin00085/default/table?lang=en.

2. Central Statistical Bureau of Latvia. Available at: https://data.stat.gov.lv/pxweb/lv/OSP_PUB/START__IKT__EP__EPE/EPE010/table/tableViewLayout1.

3. Digitālās transformācijas pamatnostādnes 2021–2027 gadam. Available at: https://www.varam.gov.lv/sites/varam/files/content/files/digitalas-transformacijas-pamatnostadnes-_2021-27.pdf.

4. REPORT OF THE OECD. Available at: https://www.oecd-ilibrary.org/sites/a58d1c1a-lv/index.html?itemId=/content/publication/a58d1c1a-lv.